

Land, Productive Slums, and Urban Poverty

By
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One fundamental issue is how we view the relationship between poor groups and economic development, and thus their claim to productive assets especially serviced land. Approaches to rural poverty, even from contrasting ideologies, generally recognise that access to land and **its quality** are critical for poor groups for survival and move to a more stable situation. In urban situations, land and its locational aspects has been recognised as an important issue. However, policy makers conventionally view this from the perspective of `social' needs, usually translated into housing¹. The assumption is that economic growth will `trickle down' benefits to poor groups. In the mean while, poor groups will survive via the Informal Sector, or on the basis of social spending by the State. In a broad way, this assumption justifies access by rich groups to land in productive locations often serviced by State subsidised infrastructure². The latter are seen to be the creators of economic growth and wealth, which will ultimately benefit the rest of society.

In effect, this places poor groups in a situation where they are **passive recipients of economic growth, instead of being active participants**. I argue that there is growing evidence that access of poor groups to productive land is critically important to promote a form of economic development that provides them jobs, and most important, economic and political autonomy in society. I draw upon insights from clustering local economies. Here, poor groups, both in competition and partnership with others, seek land in productive settings and as a definite economic strategy. This is complemented by a focus on the process of access to land in its institutional and political settings.

Clustering Neighbourhood economies and the Urban Poor:

Much of India's urban economy -- in both metropolitan and small town contexts is centred on clusters. These are centres of trade, manufacturing, and play a critical role in the country's national and international circuits. With important historical origins³,

¹ While housing, as shelter is important, this is only one of the many priorities of poor groups. Significantly, access to shelter falls way below in priorities of poor groups as compared to food, employment, and water. Poor groups, especially the poorest would prefer a squat in a city centre near multiple sources of employment rather than a well finished house away from work. Another serious consequence of emphasising high standard housing, is that this is normally accessible to only those groups with well established tenure certification, and only serves to exclude a large section of the poorest groups who live in varying shades of tenure conditions. Approaches promoting well finished housing also tend to suffer from bypassing vast numbers of poor groups who work in the congested core city areas.

² This is especially significant when it comes to Hi-tech industries and service sector. There is little information for instance, on the complete range of public subsidies given to the corporate software firms -- including land, specialised telecom services, tax holidays, and what are the net returns.

³ See Cadene P., Holmstrom M., `Decentralized Production in India: Industrial Districts, Flexible Specialization, and Employment' Sage new Delhi 1998

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most of these are urban based. Till recently, these clustering economies were viewed as being relatively marginal for main stream economic development, and termed as the 'Informal Sector'⁴. Recent interest in 'industrial districts' and 'flexible specialization' suggest that it is quite possible to view these clusters as a significant part of mainstream economic development at par with conventional industrialization and development projects. These studies highlight their economic efficiencies, their sophisticated structure, as centers of innovation, skill upgrading, and generators of employment⁵. In short, clustering economies are a valuable resource base to consider for economic development of urban areas. The other significant literature, still emerging, attempts to understand these local economic processes in a more political and institutional perspective.

However, not much is understood or documented about the implications of these clusters for urban poverty and urban management. This is important because they are key to greater urban productivity and poverty reduction, and as we suggest in this note, can be an important source of revenue generation to fund infrastructure investments. Paradoxically, many urban neighbourhoods with clustering economies are categorised by orthodox master planning as 'slums' rather than attempting to accurately understand the structure of urban clusters. At one level, this is a problem of definition since 'slums' as a legal / administrative term can refer to neighbourhoods with very contrasting settlement characteristics⁶. At another level, it is perhaps an ideological problem where normative land use planning assumes that economic growth happening only by industrial estates, formal retail and commerce. This is despite the growing experience of the high costs of master-planned development, and their un-affordability to most entrepreneurs and small business people. In fact, if Master Planning were to be strictly enforced in the metro-cities and towns, many productive neighbourhoods would be subject to removal, or re-development that would remove their essential ingredients of productivity. Thus, it is important that governments and international development agencies take a closer look, and recognise their productivity and important livelihood aspects. Two illustrations help to root this discussion and raise issues. The first is from the large metro-context of Delhi, while the second is from a small town setting in *Karnataka*.

*Viswas Nager is a neighborhood of home based factories in East Delhi*⁷.
The metropolitan area of Delhi has several such clusters, many of which

⁴ There is a significant literature on the problems and relevance of the dualistic concept of the 'Informal Sector'. It is conventionally viewed as being constituted by economic processes bordering at the sustenance, rather than of economic substance.

⁵ Nevertheless, there remain significant issues relating to pollution, and traffic congestion -- just as these remain with conventional industrial estates. However, the spatial density of enterprises complimented by local interest groups in clusters allows for a participatory resolution of these issues. For instance, some neighborhood associations have enforced local conventions requiring manufacturing units to restrict production to daytime hours.

⁶ For instance, slums can include squatter settlements, private sub-divisions in urban peripheries, urbanised villages, traditional city core areas, refugee housing, and at times, even resettlement neighbourhoods.

⁷ Benjamin S.J. *Neighborhood as Factory: The Influence Of Land Development And Civic Politics On An Industrial Cluster In East Delhi India* un-published Ph.D. dissertation for the Dept. of Urban Studies and Planning, Massachusetts Institute of Technology, Cambridge Massachusetts. 1996

specialize in particular manufacturing / trade processes, and almost all are categorized by the master planning as a 'slum areas.' Viswas Nager, with about 2000 enterprises, specializes in the manufacture of Cables and Conductors. Although exact estimates are difficult, in 1994-95 it contributed almost 40% to the market of domestic cables and conductors. Some enterprises also manufacture high-end cables sourced by State Power Corporations and the Indian Railways. Other smaller ones focus on the popular range of cables, including co-axial cables used for Cable TV. While the quality of some products can be improved, the basic seeds of technical competence and innovation are well sown.

Ramanagaram, a small town near Bangalore, is one of the country's important centers of silk reeling and markets of cocoons⁸. The enterprises here are famous for their innovative ability, in being able to reel almost any quality of cocoon. The silk yarn produced here finds its ways to weaving clusters countrywide including the famous ones of Varanasi, Kanchipuram. Other enterprises use second grade cocoon to also produce yarn, which is sent to weaving centers specializing in lower end fabrics and products. All of this processing happens not in industrial estates, but, like Viswas Nager, within residential neighborhoods. Some of these, recently developed after the advent of Master Planning here, are categorized as 'slums'.

These 'Slum' clusters illustrate several points:

- The first point relates to employment and livelihood. While *Viswas Nager* had about 21,000 voting age population in 1994-95, it is estimated that it created 25,000 direct and an equal number of in-direct jobs. *Ramanaragam*, with a population of 100,650, had 30,000 directly employed in the silk industry, and indirect employment of 70,000. This figure does not include families living in nearby rural areas that also draw upon the economic opportunities here, and those families that migrate cyclically during the peak season to rent out machines and plots.
- In both clusters, this fountainhead of employment comes from economic activity being a conglomeration of different processes:
 - a) Mainstream manufacturing being a composite of different types of enterprises -- Large, Medium, and Small;
 - b) The local manufacture of capital machinery, including the reconditioning of second hand machinery which are sold or rented to smaller entrepreneurs;
 - c) An intensive trading environment operating in parallel to manufacturing. These trading networks are critically important for manufacturers to link with national markets and evolve specific niches, and to explore and promote new innovations;

⁸ See: 'A Study Of A Reeling Cluster at Ramanagaram' A report for the Swiss Agency for Development & Co-operation (SDC) Bangalore by DELPHI Research Services Bangalore October 1998

- d) A variety of local transport options which allow large and small entrepreneurs to operate flexibly in small batches;
- e) The evolution of local real estate markets which provide a variety of production settings, ranging from large well-serviced plots to smaller ones on rent. This diversity of land settings is critical to reduce entry costs and create a flexible environment for smaller entrepreneurs;
- f) There is some evidence that real estate surpluses, spurred by increasing local productivity, is re-invested into enterprises via several local financing mechanisms to create a 'productive spiral';
- g) A vast range of local retail services. Smaller entrepreneurs use this to operate in a flexible way, reduce investment on stocks, and also increase their operational efficiency.

All these economic activities involve resident groups who in a conventional industrial setting, would not be part of a local economy. A landlord in *Ramanagaram* or *Viswas Nager* rents out part of the property for manufacturing or to a newly established entrepreneur or groups of worker. In *Viswas Nager*, some landowners become 'sleeping partners' with foremen, contributing part of their plots as a share. An auto-rickshaw in the streets of *Viswas Nager* and *Ramanagaram*, carry not only passengers, but also bundles of newly drawn shiny copper wire, or bags of silk cocoons. A lath operator in these areas see themselves not only as better machinist, but also in getting to manufacture capital machinery or become experts in fine tuning existing stocks to respond to new specifications and ideas. Another significant thing is that this diversity of economic processes that constitute a cluster opens up complex survival and entrepreneurship strategies. For instance, workers in silk reeling units in *Ramanagaram* in the low season, take on trading activities of silk-waste, agents for procuring cocoons, or as contract labor to larger units. In *Viswas Nager*, many skilled workers team up with the many sales agents to start off firms bringing together technical knowledge with access to markets. Thus, it would be to miss the point if one saw *Ramanagaram* and *Viswas Nager* as a large industrial estate. Industry is not only about manufacturing, but also about a larger and evolving structure of livelihood.

- The third point (related closely to the issue of livelihood) is that economic sophistication in such contexts comes from the intrinsic linkage between industry and local society. *Viswas Nager* and *Ramanagaram*'s productivity has attracted groups with varying ethnic backgrounds, bringing with them specialized skills, trade connections, and resources. In many ways, this reflects the ethnic diversity of India itself. *Viswas Nager* has attracted entrepreneurs from *Punjab*, drawn skilled workers from Western *U.P.*, and *Marwaris* from *Assam*. In *Ramanagaram*, some neighborhoods, housing mostly Muslims, specialize in Reeling activities where cocoons of various qualities are turned into raw silk. Others, with mostly Hindus, specialize in twisting the yarn to provide it with greater strength. Thus, the ability of urban societies in India, to attract different ethnic groups, forms a fundamental attribute of their productivity.
- The fourth point to note is that entrepreneurship in mainstream manufacturing and the wide variety of support services forms an important component of the social and political milieu. Local governments, especially the municipal bodies accommodate local economic interests (often across party lines) and driven to respond to the changing needs of the local economy. It is significant, especially given the field record of poverty alleviation programs, that productivity and employment does not come from a

employment promotion scheme, and in these two cases, even from NGO sponsored efforts. It results from the extension of civic services, infrastructure, and regularization of land responsive to local needs. This happens not in a mechanistic civil engineering way, but via complex political and consultative processes. Thus, urban productivity here has to be seen in the context of its local institutions with the local government being at the center stage.

- The fifth point is that these clusters are also a training ground for workers and entrepreneurs. Skilled workers are paid higher wages in *Ramanagaram* than those in *Bangalore*. Experienced foremen in *Viswas Nager*, get invitations for partnerships from entrepreneurs in clusters in other parts of Delhi and the country. The repository of skills with entrepreneur and workers attracts traders from the country, reinforcing linkages with marketing networks at the regional, national, and even international level to further spur productivity. Clusters also accommodate a variety of skill levels for both entrepreneurs and worker. In *Ramanagaram* for instance, workers can be new entrants who join as helpers, and later become experienced *cookers*, *reelers*, and supervisors. In both places, many entrepreneurs are ex-supervisors. Here, as with almost all small *enterprises*, skill upgrading happens mostly on the job.
- The sixth point is that skill upgrading also needs to be viewed at a wider systemic level of the cluster's interface with trading circuits. For example, in *Ramanagaram* and *Viswas Nagar*, the relationship between the *Dalal* / Trading Agent, and the Entrepreneur with the team of workers is critically important. On one end, the entrepreneur and workers have to be capable of operating in particular markets niches. The *Dalal*/ Agent in turn, needs to be in touch with different types of entrepreneurs -- in parallel to the areas of operations of his own peer group. This is important so that the *Dalal* can locate the appropriate enterprises for the particular kind of work required. While clustering of *enterprises* provides him this diversity, their specialisation helps to make a close match. Opportunities for skill upgrading come with experience, and an ever-widening network of contacts among reeling enterprises and various trade channels. The density of manufacturing in an urban setting compliments the density of trading to form an intensive learning environment.
- The seventh point is that clusters are most often also the centers for re-cycling. *Viswas Nager* for instance, sources waste plastic from all over North India. This is sorted into various types of PVC, cleaned, and re-batched before sending to various factories specializing in particular types of insulation and cables. *Ramanagaram* is one of the most important centers for the trading and processing of silk waste and its byproducts. Some of this is re-processed in enterprises in the town's periphery into specific ranges of by-products, which are in turn, sent to enterprises in other states. There is considerable innovation here -- in modifying machinery for the particular characteristics of silk waste to extract all possible yarn, and also to seek out new markets for new by-products.
- The eighth point relates to cross-cluster / economic linkages. *Viswas Nager*, located in the metro setting of Delhi, is functionally linked with other specialized clusters in Delhi, and others in India. This is not only for markets but also to source capital machinery. Similarly, entrepreneurs in *Ramanagaram*, source capital machinery and components from *Bangalore* and rural towns. Some source as far as *Surat* for specialized machinery. Entrepreneurs of twisting units in this town, cross-invest capital from agriculture activities, while workers inter-space both rural and urban employment strategies. Thus, clusters can be seen to be

nodes of complex economic linkages spanning regions and also urban rural contexts.

- The final point relates to revenue generation for local bodies. Clustering, under certain kind of institutional conditions, can allow civic bodies to raise revenues to upgrade infrastructure and services. In 1994-95, at the end of several years of negotiation, the federation representing nine industrial associations in *Viswas Nager*, negotiated with the Delhi Electric Supply Undertaking to reduce pilferage and contribute substantial revenues for infrastructure and regular connections. This significant development was seriously constrained by the dis-empowered status of local body in Delhi to act flexibly, its minimal developmental responsibility and powers. The city municipality of *Ramanagaram* too, has lost its ability to take on a developmental role, and remains with mostly maintenance functions. This is true countrywide, where increasing encroachment on municipal functions by para-statal organizations, has emphasized a centralization of politics which fractures local political circuits and abilities. At stake in this politico-institutional arena, are important opportunities to raise revenues and fund development projects in a sustained way in parallel to promoting employment generation and poverty alleviation.

The experience of *Viswas Nager* and *Ramanagaram* is complimented by ongoing research on urban poverty in *Bangalore*⁹ and civic initiatives in seven towns and cities in *Karnataka*¹⁰. In the research on urban poverty in Bangalore, the emphasis was on survival strategies used by different types of poor groups in very different locations in the city -- both central city cores and peripheral areas. These strategies were seen in the context of local land issues, local economies and the political processes through which different types of poor groups inter-face with government. Some main findings were that:

- a) 'Governance' needs to be seen in its various forms, rather than as a homogenous process;
- b) 'Governance' also needs to be seen in the way it differentially influences local economic processes, rather than being neutral or an even impact.
- c) A central issue of 'urban governance' impacting poor groups relates to land issues. This finding is significant for cities like *Bangalore*, which are characterised by increasing divides between rich and poor groups, who compete over civic investments and productive urban location. In particular, the poverty situation of different groups is impacted by:
 - a) **The health of local economies.** *Bangalore's* urban economy is constituted by a diversity of economic processes centred on neighbourhoods with citywide linkages.
 - b) **Governance circuits.** Poor groups use interface diverse institutional structures. Here, complimenting and conflicting relationships define the distribution of civic investments in space, and also between different social groups. Civic action by associations, NGOs are varied in terms of their 'governance circuits'
 - c) **Land issues.** These play a structural role in defining urban poverty at three levels. The first is functional. This is in the way of certain kinds of land settings provide a productive, or restrictive environment for both settlement and for local economies. The second is economic. This is in the way land markets affect the cost of urban transactions, but also generate surpluses. The third is political. This is in the way poor groups claim security of

⁹ 'Urban Governance, Partnerships, and Poverty: The case of Bangalore' by Solomon Benjamin for the Development Administration Group, School of Public Policy, University of Birmingham as part of the ESCOR / DFID research project. (ongoing)

¹⁰ 'The impact of the 74th. CA on civic initiatives in seven towns and cities in Karnataka' Solomon Benjamin (Principal Researcher), TIDE for the National Foundation for India. (Ongoing)

tenure to locations that secure their survival and livelihood. This claiming process by poor groups is also influenced by master planning, which significantly alters local alliances in a regressive way.

Thus, while it is important to recognize the economic role and consequence of clustering economies like those of *Viswas Nager* and *Ramanagaram* mentioned earlier, it is important to view these in their political and institutional perspectives.

This viewpoint is also emerging in another on-going research on the impact of the 74th CA on civic processes in seven towns and cities in *Karnataka*¹¹. Here one major finding is that for poor groups, councilors (and in some urban peripheries, MLAs) play a critical role in communicating and representing local priorities. Much of these priorities relate to land and the extension of services and infrastructure, very much the domain of local politicians. As a consequence, civic pressure is most effective when issues are pitched at the level of municipal bodies¹². Not surprisingly, the creation of Urban Development Authorities (UDA) has made civic access more different, especially since local political representation is more difficult at this level of institutions. As a result, developmental decisions, which were once ratified locally, now become part of State government circuits and consequently, open to State -Local political influences.

The other significant impact of UDA is on the planning process. In reality, there is almost no popular participation (especially by the poor) in formulating town / city development plans and strategies. Master Planning, a main function with the UDA, is structured along norms that bear little relationship to conditions, especially for areas where poor groups live and seek employment. This situation is reinforced by their powers of land acquisition (with few channels for public appeal), and powers of regulation and development over a vast territory of urban peripheral area. This is significant because many peripheral areas (like those in *Ramanagaram*, and *Viswas Nager* at one time) tend to evolve as centers of local economies due to lower land costs and loose regulation.

Finally, the politics between Urban Local Bodies (ULBs), UDAs, the State Government and local groups is flavored when international development assistance is routed via the UDAs. This further erodes the developmental autonomy of ULBs, access by poor groups to decision making, and can lead to forms of development that are regressive to local economies.

Implications for Policy

There are several important implications for policy:

- The most important point perhaps is to mainstream poverty policy to form part of urban development and investment decisions, rather than ghettoise these in specific programs and institutions. 'Slums' can become centres of livelihood

¹¹ At the time of writing this note, fieldwork is completed in three of the seven research sites: *Ramanagaram*, *Udipi*, *Managlore*.

¹² Here, the change from 'planning divisions' with multiple councillors to single councillor representation has generally had been progressive.

and clustering economies should be recognized for their potential of economic development. Analysis should in fact, focus on how not to disturb them.

- The second point is to recognize access by poor groups to land in productive locations as a key issue to address poverty issues. In this context, the emphasis given by the government, funding organizations, NGOs to provide planned housing draws away valuable funds and energies from focusing on more critical survival needs, and employment.
- The way we perceive infrastructure and services is critically important. On one hand, a key factor positively influencing economic productivity of these clusters is the upgrading of infrastructure and civic amenities. Given the differential characteristics of 'slums', it is better to contextualise regulations and upgrading programs around the specific characteristics of land supply systems. Investments into these areas must be considered at par with other infrastructure investments for developmental projects, rather than only be viewed as 'social' investments. However, it is equally important to view infrastructure not only as an engineering exercise, but also from the perspective of conflicts over land, its institutional and political dimensions, and most important, how a participatory process can inform developmental priorities. Without this rooted way, a blanket provision of infrastructure can be dangerous to local economies and to poor groups.
- The third point relates to tenure. Tenure is a 'process' related to poor groups consolidating their position in society. The efficiency of clustering economies seems built around multiple tenure status, rather than a unilateral system. Thus, it is important for administrative systems to recognize a wide range of tenure conditions and link these to varying levels of services, after access to a basic minimum. The extension of civic amenities and infrastructure should be possible irrespective of status of residence.
- The fourth is that local economies 'evolve', needing a flexible land development system that allows residents to incrementally develop their properties as and when they gather resources. This land supply is usually provided best by very small private developers whose aim is to maximize plot sizes with minimal infrastructure. This increases access to small entrepreneurs and workers who then organize and get infrastructure and services upgraded. Thus, most often, the key issue is access to land, and not fully serviced tiny plots.
- Fifth, the regulatory system must allow for mixed land use, to allow for their home or neighborhood based character.
- The final but perhaps most critical point is institutional. A municipality-centered development is most suited for a healthy political process. This allows local groups, especially poor ones to influence developmental priorities and the implementation process via councilors and in some cases, MLAs. There is need to recognize the diversity of governance circuits, and to understand more clearly the role of different political agents in these. A key issue, especially for international funding agencies, is to specifically look at the functional and political position of ULBs as a result of funding routes. This is essential for

poor groups to participate on development interventions that affect their survival and livelihood.