

# Urban livelihood

## The path to economic security for the informal settler

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## 1 Introduction

Breaking the cycle of poverty and inequality remains one of the key global challenges to overcome in a rapidly urbanising world, which is highlighted by their position at No. 1 (poverty) and No. 10 (inequality) of the seventeen UN Sustainable Development Goals that form part of the *2030 Agenda for Sustainable Development* (United Nations, 2015). The issue is perhaps most stark in developing countries such as the Philippines<sup>1</sup> where the gap between the rich and the poor is at its greatest. Although urbanisation has created many opportunities for economic and social growth owing to the concentration of resources and populace in large cities – specifically in Metro Manila – this largely profits a certain few whilst the marginalised remain firmly rooted to the bottom rung of the economic ladder with limited prospects for growth and prosperity.

Thus, the significance of urban livelihood becomes clear in this context where, along with the need for basic shelter and health services, the path to economic security for an informal settler is of paramount importance. This paper will first review the contributing factors to poverty and inequality, then explore the various facets of urban livelihood, before discussing the role that cooperatives and micro-enterprises may have for income generation opportunities to break a marginalised

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<sup>1</sup> I visited the Philippines for 3 weeks in February 2018 to experience how the citizens of Metro Manila live, ranging from the urban poor to the wealthy

community out of the poverty bubble. Finally, the paper investigates how these findings could be applied as an urban shelter design concept in Metro Manila.

## 2 Literature Review

### Urbanisation and shelter

The rapid growth of cities through rural-urban migration in the latter stages of the 20th Century, particularly in developing countries, required the large-scale construction of housing in order to meet demand. However, for various reasons this was not possible and as a result the number of people forced into informal settlements increased significantly. UN-Habitat has estimated that the proportion of the urban population living in slums in the developing world decreased from 46.2 per cent in 1990, 39.4 per cent in 2000, and to 29.7 per cent in 2014.

However, although the proportion has fallen the actual number of slum dwellers has increased to 880 million residents in 2014, from 791 million in 2000, and 689 million in 1990 (UN-Habitat, 2016). Although these statistics show that respectable progress has been made to lift people out of slum-like conditions, much work remains to be done and a significant amount of resources and coordination is required to address the physical, social, legal and economic parameters of the equation.

With regard to urban shelter, a key objective is to improve the life of an informal settler, particularly with regard to access to clean water, access to improved sanitation, sufficient living area that is not overcrowded, durable housing and secure tenure (UN-Habitat, 2016). Architecture plays a very important role for urban shelter in terms of how responsive and flexible it can be to provide housing that meets the needs of the urban poor, of which Charles Correa (1930-2015) is a noted example. His housing prototype for the Cablenagar Township in Kota, India in 1967 offers different housing typologies that include flexible space for workers and home enterprises in a neighbourhood plan that provides a centralised market, temple and school (Correa, 2000). Furthermore, some of his other work such as the Previ Housing competition (1969-73) in Lima, Peru and Belapur Housing (1983-86) in New Bombay, India have made a significant contribution towards finding innovative solutions in low-cost housing for poorer communities.

## Poverty, inequality and the informal employment sector

The quality of one's living conditions is not the only measure of poverty as it can also be evaluated by the level of household income and potential for earning capacity. The concept of 'working poverty' encompasses those that live on less than US\$3.10 per day, and although the absolute number has been declining in recent years, this trend has slowed and the rate of reduction in poorer developing countries has stalled (International Labour Organization, 2017).

Looking at the issue on a global level, 1.5 billion people, or over 46 per cent of total employment globally, are in 'vulnerable employment' (often informal low-paying jobs) while this figure reaches as high as over 70 per cent in Southern Asia and Sub-Saharan Africa (UN-Habitat, 2016). A trend has emerged in developing countries such as Mexico and Tunisia that shows a positive correlation between a surge in economic fortune and a simultaneous growth in informal employment. In Bangladesh there are clothing manufacture firms that belong in the formal sector and export to high-end markets but rely on low-wage informal employment, in particular women due to their willingness to work for lower wages and high degree of pliancy with less risk of organised protest (UN-Habitat, 2016). Therefore, although these examples show how a reliance on the informal sector can make a solid contribution to overall economic growth and the prosperity of individual firms, they also highlight the inequalities in labour quality and income distribution that can ensue.

The level of inequality in our cities continues to grow with 75 per cent of cities experiencing higher levels of income inequalities than two decades ago (UN-Habitat, 2016). Although cities are a source of innovation they are also where disadvantaged people are excluded from many aspects of public life. A contributing factor to the problem is that marginalised groups such as low-income, unskilled workers are spatially concentrated in segregated communities, which acts as a 'poverty trap' that can severely limit their ability to develop and prosper. At the other end of the spectrum the wealthy live in gated communities, which although are partly in response to crime and security concerns, result in increasing polarisation, segmentation of urban space and segregation between income and social groups (UN-Habitat, 2016). Many of those living in high-income gated communities may be in ownership or managerial positions of firms that rely on low-income employment.

Although the incidence of poverty in the Philippines has been in gradual decline over the last 25 years the overall numbers remain high, whereas in nearby countries like Malaysia and Thailand they have nearly eradicated poverty despite having a similar economy to the Philippines in the 1960's. One of the root causes of enduring poverty in the Philippines has been the lack of 'quality' employment that provides security of tenure, higher wages and benefits – giving the poor an opportunity to escape deprivation and prevent those teetering on the edge from falling into poverty (Asian Development Bank, 2009). Rather, many are forced to find employment in the informal sector and low-paying jobs that offer little opportunity for growth, resulting in economic hardship and unequal access to urban services and amenities (UN-Habitat, 2016).

In 2009 the Asian Development Bank identified that the Philippines would benefit more from growth in the agriculture, manufacturing and industry sectors as they have the capacity to create a higher number of jobs. Prior to 2009 the sectors that were experiencing the strongest economic growth were in telecommunications, business process outsourcing, real estate, housing and retail trade. Furthermore, in the Philippines many work in the service sector and households are also supported by remittances from overseas Filipino workers, which has the added social impact of separating families from direct interaction and personal fulfilment (Asian Development Bank, 2009).

### Livelihood and micro-enterprise possibilities

With reference to Rakodi et al. (2002, p3), a livelihood is defined as comprising

*“...the capabilities, assets (including both material and social resources) and activities required for a means of living”.*

The sustainable livelihood framework is a tool that was developed by the Sustainable Rural Livelihoods Advisory Committee and presents the main factors that affect people's livelihoods (Department for Internal Development, 1999). The sustainable livelihood framework is best illustrated by Rakodi & Lloyd-Jones (Eds). (2002) in Figure 1.1 on the following page, which demonstrates how livelihood assets are sourced from different forms of capital that in turn influence livelihood strategies and opportunities.

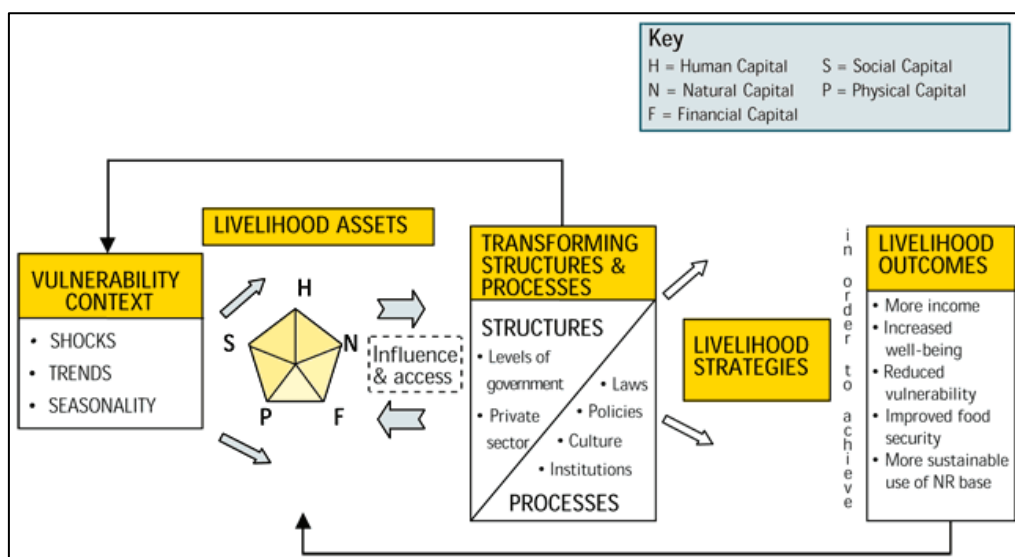


Figure 1.1 Sustainable livelihood framework

However, what is clear is that livelihood strategies for the urban poor are highly dependent on the resources available and the capability to find and make use of opportunities. The most vulnerable are forced to adopt survivalist strategies that enable them to get by but fail to improve their welfare. With limited capital and skills there is limited scope for a poor person to develop an enterprise that can generate sufficient income in order to support themselves. To counter this, Rakodi & Lloyd-Jones (Eds) (2002) examine micro-enterprises and the opportunity that self-employment gives poor people to earn a living. While owning and running your own business may be risky and in some cases fail to survive long-term, for many urban poor there are limited alternatives. This approach highlights the importance of support networks, in particular for financial, human and social capital. These support networks can be achieved through initiatives such as microcredit and working cooperatives to utilise collective action and the resources of groups rather than individuals in order to reduce the vulnerability of the urban poor (Rakodi & Lloyd-Jones (Eds), 2002).

### 3 Discussion

We must find ways to enable those living in ‘working poverty’ (i.e. less than US\$3.10 per day) to create income generating opportunities that can allow them to escape the poverty bubble. The focus of discussion in this section of the paper revolves around micro-enterprises, which have seen a resurgence in interest since the 1990’s as development strategies have taken a more decentralised, localised approach (Ruane, 2007). In the Philippines a micro-enterprise is categorised as

having a maximum of 9 employees and assets of up to ₱3 million (approximately 485,000 SEK) before they become known as a ‘small business enterprise’. Micro-enterprises comprised the vast majority of business enterprises (91.6 per cent in 2010) and contributed 1,729,100 jobs predominantly in the wholesale/retail trade/repair services industry (Senate Economic Planning Office, 2012). During my visit to Metro Manila I observed the most common micro-enterprises to be sari-sari stores, mobile phone recharging stores, hot food takeaway stores, fresh fruit and vegetable stores, bakeries, motor repairs and printing stores amongst many others. They were also located predominantly along roadsides (Fig 1.2) in the ground floor of buildings, both due to the increased exposure but also the lack of available space within the highly dense urban landscape.



Figure 1.2 Micro-enterprises along the roadside in Quezon City

A survey of 88 small business enterprises in the Philippines was carried out by the Alfred University’s College of Business between 2000 and 2002 (Ruane, 2007). Whilst there were some issues with the operation and collection of data, the survey results showed that 60% of those small businesses were technically categorised as micro-enterprises. However, what the survey did reveal was that the majority of businesses were being run as sole proprietorship but also involved the participation of other family members. Furthermore, the entrepreneurs surveyed generally had a high level of schooling (at least high school). The survey also found that the motivation for many to start their own business was to obtain a source of higher income and financial security for their family, while allowing

them to balance work and life commitments. As well as acknowledging the improved quality of life and financial security, the survey respondents felt that the businesses offered a sense of having fulfilled some personal goals.

While they are clearly an important component of the economy, the establishment and growth of micro-enterprises in the Philippines is arguably most constrained by the difficulties entrepreneurs face to access financing, particularly from external sources such as banks (Senate Economic Planning Office, 2012). This problem emphasizes how micro-enterprises could be initially supported by smaller-scale finance schemes such as microcredit, but perhaps more importantly by the possibility for business cooperatives in local neighbourhood areas. The Cooperative Development Authority (CDA) state there are 24,652 cooperatives registered in the Philippines (as of 2014), 76 per cent of which are classified as 'micro' in the same vein as micro-enterprises with assets of ₱3 million and below (Cooperative Development Authority, 2015). The advantage of cooperatives is that it gives the poor the chance to collectively manage and run their own business and see the direct profits, rather than it go to the owner of the capital in large organisations that employ high numbers of low-income workers. By banding together with others from the local community, the risk of starting a business on your own is minimised and the potential for growth of the business is likely to be enhanced by the additional capital available through multiple owners.

In order for micro-enterprises and cooperatives to be successful in low income communities a number of critical factors must be realised. Firstly, there should be the space and facilities available to set up a business and be able to expand the operation in the future. Secondly, there should be financial support to start a business with additional incentives to collaborate with others in the community. Thirdly, there should be facilities to provide the necessary education and training, not just in physical skills for manufacturing products but also for business and financial management. Finally, there should be places to advertise and sell the products and services offered in order to reach the level of exposure required outside of the local community expand the business further. While it is great that a micro-business provides the income required in order to meet the basic needs of an informal settler, it is even better if it has the capacity to lift the urban poor from the lower rungs of the economic ladder.

## 4 Urban Shelter Design

An urban shelter design aims to improve the life of an informal settler, which can be achieved in many different ways. This paper specifically focuses on how micro-enterprises and cooperative employment could provide income generating activities for individuals or groups. In the Philippines these micro-enterprises are often very small (at least to begin with) and although they require limited space they should not be unreasonably constrained by an inability to grow, nor should they impact on the liveability of a residential unit. Therefore, an urban shelter design should provide a variety of spaces that include home based enterprise but also the possibility for larger businesses in workshops or small offices. This could be achieved through ‘add ons’ to residential units on the ground floor to create additional space for the manufacture, display and/or sale of a product and services. For larger businesses a neighbourhood plan could include standalone non-residential buildings that contain many workshops under the one roof. These workshops may be able to manufacture products that could in turn be sold in a local marketplace. Furthermore, the inclusion of a training centre would teach the necessary skills and expertise required in order to run these micro-enterprises and utilise local labour assets. A conceptual diagram of how this may be represented has been illustrated in Figure 1.3 below. This arrangement provides a clear and well organised education and production ‘loop’ that gives an informal settler an opportunity to grow their business within a social network.

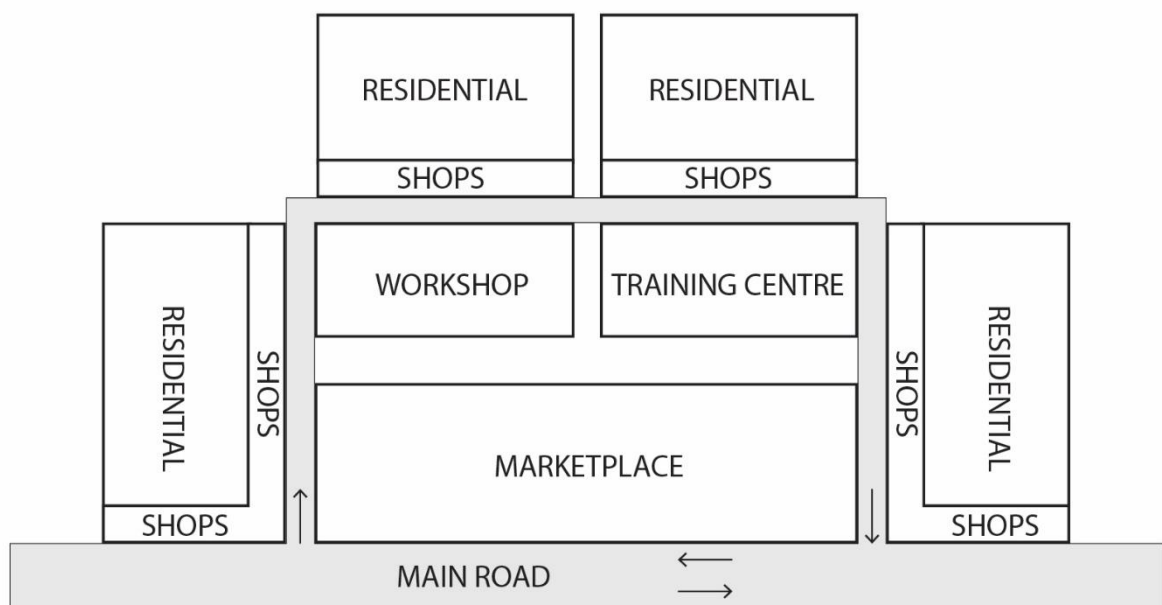


Figure 1.3 Conceptual diagram of site plan



The smaller shop 'add ons' may provide a service for the local residents, such as sari-sari store. However, for maximum exposure the marketplace and some shops should be located where possible on main roads that face the public realm. This provides a better link with transport and movement of people to capture the trade of not just those living in the immediate locality but from those travelling past and which live in other neighbourhoods. The additional exposure would give a micro-enterprise the opportunity to increase trade and grow into a larger business. This may eventually require the owner(s) to move into larger premises and expand operations, selling their product in more and larger marketplaces and thereby transforming the life of an informal settler. In addition to this spatial requirement, it is also important in a place like the Philippines to ensure that an urban shelter design provides spaces where people can gather and be sheltered from the elements, in both the dry and wet season. A marketplace or group of shops may not attract many customers if there is no cover providing shade or protection from the rain. For example, a place to eat food purchased from a small restaurant with outdoor seating. A comfortable pedestrian environment is vital for small shops on roadside locations where, in a large city like Manila, people looking to shop are attracted to enormous malls away from the congestion and noise of the roadways.

In order to provide a stable economic foundation for these micro-enterprises to run successfully it is essential to provide finance opportunities to get them off the ground. In the case of the larger workshop buildings in the conceptual diagram of Figure 1.3 it would be possible to offer microfinance schemes that encourage the formation of cooperatives by providing higher loans and tax incentives to groups of people acting as co-owners. Theoretically, by utilising the collective strength of multiple co-owners and employees rather than a sole proprietor business, more capital and labour could be achieved and therefore a higher production level and profit potential. The workshops can be divided into spaces that can be rented on flexible terms depending on the amount of space required for a particular business as it grows over time. If a space could be rented on a monthly basis with no fixed term and the rent discounted for the first year of operation, then it lowers the risk for an informal settler to start their own business and have sufficient time to make it profitable. However, there would need to be some system incorporated to ensure that all have fair access to the workshop spaces and to prevent exploitation.

## 5 The Role of Architects

As architects and urban designers it is essential to be equipped with the knowledge and understanding of local and cultural contexts for all projects in different locations. This requires a detailed review of background information, site visit and empirical investigation. We should be prepared to put ourselves in the shoes of the people we design for and to find out what they really want or need. It is not enough just to make designs based on the opinions of a certain few, but to attempt to gain a comprehensive understanding of the issues that affect everyone. Furthermore, while we should always be looking for new and innovative ways of solving problems, we should remain true to what can be realistically achieved based on either the budget or other constraints. This is particularly the case in a country like the Philippines where limited resources and funding are made available. Finally, what the research and discussion in this paper can teach us is that urban shelter must look at much more than just providing improved housing conditions, but also how employment, education and social interaction play an equally important role in improving the life of an informal settler.

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