



Rural-Urban Linkages and Dialogue Series: 2nd Dialogue on Labour Markets

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Rural and Urban Labour Markets: What is Real, What are the Opportunities?



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1. ABSTRACT

With half of the world's population now living in cities, urbanisation is driving human civilisation and has been the key driver of prosperity in the past two centuries. However, many new migrants to the city find that their aspirations take years or even decades to materialise. Worldwide, as in Pakistan, new rural-to-urban migrants often live in squalid transient settlements with limited opportunities and poor living conditions, which they choose over worse poverty and lack of opportunity that they leave behind. Cities triumph through agglomerating people and ideas. However, information asymmetry about opportunities and services limits this potential.

Large cities act as centres of opportunity and attract workers from surrounding villages and smaller towns who move back and forth to seek work. Therefore, labour markets of large cities should be viewed as a continuum organised around an expanding circle with the large city at its centre. On the other hand, within cities, a lack of infrastructure limits access of the poor to opportunities. The availability of government services is also limited for the poor and depends on the level of poverty and the ability of the urban poor to organise and ask for their rights.

The Akhtar Hameed Khan Development Trust (AHKRC) and Research and Development Solutions (RADS) has established an urban laboratory to test development ideas by building participatory approaches and by connecting aspects of public and private sector through dialogue. The experience of the first two years of the urban laboratory is discussed in this paper.

AGGLOMERATION

Agglomeration means a collection or assembly. In urbanisation it refers to the collection of people in close proximity to each other. This allows individuals of diverse backgrounds to complement each other's skills and to develop opportunities (and therefore higher incomes that rely on specialization of labour

2. BACKGROUND AND CONTEXT

2.1. Urbanisation and Agglomeration – Untapped potential

Urbanisation has driven much of the progress in prosperity and longevity for mankind in the past two centuries. As people come to live in close proximity to others, they can also build on each other's' strengths and skills, and networks of specialization allow "comparative advantages" of individuals to be fully harnessed.

Pakistan is rapidly urbanising, although this is not fully evident from the preliminary figures released for the Census 2017. In part this relates to the differences in definition of "urban" used by each of the provinces. For e.g. Sindh has continued to use previous jurisdictions to classify rural and urban areas as they were during Census 1998; whereas Punjab and Khyber Pakhtunkhwa have applied the metric of classifying all locations with a population of more than 5,000 as urban. At some point – perhaps when all census data are available in a cleaned format – a standardised definition

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The definition of cities is ever evolving and is not standardised across countries. Agglomeration Index is an attempt at such standardisation and includes: 1) population density (>150/sqkm), 2) the population of a "large" urban centre (population of >50,000) and 3) travel time to that large urban centre. (under 60 minutes).

(for e.g. based on the Agglomeration index (inset)) may be applied to reclassify rural and urban locations.

2.2. Rationale for the Debate

In a previous dialogue (September 2016) themes of rural to urban migration, in the context of skill development and livelihood, were explored. In this year's conference, eminent economists and urban specialists discussed how best to conceptualise labour markets of cities.

Dr. Anjum Altaf, former Dean at LUMS, challenged the notion of distinguishing separate rural and urban labour markets, instead of one contiguous spectrum that individuals and communities engage in. The fundamental shortcomings in the existing rural (and urban) development approach are isolated micro-level interventions; low understanding of economic geography and its adjacent economic activity/zones that weaken as the districts (i.e. become more distanced) are separated from regional centres; inadequate attention on human and social capital building; and the myth that markets originate on their own vs. where you want them to be.

He argues that large cities receive workers that move between them and in adjoining cities or villages. This means that the labour markets of cities encompass smaller surrounding areas as well. On the other hand, limited public transport tend to limit mobility of the poorest workers particularly in spread out cities, thus essentially creating separate labour markets within a single city. Examples of Lahore and Rawalpindi validate that claim.

Dr. Hadia Majid, Assistant Professor of Economics at LUMS, talked about the limited scope of public sector services for poor urban residents and their impact. Dr. Adnan Khan talked about AHKRC's urban laboratory in Rawalpindi to test ideas in development and health, and enabling collective organization of urban communities for accountability and service improvements. .

3. OBJECTIVES OF THE RURAL-URBAN DIALOGUE SERIES

The goal of this series of dialogues is to enable a continuous debate among community residents, experts, implementers, researchers and academia on key issues of Livelihood, Education, Housing, Water, Sanitation and Health – derived from discussions with residents of urban slums by the AHKRC; to highlight and discuss salient policy gaps and actions needed under four main domains of Urban Governance and Performance, Finance and Resources, Planning and Connectivity, and Empowerment of communities to facilitate rural-urban migration as a driver of prosperity and liveability of cities.

The seminar series will explore the existing knowledge and the growing phenomenon of migration within Pakistan, document the missed opportunities and challenges in productivity transition and access to resources for rural to urban migrants along with the role of government, NGOs and informal networks in providing a conducive environment that impacts livelihood, education, housing and health. The seminar series aims at producing a set of policy briefs/working papers with recommendations for policy makers and urban practitioners to test out innovations and best practices in low income urban settlements.

4. KEY POINTS FROM THE FIRST DEBATE: RURAL TO URBAN MIGRATION

Urban poor are truly disenfranchised in terms of absolute numbers, decision-making into adequate service provision and feedback on service quality. They are not fully counted and therefore are not eligible for the few services that the government does provide. These include schooling, health, and infrastructure such as water, electricity or transport. These serve to further marginalise the poor in cities.

Many of the resources that the urban poor consume are also procured by them. In this regard they differ from rural poor who can sometimes rely on shared networks and resources that come from their families and community members. New immigrants to the city don't have such networks to fall back upon.

Beyond tangible resources, urban poor have limited connectivity to opportunity and capacity building, to job networks, to actual jobs due to scarce public transport and to housing since rights to land are not well defined, particularly in urban slums where owner and legal status of land is often disputed. As many of urban slum dwellers are undocumented, they have little political representation to redress their concerns.

5. THE SECOND DIALOGUE: ARE RURAL AND URBAN LABOUR MARKETS REALLY DIFFERENT

The 2nd Symposium on Urban Issues was organized by AHKRC on 22nd September 2017. The symposium was supported by the European Union via its SUCCESS Programme, being implemented by RSPN. The forum brought together development practitioners, government officials, civil society actors, and academics to discuss challenges of urbanisation and its various solutions.

With rapid urbanisation, the face of poverty in Pakistan is based in an informal settlement in a city. Many rural to urban migrants escape their abject rural poverty to find opportunities and solutions in cities. However, they also face many challenges such as poor quality housing and services, lack of access to jobs or opportunities and capacity building. Their transition to some level of prosperity in cities is long and one fraught with changes in their expectations and social norms – which is not an easy process. In this process they develop and build on their social networks to settle in their new environs. These networks are dynamic and are often rooted in their own villages.

Most of these processes are not well understood and while these migrants and their families have been undergoing these processes for decades, government, civil society and other actors have not fully been a part of solutions that can make the transition easier or the cities more liveable for their poorest residents.

In a conference in September 2016, some of the above-mentioned themes were explored. The discussions addressed the challenges of poor rural residents and the factors that force them to seek work in cities, some of the problems they face in the cities and the living conditions in informal urban settlements where they land.

It is proposed that this debate be extended to explore what solutions are people finding, how are these solutions limited and what areas of intervention are possible that build on these solutions found by the people themselves. This debate would be in the form of a plenary lecture followed by 2-3 presentations about urbanisation, its problems and solutions. The dialogue/debate will be attended by practitioners in development, government officials interested in poverty, civil society actors and academics.

5.1. Opening Remarks (Dr. Ayesha Khan, CEO AHKRC)

Dr. Ayesha, welcomed the participants and introduced the speakers.

5.2. Talk 1: Urban Rural Distinction (Dr. Anjum Altaf)

Dr. Anjum Altaf, Former Dean LUMS, spoke about the relevance of rural-urban distinction for addressing poverty. He debated that poverty work, whether catered to rural or urban populations, requires an understanding of the particular socio-economic dynamics and needs of the target community.

He proposed that we need to move away from rural-urban lens for designing poverty packages, and instead use the framework of economic geography. Economic geography refers to the concept of larger districts as regional hubs surrounded by and catering to smaller nearby districts/economic markets. Dr. Altaf gave the example of Lahore (i.e regional hub) with back and forth activity between Lahore and the surrounding districts of Kasur, Sheikhpura, Mandi Bahauddin and Gujrat. This inter-connectedness is less so between the smaller districts because the markets have not been developed to function that way. The regional economy starts weakening as the distance between regional hubs-districts exceeds 100 miles. For a province the size of Punjab, there should be at least 10-15 regional hubs with inter and intra-connectivity between smaller districts as well, to create thriving “economic zones” between cities and villages.

Talking about the economic strategy of Pakistan, he suggested that we need to adopt an integrated approach that optimizes the regional economies and incorporates the role of small cities and villages as one contiguous whole- from user of services (cities) to provider of goods and services (villages). Quoting the example of China, Dr. Altaf said that the economic policy (i.e. town village enterprise) the country followed in managing rural livelihood (and yet adapting to urbanisation and peoples quest for better lives) in the last several decades was “*leave the farm and enter the factory, not the city*”. To become truly competitive, Pakistan, at the national and sub-national levels, needs to re-strategize its macro-level economic growth policy is and determine the role of smaller cities in the growth process.

Moreover, growth has to be pro-poor, i.e. it has to create jobs while lowering the cost of services. These jobs should not focus just on the service industry or globally competitive markets, but should centre on rural industry to create opportunities for low-skilled labour in the country and this can be done at the village/rural levels. Dr. Altaf emphasized that Pakistan’s large population including its growing “*young age*” population can be made into our biggest assets by implementing right micro and macro-level strategies for, skills development; atomization of services; and diverse job creation that uses labour to improve the existing infrastructure, and optimizes the existing system to determine what kind of jobs do we need across four very diverse provinces.

For the policy makers, private sector and donor community Dr. Altaf proposed a holistic approach to addressing poverty in Pakistan as jointly devising a sound strategy for infrastructure investments and economic revitalization (preferably through local resources from government budgets, enhanced tax collections, and charity) rather than dependency on external aid only. Moreover, he said that the government needs to invest in infrastructure to create new market centers in smaller cities and decentralise resources and decision-making to districts to determine their own economic potentials.

This talk can be viewed at www.youtube.com/watch?v=YrdxCk1giyA&t=603s

5.3. Talk 2: Public Services and Urban Slums (Dr. Hadia Majid)

Dr. Hadia Majid, Assistant Professor of Economics at LUMS, shared findings from her field-research in urban slums in Lahore. She categorized the slums into four categories: notified, non-notified, peripheral and core. According to her research, average hours of load shedding in urban slums in Lahore correlates with the slum's influential status, which is dependent on whether the slum is located nearer or further from high-status residences. She concluded that state's responsiveness to issues of urban slums is dependent on two factors, i.e. the collective action or voice of the slums dwellers, and the socio-economic status of the slum. She also discussed how urbanisation impacts men and women differently and presents different challenges for each gender.

5.4. Talk 3: Dhok Hassu Urban Laboratory (Dr. Adnan Khan)

Dr. Adnan Khan, Director Research and Development Solutions (RADS), described the AHKRC's Urban Laboratory that was established in 2014 to explore bottom-up solutions to urban problems in Dhok Hassu (Rawalpindi, Union Councils 5, 6 and 8). The guiding principle is participatory research, and the methodology used by RADS and AHKRC was mainly qualitative research where focus group discussions were conducted with the community to identify their needs. Another major purpose of the urban laboratory is to provide a platform for collective action where the AHKRC enables and connects the government, NGOs, private sector and academia in trying out interventions to improve aspects of lives of the poor in cities.



In terms of importance of needs, economic/ livelihood needs, education of children, health, clean water and sanitation were identified by the community. Mobility of women outside their homes was also a major limitation although it wasn't openly expressed by the community women per se.

The laboratory has a core component of research and monitoring where annual series of surveys follows the same indicators, for reproductive health, family planning, economic status and women's empowerment.

In the initial dialogues with the government, it became apparent to the team that the population of the locality had grown considerably more than the government estimates of around 70,000. RADS conducted and verified a crowd sourcing based estimation of the population and arrived at approximately 235,000 population and 39,100 households, where the average household size is 6 individuals per household. Detailed estimates were also developed for each of the neighbourhood.

There are limited public sector but considerable private sector services available in Dhok Hassu. For e.g. there is only one government dispensary but 126 private healthcare providers that serve the community (76 that are physically located in the

community and 50 in adjacent neighbourhoods). There are 3 government/public schools and 116 private schools. While most homes receive water through city water system, most resident deem it unfit for drinking. For drinking water, they turn to bore holes and a few filter plants.

The most recent survey (December 2016) showed that approximately 35% women use some form of family planning, and of these around 33% use a modern method. Around 59% of deliveries are in a health facility or clinic – around half of these in a government facility.

As per the indicators used, women's empowerment is low in nearly all aspects except the availability of the Computerized National Identity Card (CNIC), which is available with 85% of the women. Fewer than half (43%) women report that their sisters are not educated at all, 46% feel that their parents would have supported their education. Only 38% of women report that they are consulted on household decisions such as children's education. Only 30% feel that they can leave home for small tasks – such as basic groceries - within their own community.

These data are granular to neighbourhood (muhalla) level and are published on AHKRC and [RADS](http://resdev.org/policy_briefs/index/page:3) websites (http://resdev.org/policy_briefs/index/page:3)

The AHKRC has also started a few strategic interventions. The first of this includes training local women who are not working but would like to, in entrepreneurship and counselling skills. They are then called Aapis (sister) and are given a grant of around Rs. 9000 in supplies that they can sell in their neighbourhoods. AHKRC helps with procurement of new supplies and with continued capacity building. Thus far 22 women have been trained and they report earning around Rs. 3000-9000 a month. This pilot was funded by the USAID.

In the next phase, the AHKRC (supported by a grant from the Government of Punjab's Population Innovation Fund – PPIF) is training Aapis to counsel for family planning. The National University of Science and Technology (NUST) is collaborating to develop a training curriculum to teach Aapis special behaviour change techniques to overcome fast, tradition based refusals and to re-cast family planning as a norm in these communities.

In another innovation, AHKRC collaborated with the Asia Foundation to assess the community's access to and perception of clean drinking water and attempted to connect these community members with duty bearers in government water department. The dialogue laid foundation for some lessons about public-private interactions and AHKRC will build a wider community engagement network based on the findings from this experiment.

This talk can be viewed at www.youtube.com/watch?v=xvKGZ6S8uO0&t=100s

5.5. Concluding Remarks (Mr. Shoaib Sultan Khan)

Mr. Shoaib Sultan, Chairman RSPN, shared insights on rural and urban development from his long experience of establishing the Rural Support Programs



(RSPs), and learning from his mentor, Akhter Hameed Khan in Comilla Academy and then later on Orangi Pilot Projects.

He highlighted how Dr. Akhter Hameed Khan learnt from Raiffeisen¹ the three principles of self-help, self-governance and self-responsibility and then translated them into establishing cooperatives in Bangladesh. Learning from Dr. Khan, he emphasized how the RSPs followed those same principles for collective organization of rural communities and establishing institutions of the people. He concluded the meeting by highlighting the importance of developing scalable poverty alleviation solutions that take into account micro-level interventions and not just wait for macro-level policy decisions.

¹ Friedrich Wilhelm Raiffeisen was the pioneer of rural credit unions and self-help cooperatives (1818 Hamburg)

ANNEX 1: AGENDASeptember 22nd (Friday), 2017

Time	Session	Responsible
9.00-9.30	Registration	
9.30-9.45	Introduction to the 2 nd Urban-Rural Dialogue Series	Dr. Ayesha Khan, AHKRC
9.45-10.30	Key Note - The Rural-Urban Distinction is Useless for Poverty Policy	Dr. Anjum Altaf, LUMS
10.30-11.15	Discussion	
11.15-11.45	Tea	
11.45-12.05	Session 1: Public Services and Urban Slums	Dr. Hadia Majid, LUMS
12.05-12.35	Discussion	
12.35-12.55	Session 2: The Dhok Hassu Urban Laboratory	Dr. Adnan Khan, RADS
12.55-1.25	Discussion	
1.25-1.55	Concluding Remarks by Chief Guest	Mr. Shoaib Sultan Khan, RSPN
2:00	Lunch	

ANNEX 2: LITERATURE REVIEW ON URBANISATION

1.1. Overview of Urbanisation and Agglomeration

After living for nearly all its history in abject and minimally changing poverty, mankind underwent a remarkable transformation – a 12 fold increase - in prosperity over the past 200 years.^{1,2} This was also associated with nearly 3 times longer lifespans and a 6 fold reduction in extreme poverty.² Much of this change was driven by specialisation of labour leading to more productive jobs,^{3,4} which became possible due to urbanisation. Cities allowed people to complement each other's skills and talents by affording physical proximity and numbers through a process of agglomeration.⁵ The agglomeration created not just ideas but also markets that absorbed the products of their work and built upon them; thus allowing innovations to be rewarded and therefore creating prosperity that has continuously built upon itself. This growth has continued to attract many of the poorest rural migrants to the cities.

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Once in cities, new migrants clustered in urban squatter settlements at the periphery of cities, where too many live too close to each other, leading to limited quality of life and problems of health. All too often these new migrants to cities don't have the specialisation or skills needed to earn higher incomes, which delays their transition to prosperity by a decade or more. Since the progress of this migration is uncoordinated and evolutionary, many of these new individuals remain un- or poorly documented and therefore underserved by public sector services such as education and health – which further limits their prosperity.

The purpose of this paper is to explore ways to build on natural advantages of cities while identifying means to mitigate harms of urban slums.

1.2. The Global and Pakistan Context of Urbanisation

Urbanisation is at historically unprecedented levels today, with 82% of North Americans and 40-48% of Asians living in cities (Index Mundi 2014). Pakistan is urbanising at 2.8% annually. The government of Pakistan states that using older jurisdiction based estimates 38% of its population now lives in cities,⁶ and is anticipated to increase to 50% by 2025 (Vision 2025). On the other hand, using more recent tax registry, night lights, geo-sensing data and the Agglomeration Index,⁷⁻⁹ the World Bank estimates that land in urban locales in Pakistan has increased by more than 3 fold since 1990; although a corresponding estimate of changes in populations involved has never been calculated. Around half of urban dwellers live in a slum.¹⁰

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1.3. Overview of Urban Poverty

Urban poverty is a multifaceted. While rural to urban migration offers poor rural residents the hope of a better life, the urbanisation process is not smooth. Most new migrants first land in squalid, unhygienic, overpopulated and poor urban slums where they encounter multifaceted poverty due to limited access to employment, sanitation, healthcare and

food; and the anticipated transition to prosperity and higher living standards takes years to decades to materialise.¹¹⁻¹⁴ During this time they receive few government services since, being undocumented, they are either not part of government plans or even considered illegal occupiers of government land.¹⁵ This exclusion may be higher in Pakistan land holding by the government is around 40%, some of the highest levels in the world.¹⁰

The burden of crime is also unduly higher upon the poor. Furthermore, their personal wellbeing and development are constrained by opportunity costs, lower ability to tolerate risk and a lack of social safety nets such as the extended families that they left behind in villages.¹⁶ Under these circumstances, these migrants rely on informal social networks to find jobs, learn new skills and to find social support for housing, education, health services. Many cut back on non-immediate needs such as preventive health services or longer term investments in their habitat, in order to meet more immediate demands such as food. In fact the close association of poverty with urban has led many scientists to erroneously view urban slums as drivers of poverty^{13,14,2117-19} and fraught with poor nutrition and health,²⁰⁻²⁵ rather than as a means to escape even worse rural poverty.^{15,26} Others have found that solutions to these social problems must be bottom-up/ community based²⁷ and must include women in the proposed solutions with a more nuanced role for the government.²⁸⁻³⁰ Regardless of cause, many of these social factors impose opportunity costs on migrants (e.g. giving up work to tend to children/ elderly) and penalise specialisation.¹⁶

1.4. Opportunities and Challenges

While cities offer potentially higher incomes and better lifestyles, much of these depend on the newly migrant workers achieving higher levels of productivity. This productivity of new migrants depends on their connections to markets that include specialised workers, potential employers and innovators. The process is often slow and fraught with missed opportunities. Productivity of cities is directly related the size and diversity of their employment markets,³¹ available human capital (that complement each other), diversity of employers to absorb skilled employees²⁶ or to break monopsony of a few employers and the mobility of certain employees, particularly women.³²

All too often all of these opportunities happen nearly entirely through the private sector that caters to the “bottom of the pyramid” markets in urban slums.³³ Public sector services are often not available: either because urban slums are under documented (and therefore services are provided planned and funded for too few recipients) or considered illegal where the public sector seeks to evict residents of urban slums. For e.g. at the beginning AHKRC’s work in Dhok Hassu – an urban slum in Rawalpindi – government officials told the AHKRC team that the total population was around 70,000, when on mapping, the actual population came out to be around 195,000. Any services planned by the government would have been insufficient for 2/3rd of the population.

Another issue is that Pakistan has not had a census since 1998. At the time, government judicial categories were used to demarcate urban from rural areas. At the time both the population and area that was urban in Pakistan were considered to be around 35%. In 2015 area that is urban has increased by 300%,¹⁰ it is highly likely that urban population is now considerably more than 35% that is cited by government planners.

1.5. Issues to Address

Lack of Empowerment is a hallmark of urban poor. They have limited access to government or elected officials. This limitation is compounded by the fact that the fact that many urban slum dwellers are mobile with limited time spent in any one home. This curtails their ability to develop social networks with their neighbours. All of these factors mean that

they can't or don't demand sufficient services from the government nor can they hold government officials **accountable** for services that are not delivered.

Resource deficit means that poor urban residents who must rely on privately procured services in absence/ paucity of government services. Since they have limited purchasing powers, the markets that operate in urban slums are small and sparse, leading to both insufficient services and an inadequate assortment of choices to select from. This in turn leads to monopolies/ oligopolies in services and therefore higher costs and poorer quality. These limitations further impoverish these already poor citizens.

Connectivity is limited for the urban poor. Most Pakistani cities have poor transport options within or between cities. Nearly all public transport is through small private operators with little or no public sector run/ sponsored mass transit. Even when there is mass transit, as is the case of Lahore, Rawalpindi and Islamabad, its reach is limited and it misses many of the poorest locales.

In the AHKRC study, lack of easy or affordable transport to other parts of the city was the commonest reason that prevented residents of Dhok Hassu from seeking opportunities in the city. Some of those that work in salaried positions in other parts of town described traveling for up to 2-3 hours a day and spending 10-20% of their incomes to commute for work. In addition, many of the roads in urban slums are too narrow to allow cars to pass, let alone park. The lack of a transportation infrastructure is felt most acutely in urban slums.

Given that many urban slums are considered illegal and the fact that many new urban migrants are transient, few have **rights to the land** they live on. Since land in cities is scarce, it is more expensive than in rural areas, making **housing** in urban slums expensive for their dwellers. This problem is compounded by the issue of land rights and regulatory hurdles that make it both difficult to transfer land ownership and to prove it in case of dispute. Few jurisdictions have computerised land registries and legal documentation is very costly for many poor slum dwellers – at least in part due to “off books” payment that are required to move processes. This crisis of housing is exemplified by the fact that not only the poor but many middle class residents in cities don't own their own land.¹⁰

Urban Planning requires accurate counts of population and of services and resources. Since many of these areas poorly documented, such accuracy does not exist. For e.g. in Dhok Hassu, only around a third of the population is officially on government lists. This under-documentation has far reaching costs. Since people are not documented, they seldom have **voting rights** in their place of residence and disproportionately fewer elected representatives. In the larger scheme, this may even tilt the **electoral power balance** in favour of rural areas and richer areas of the city compared to urban slums.

Lack of urban planning most acutely felt in **services** such as education, health, sanitation and utilities, which are underfunded and infrastructure such as that for utilities is left insufficient. For e.g. in Dhok Hassu, AHKRC found that there are 3 government schools and 2 government dispensaries for a population of nearly 200,000. Sometimes the lack of government services is made up by private initiative. There are 125 healthcare providers and 116 schools that serve the population of Dhok Hassu, however, their quality is uncertain.

Even when government services are present, as is seen for lanes, nearly all of which are paved and lined by paved drains, the quality is poor. The paved drains are open (to avoid clogging of poorly designed drains that often run against the gradient) and it is unclear if they offer any advantage in preventing **sanitation** associated infections such as diarrhoea among children over a more primitive sanitation infrastructure.

As with much of Pakistan, both **electricity** and **water** are “load shedded”. Electricity is often interrupted for 6-10 hours a day and water for over 22-23 hours, if its let through at all and is of poor quality. The lack of continuous supply of electricity and water imposes costs onto residents of slums who must pay to access these utilities – either by building private reservoirs for these such as residential uninterrupted power supply units (UPS) or residential water reservoirs at great costs, or go without these necessities for long periods of time.

Problems of **congestion**, of land and housing markets, labour markets, roads and congestion, basic infrastructure, pollution, disease and crime go beyond the simple metric of too many people in too little space. The close proximity of people not only agglomerates opportunity, it also creates problems and limits solutions. Crime for example is much higher among in urban slums – perhaps due to confluence of poverty, need, easy access and poor enforcement of laws. Diseases such as diarrhoea, pneumonia, polio are easily transmitted among closely living residents. Lack of utility infrastructure means that people are affected by their neighbours’ garbage.

Pakistan faced a number of **natural disasters** in the past decade that mostly affected rural areas. On the other hand, **climate change** mediated weather patterns have brought increased stress on cities. Overcrowding and poorly designed infrastructure have meant that many cities such as Karachi and Lahore have been regularly disrupted with monsoon rains which closed entire sections of the city and were followed by epidemics of sewage related diseases as rain water mediated mixing of drinking with drain water. Appropriate planning based on evidence to drive planning decisions will mitigate some of these “predictable” problems, but will require investments in the ability to track the population and their needs.

Economic motives underlie migration to cities. As discussed, poor and limited job markets limit the gains that individuals or the country may accrue from such as migration. For these to be overcome, it is imperative that **agglomeration economies** including the nuances of the labour markets (perhaps different for each city), types and diversity of skills needed in the city, what means exist to build and absorb capacity/ skills, scope of economies of scale, particularly when providing services to a very large number of closely clustered individuals are all unanswered questions. Some of the questions that must be asked is that if so many people live so close to each other and buy many of necessities such as food and utilities privately, then just provision of these staples – even at very low costs - should provide great opportunities for businesses; so why aren’t businesses stepping into the opportunity to make a profit for themselves and providing employment and services to the residents.

Another aspect to consider is the macroeconomic picture at the country and city level. The types of particular employment that are available in any city vary widely. Karachi has a large service sector along with some manufacturing. Faisalabad has manufacturing and other factory level employment. Rawalpindi on the other hand is predominantly services/administrative sector with a preponderance of government jobs. The nature of these jobs, the types of skills needed for these and level of difficulty new entrants face to enter these jobs also vary considerably. Additionally, Pakistan has experienced a net reduction in the contribution of manufacturing towards GDP,¹⁰ making service sector jobs the primary driver of employment in cities. Since the level of skills required for services is higher than for basic manufacturing, this situation limits options for low skill migrant workers. The situation is comparable to that in the Middle East where low skill jobs have diminished and Pakistan migrant workers to the Middle East have suffered.

1.6. What is Known and Unknown

In 2015-16, the AHKRC (in collaboration with Research and Development Solutions, a research group), conducted a series of surveys and estimations for Dhok Hassu, a well-established urban slum in Rawalpindi. Aspects of these assessments can illustrate some key issues in urban slums.

Dhok Hassu comprises of 3 union councils and has a population of 194,250 (population density: 142,000/km²; at par with some of the densest localities in the world. However, government estimates had suggested a population of around 70,000. Vaccinator records from UNICEF, WHO and government teams had suggested at least 130-140,000 population from households with families (excluding households comprising of single men or couples without children); however, compiling this would have required collating information from the 3 union councils. This had not been done.

Around 47% of households rent and 71% are nuclear families. 41% of women are illiterate and only 7% of the women work (half of these from their own home). 44% cannot leave home alone, 51% can only visit a neighbour, 44% can go to a local store, 37% to a health facility and 28% require getting permission prior to leaving home each time. Only 7% feel that they can freely go outside without ever asking others for permission.

Residents identified around 125 healthcare providers that they visit, although around half of these fall outside the geographic limits of Dhok Hassu. Of these 42% are medical doctors and 40% are either hakims or homeopaths. All but 3 are in the private sector. A few patients – all government employees – go to nearby large government hospitals. For most part all residents can access and afford some healthcare, although they dissatisfied with its overall quality. Most care sought is for medical treatment of ailments, preventive services are rare.

Contraceptive prevalence rate is 23.1% with mostly condoms. Around 25% of providers said that they currently provide FP services, while 11% provide birthing services. 41% of the deliveries happen at home, 33% in a government and 26% in a private hospital. Survey shows 85% vaccination coverage although there are pockets of high vaccine refusals (usually in neighbourhoods with mostly recent FATA and Afghan migrant) and polio was identified from environmental samples in 2015.

There are 115 private and two government schools. Most schools are for the primary (<5 grade). Most residents strongly support education for both male and female children. Parents would prefer to enrol children in the two government schools in the vicinity; however there is limited space in these. Many residents take their children out of school after primary or secondary levels due financial constraints. While there is a general aspiration of connecting education with opportunities, there isn't yet a manifest preference or even identification of quality of education.

Crude estimates place unemployment rate in Dhok Hassu at 32%. Amongst those who are employed, informal employment/ day jobs/ manual labour are the norm and 95% of the jobs are non-specialised. Consumption data suggests that at least family households fall within 40-80th wealth percentile for Pakistan and total consumption for the entire locality would be around Rs. 2.1 billion.

Many respondents report facing sanitation issues regularly. 78% homes have toilets connected with public drains. Nearly all streets are paved and are lined by constructed drains that are open. Residents report frequent blockages and overflows of these drains. The city government collects trash from major streets but few smaller streets are serviced or have local committees to manage them; 36% of homes simply throw their trash out. They also report that government sanitation workers usually demand off the books payments for services. Moreover, sewage pipes run parallel to the water pipes, with the possibility of

contamination of water supply. While they understand and describe the lack of sanitation, they seldom connect this to the very common child diarrhoea: 48% of children have had at least one diarrhoeal episode in the past 12 months

1.7. Knowledge Gaps

Urban growth has been well-studied in developed settings and with the exception of China and India is not well understood in most developing country settings including Pakistan.²⁶ Our proposal seeks to address these missing information gaps on how Productivity transition of workers, their human capital (education, skills) and the impact of their social and professional networks (how social or professional networks that attract rural workers to particular cities, help establish and live, allow capacity growth through knowledge spill overs), urban employment markets (diversity, level of specialisation, volumes at which they operate, extent, efficiency and means to which migrants connect with markets), reasons for, types, patterns and particular reasons for delays in specialisation of urban migrants are poorly understood in developing countries. Similarly, availability of social services can help (e.g. family support for work or mobility) or impede productivity (e.g. giving up work to procure water or healthcare) of workers. These services are often provided by local low-level entrepreneurs; usually at high costs due to limited/ inefficient service markets,²⁶ since squatter settlements frequently outpace formal policy and the ability of public sector. By better understanding of how these trade-offs and factors impact productivity transition can help devise programmes (market-based, philanthropic or public sector) to accelerate workers' transition to higher wages and improved lifestyle - leading to economically stronger cities like in developed countries.

South Asia's urban population including Pakistan is poised to grow by almost 250 million people by 2030.¹⁰ If recent history is any guide, this increase in rural to urban migration can propel the region toward greater economic growth, prosperity and liveability in its cities, and join the ranks of richer countries. Urbanisation thus presents countries an opportunity to transform their economies through agglomeration of both people, skills and enterprises in its cities, improve productivity and spur job creation, especially in manufacturing and services.

According to official government estimations (the last census in Pakistan was in 1998) approximately one-third of the 188 million people live in urban areas. However, using the Agglomeration Index, an alternative measure of urban concentration, the share of Pakistan's population living in urban areas was estimated to be 55% in 2010 and is rapidly increasing.¹⁰ By 2025, Lahore's population, currently about seven million, will exceed 10 million and Karachi's is between 20 and 25 million, up from its current 13 million. But how can the country cope with such migration levels? The inadequate provision of shelter to the urban poor continues to be one of Pakistan's most immediate problems followed by immense pressure on basic urban services including clean water, energy, education, health and pollution.³⁴

In the long term, successful urbanisation drives prosperity nationwide, including in rural areas as cities become engines of economic and social development. But these positive trends can be undermined by chaotic urban population growth and absence of planned urban management by policy makers and development practitioners. One significant symptom of unplanned urbanisation is reflected in the widespread existence of urban slums that contrast with sprawl at the peripheries of major cities (if not within them), while inner cities are plagued by decay, overcrowding and neglect. In Pakistan 1 in 8 urban dweller i.e. 13% lives below the national poverty line and urbanisation is hidden and messy¹.

For policy makers and urban practitioners some urgent questions and challenges to be addressed are: What do cities need to do to meet the demands of their growing populations and to manage transformation? How can we create an effective and functioning system of cities? How can national and local policy makers and NGOs working in rural areas “collaborate” to address these challenges in a timely and systematic manner if they are to alleviate congestion pressures for better performance of cities and, in so doing, create an environment conducive to recognizing the potential of people in achieving prosperity. How can models of improvements in urban governance and finance—in empowerment, in resources, and in accountability systems be piloted, shared, lessons learned and scaled up to address the existing gaps in urban management and planning.

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