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CREATING KNOWLEDGE TO END POVERTY

WORKING OUT OF POVERTY IN URBAN BANGLADESH

Nicola Banks

Dhaka is predicted to become the world's second largest city by 2020. Nearly 40 percent of its residents live in informal settlements, or *bustees*. Urban poverty places increasing pressure on the city, yet it remains neglected in government policy and programmes.

Employment provides the main financial support to low-income urban households, and is central to a household's ability to escape poverty over time. Three types of employment are available to the urban poor in Dhaka: unskilled labour; small business; and skilled formal work.

Our research involved a survey of 400 households and 80 in-depth interviews with 'coping' and 'improving' households across four *bustees* in Dhaka. Our main finding is that household strategies to escape poverty are underpinned not only by household assets and capacities, but also by the structure of employment opportunities and barriers.

The way in which households make use of their productive resources is important. Differences in labour mobilisation, asset ownership, and savings and loans distinguish between coping and improving households across the three employment categories.

Employment access

Agency alone, however, cannot guarantee economic mobility. The structure of the labour market limits the scope for household agency, with social connections taking precedence over skills and education in determining access to employment.

Unskilled labourers face low barriers to entry for work, and it is the main source of employment for the urban poor. Agency-related factors are important in differentiating between coping and improving households.

Employment in **small businesses** is a constant struggle against an adverse structural environment. Most are located inside the *bustee*, serve a low-income clientele, operate largely on credit, and face large fluctuations in prices and demand. Businesses operating outside the *bustee* can avoid these problems, but require large starting capital beyond the reach of most households.

Social relationships are central to accessing **formal sector or skilled work**. Most workers lack the necessary social connections and remain on temporary contracts, offering low, fixed salaries. In contrast, well-connected workers access jobs on terms that facilitate household mobility: they can secure permanent contracts, offering job security and high, and increasing, salaries.

The fact that social connections are a gateway to good jobs means that skills and education may count for little. This means there are misconceptions about the

'best' career paths for low-income workers in households lacking the right social connections. Only those who are already 'better-off', in terms of finances and social connections, can access employment on terms that facilitate further economic mobility.

These findings emphasise the need for a broader framework for understanding urban poverty that accounts for the social, political and economic structural factors underpinning exclusion from economic opportunities. Policy and programmes focusing on building household assets and capacities might not be sufficient in themselves to ensure escape from poverty. Structural change in the labour market, leading to more open and better jobs, is key.



Rickshaw-puller in Dhaka. Photo: Nicola Banks.

Key policy points

- Studies of urban poverty at the household level do not capture the structural constraints facing poor households in securing employment or increasing returns to employment.
- Structural constraints, especially the dominant role of social connections, limit the ability of low-income urban households to escape poverty through employment.
- Urban poverty reduction requires not only the expansion of the asset base of poor people, but also policy and programmes to assist their integration into the labour market on better terms.

Nicola Banks is Doctoral Associate at the Brooks World Poverty Institute, The University of Manchester. Email: nicolabanks@gmail.com

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