



# Urban Poverty Reduction: A review of literature

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## Abstract

In the recent years, an extensive body of literature has emerged on the definition, measurement and analyzing of urban poverty. This paper provides a meaning and understanding for the term urban poverty and explores the concept of urban poverty, vulnerability, and urban poverty dynamics that underpin this meaning. It reviews 'who' is poor and 'why' they stay poor and what is known out there about policies in reducing urban poverty. Specific conclusions regarding towards the conceptual framework of urban poverty reduction issues are discussed. With the resources and literatures available today, however, there is no excuse for hundreds of millions still living in urban poverty around the world.

Keywords: Urban poverty.

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## **1.0 Introduction**

A small peasant and a landless laborer may both be poor, but their fortunes are not tied together. In understanding the proneness to starvation of either, we have to view not as members of the huge army of the 'poor', but as members of particular classes, belonging to particular occupational groups, having different endowments, being governed by rather different entitlement relations. The category of the poor is not merely inadequate for evaluative exercises and nuisance for casual analysis; it can also have distorting effects on policy matters (Sen, 1981). Commitments to poverty-reduction, national and international in the past few years back have reached levels that were not achieved 10 years ago. Commitments of each country in the world by the world leaders to ambitious targets for reducing global poverty and are focusing their attention on mobilizing resources and influencing policies that will provide pro-poor growth and, therefore, alleviate poverty. The Millennium Development Goals (MDGs) now comprised eight goals; eighteen targets 48 indicators (OECD, 2001). At their lead, as a global rallying call is goal 1-target 1: "Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day". In an era of globalization, seeking to rapidly reducing poverty can produce two problems. First, such a focus will not meet the needs of all the different types of poor people. Second, such an approach encourages a focus on those poor whom the market can 'liberate' from poverty but neglects the needs of those who need different forms of support, policy changes, or broader changes within society that take time.

This paper addresses three main questions to create a conceptual framework.

- (a) What is urban poverty? Subsequently it examines many different of conceptualization of urban poverty.
- (b) Who is chronically poor? Based on few materials available, a brief of summary of the existing state is presented.
- (c) Why are people chronically poor? The different factors and combination of factors that explain why poverty persists.

### **1.1 Definition of urban poverty**

Poverty is multidimensional, thus measuring it presents a number of challenges. Beyond low income, there is low human, social and financial capital. The most common approach to measuring poverty is quantitative; money-metric measures that use income or consumption to assess whether a household can afford to purchase a basic basket of goods at a given point in time. The basket ideally reflects local tastes, and adjusts for spatial price differentials across regions and urban areas in a given country. Money-metric methods are widely used because they are objective, can be used as the basis for a range of socio-economic variables, and it is possible to adjust for differences between households, and intra-household inequalities. Understanding urban poverty presents a set of issues distinct from general poverty analysis and thus may require additional tools and techniques. While there is no single approach in conducting urban poverty assessments, there are some common good practices that may facilitate the process of thinking through the design of a city poverty profile. While the dimensions of poverty are many, there is a subset of characteristics that are more

pronounced for the poor in urban areas and may require specific analysis (Baharaoglu and Kessides, 2002).

- Commoditization (reliance on the cash economy);
- Overcrowded living conditions (slums);
- Environmental hazard (stemming from density and hazardous location of settlements, and exposure to multiple pollutants);
- Social fragmentation (lack of community and inter-household mechanisms for social security, relative to those in rural areas);
- Crime and violence;
- Traffic accidents; and
- Natural disasters.

Measuring urban poverty can be carried out using a number of approaches summarized below.

- **Income or Consumption Measures:** Both are based on data that assess whether an individual or household can afford a basic basket of goods (typically food, housing water, clothing, transport, etc). Consumption is generally considered being a better measure than income because incomes tend to fluctuate over time; there are problems of under-reporting (particularly income derived from the private and informal sectors). (Chen and Ravallion, 2000). Money metric measures can be adjusted to account for the higher cost of living in urban areas when measuring poverty.
- **Unsatisfied Basic Needs Index:** This approach defines a minimum threshold for several dimensions of poverty classifying those households who do not have access to these basic needs. They include characteristics such as literacy, school attendance, piped water, sewage, adequate housing, overcrowding, and some kind of caloric and protein requirement. If a household is deficient in one of the categories, they are classified as having unsatisfied basic needs.
- **Asset Indicators:** This has been used increasingly with the Demographic and health Surveys (DHS) a standardized survey now administered in approximately 50 countries. A range of variables on the ownership of household assets is used to construct an indicator of households' socio-economic status. These assets include a car, refrigerator, television, dwelling characteristics (type of roof, flooring, toilet), and access to basic services including clean water and electricity. (Falkingham, J. and C. Namazie, 2002).
- **Vulnerability:** This approach defines vulnerability as a dynamic concept referring to the risk that a household or individual will experience an episode of income or health poverty over time, and the probability of being exposed to a number of other risks (violence, crime, natural disasters, being pulled out of school). Indicators that make it possible to assess a household's risk exposure over time through panel data measure vulnerability. These indicators include measures of; physical assets, human capital, income diversification, links to networks,

participation in the formal safety net, and access to credit markets. This kind of analysis can be quite complex, requiring a specially designed survey.

Though the urban poor is quite diverse across regions, countries and even within cities, they tend to face a number of common deprivations, which affect their day-to-day life. The main issues raised in the literature include: 1) limited access to income and employment, 2) inadequate and insecure living conditions, 3) poor infrastructure and services, 4) vulnerability to risks such as natural disasters, environmental hazards and health risks particularly associated with living in slums, 5) spatial issues which inhibit mobility and transport, and 6) inequality closely linked to problems of exclusion. And since 2000, the United Nations and World Bank have compiled and reported data on the progress of nations and regions with respect to a uniform set of targets and indicators. These targets and indicators were agreed upon within the Millennium Development Goal (MDG) framework, and countries' progress towards them has been monitored. The additional quantitative targets are needed because income poverty measures provide vitally important but incomplete guidance to redress multidimensional poverty. The multidimensional poverty index (MPI) is an index of acute multidimensional poverty. It reflects deprivations in very rudimentary services and come human functioning for people across 104 countries. Although deeply constrained by data limitations, the MPI reveals a different pattern of poverty than income poverty, as it illuminates a different set of deprivations. The MPI has three dimensions: health, education and standard of living. These are measured using ten indicators. Poor households are identified and an aggregate measure constructed using the methodology proposed by Alkire and Foster (2007, 2009). Each dimension is equally weighted; each indicator within a dimension is also equally weighted. The MPI reveals the combination of deprivations that batter a household at the same time. A household is identified as multidimensional poor if, and only if, it is deprived in some combination of indicators, and deprivation criteria are presented below and explained with detail in the following section.

1. Health
  - Child mortality: if any child has died in the family
  - Nutrition: if any adult or child in the family is malnourished
2. Education
  - Years of schooling: if no household member has completed 5 years of schooling
  - Child school attendance: if any school-aged child is out of school in years 1 to 8
3. Standard of living
  - Electricity: if a household does not have electricity
  - Drinking water: if does not meet MDG definitions, or is more than 30 minutes walk
  - Sanitation: if does not meet MDG definitions, or the toilet is shared
  - Flooring: if the floor is dirt, sand or dung

- Cooking fuel: if they cook with wood, charcoal or dung
- Asset: if does not own more than one of radio, television, telephone, bike, motorbike or refrigerator and do not own a car or truck.

To sum up, urban poverty focuses on the durational aspect of poverty and has a particular interest in poverty dynamics at individual and household levels rather than aggregate and/or average poverty trends across populations. The analysis of urban poverty thus requires longitudinal data, and as most existing datasets are quantitative and based upon income or consumption conceptualizations of poverty, it has been dominated by money-metric approaches.

### 1.2 Who is chronically poor?

There is no body of theory at present that allows a deductive answer to this question. Initial findings identified a number of categories of individuals, households and social groups who are particularly likely to suffer chronic poverty:

(1) Those experiencing deprivation because of their stage in their life cycle (older people, children and widows: see Barrientos, Gorman & Hesloop, this issue; Harper et al., this issue):

(2) Those discriminated against because of their social position at the local, regional or national level, for example, marginalized castes, ethnic, racial or religious groups, refugees, indigenous people, nomads and pastoralists, migrants (see Mehta & Shah, this issue; Sen, this issue);

(3) Household members who experience discrimination within the household, female children, children in households with many other children, daughters-in-law, those with long term or severe health problems and highly challenging disabilities and impairments (see Yeo & Moore, this issue; Lwanga Ntale, Ndaziboneye & Nalugo, 2002);

(4) People living in remote rural areas, urban ghettos and regions where prolonged violent conflict and insecurity have occurred (see Amis, 2002; Bird & Shepherd, this issue; Goodhand, this issue).

An inductive approach requires definitions of chronic poverty that are relevant for local, regional or national contexts.

The 'multidimensional' method aggregates all achievements into a single cardinal variable of 'well being' or 'income' and uses an aggregate cutoff to determine who is poor. In this case, a person is poor if the monetary value of the achievement bundle is below the cost of the target bundle. The most commonly used identification criterion of this type is called the union method of identification. In this approach, a person is said to be multidimensional poor if there is at least one dimension in which the person is deprived. The other identification method of this type is the intersection approach, which identifies a person as being poor only if the person is deprived in all dimensions. It has also been emphasized that these approaches are fundamentally addressed to individual achievements; social interactions and interdependences are considered only from the mechanical point of view of appropriately scaling household resources to take into account different household structures.

Table 1 an indication of the percentages and numbers of chronically poor people in 10 low-income developing countries

	Number of Absolutely chronic poor (Millions)	Number of relatively chronic poor (Millions)
Bangladesh, rural (1970-77)	10	
Bangladesh, rural (1987-89)	11	
China, rural (1978-89)		88
China, rural Sichuan (1991-95)	72	
China, rural southwest (1985-90)	220	
China, urban (1997)		
Cote d'Ivoire (1987-88)	3	
Egypt (1997-99)	12	
El Salvador, rural (1995-97)	1	
Ethiopia, rural (1994-95)	17	6
India, rural (1974-83)		n/a
India, rural (1968-70)	n/a	n/a
India, rural Tamil Nadu (1977-85)		96
India, semi-arid rural (1975-83)	280	
Indonesia, rural (1997-98)	19	
Pakistan, rural	16	11
Papua New Guinea	1	

Source: developed from Yaqub (2003, Table 1). The population denominators were taken from World Development Indicators, 1990 and 2000. Figures have been rounded to nearest million. The number of absolutely poor has been averaged where there are two incidence figures.

### 1.3 Why do the people become poor?

There are vast ranges of theories why does poor people stay poor. Globally, there are radicals who argue that the persistence of poverty is an inherent element of capitalist development (Fine, 2002). At the other extreme come neoliberals who theorize that poverty persists because of obstacles to capitalism and distortion in local, national and global markets (Dollar & Kraay, 2000). Lipton (1977), in an influential but highly criticized volume, argued that 'urban bias' was the underlying source of continued poverty. While such broad sweeping theories have great intellectual interest there is not grand theoretical framework yet proposed that can explain the persistence of poverty in general, or the persistence of poverty for countries or social groups in particular.

Table 2 the intergenerational transmission of poverty-related capital from 'parent' to 'child'

What are the factors affecting transmission?

- Norms of entitlement determining access to human capital, particularly education, health care and nutrition
- Economic trends and shocks (commodification, shifts in terms of trade, hyperinflation)
- Access to and nature of markets. Nature of labor market (employment opportunities for children, young people and women; labor migration as a livelihood strategy); access to financial market
- Presence, quality and accessibility of public, private and community-based social services and safety nets

- Structure of household and family, including headship as well as gender, birth position, marital status and age of 'child' and 'parent'
  - Child fostering practices
  - Education and skill level of 'parent'
  - Intent/attitude of 'parent' and 'child'
  - HIV/AIDS pandemic; other diseases regionally endemic; associated stigma
  - Nature of living space for example security/conflict/violence, stigma, remoteness, sanitation
- 

## **2.0 Conclusion**

Urban poverty should be treated more as relative poverty and distributional issues. By this means, more effective policies aimed at reducing poverty among target groups are being formulated. Initial findings identified a number of categories of individuals, households, and social groups who are particularly likely to suffer urban poverty: (1) those experiencing deprivation because of their stage in the life cycle, (2) those discriminated against because of their social position at the local, regional or national level, (3) household members who experience discrimination within the household, (4) those with long term or severe health problems and highly challenging disabilities and impairments and (5) people living in remote rural areas who moved to urban areas, urban ghettos, and regions where prolonged violent conflict and insecurity have occurred. Answering these questions is critical specifically for large sprawling cities with highly diverse populations and growing problems of urban poverty. Understanding urban poverty distinct a set of issues from the general poverty and requires additional tools and techniques. Specific conclusions regarding towards the conceptual framework of urban poverty reduction issues are discussed. With the resources and literatures available today, however, there is no excuse for hundreds of millions still living in urban poverty around the world.

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