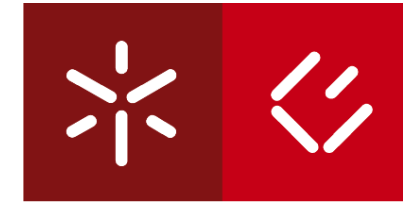




**Productive Employment Generation: An Effective Way
to Revitalize Informal Settlements in Pakistan**

Sarah Wazir

UMinho | 2020

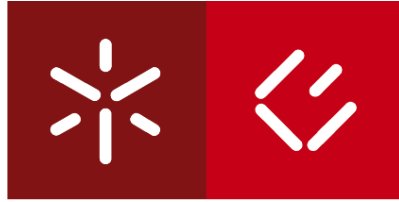


Universidade do Minho
Escola de Economia e Gestão

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Setembro de 2020



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Dissertação de Mestrado
Mestrado em Administração Pública

Trabalho efetuado sob a orientação do
Professor Doutor António Fernando Tavares

DIREITOS DE AUTOR E CONDIÇÕES DE UTILIZAÇÃO DO TRABALHO POR TERCEIROS

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**Productive Employment Generation:
An effective way to revitalize informal settlements in Pakistan**

RESUMO

Uma das principais preocupações do governo em relação a concepção de políticas urbanas sustentáveis é o rápido crescimento dos urbanizações informais nas cidades e nas periferias. O problema é particularmente prevalente em países em desenvolvimento e precisa de atenção urgente. As urbanizações informais são os setores mais desfavorecidos da sociedade sofrendo de condições de extrema pobreza e são excluídos do desenvolvimento social, espacial e econômico. O estudo é realizado no Paquistão, com a intenção de encontrar a melhor maneira possível de melhorar a qualidade de vida dos residentes de urbanizações informais.

As urbanizações informais de três províncias, Punjab, Sindh e Khyber Pakhtunkhwa no Paquistão, são examinados em detalhes para revelar as condições atuais dos residentes em termos de saúde, educação, crime, capital social e felicidade. O estudo mostra o desvio entre a vida das classes abastadas e das classes pobres e aborda o importante tema da desigualdade de rendimento e suas implicações. Simultaneamente, explora uma ligação entre desemprego, subemprego, setor informal e as urbanizações informais.

Os papéis dos governos federal, provincial e local como formuladores e implementadores de políticas são destacados pelo estudo das políticas urbanas adotadas após a partição do subcontinente. A eficácia de cada política é analisada para compreender o seu impacto nas vidas desses residentes, bem como nas outras esferas civis. Por fim, examina-se a importância do emprego produtivo na busca de uma solução eficaz e sustentável de longo prazo.

Palavras-chave: urbanizações informais, desigualdade de renda, emprego disfarçado, emprego produtivo, favelas, governos locais, Paquistão, políticas urbanas, posseiros, urbanização

ABSTRACT

One of the major concerns of government trying to devise sustainable urban policies is rapidly growing informal settlements in and at outskirts of cities. The problem is highly prevalent in developing countries and needs urgent attention. Informal settlements are the most disadvantaged sections of the society that suffer extreme poverty conditions and are excluded from social, spatial and economic developments. The study is undertaken for Pakistan with the intention to find the best possible way through which quality of life of residents of informal settlements can be improved.

Informal settlements from three provinces Punjab, Sindh and Khyber Pakhtunkhwa in Pakistan are scrutinized in detail to reveal the current conditions of these residents in terms of health, education, crime, social capital and happiness. The study shows the deviation between the life of affluent classes and the poor classes and touches the important subject of income inequality and its implications. It simultaneously explores a link between unemployment, underemployment, informal sector and informal settlements.

The roles of the federal, provincial and local governments as policy makers and implementers are highlighted by studying urban policies adopted post partition of the subcontinent and the effectiveness of each policy is analyzed to understand their impact on the lives of these residents as well as on other civilians. Lastly, the importance of productive employment is examined in search of an effective long-term sustainable solution.

Keywords: disguised employment, income inequality, informal settlements, local governments, Pakistan, productive employment, slums, squatters, urban polices, urbanization

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CHAPTER I: INTRODUCTION

The first chapter aims to define the overall research purpose and objective of undertaking the study. The sub sections of the introduction comprises of the background of the study, problem statement followed by research objective, and research questions. The last section concludes by guiding the readers on the structure and scope of the research.

1.1 Study Background

Informal settlements are generally characterized as residential areas with little or no security of tenure, lacking basic amenities and proper infrastructure which is in noncompliance with city's urban planning and regulation and are located at environmentally and geographically hazardous area (Habitat III 2016).

From the perspective of human rights, an informal settlement can be viewed through two dimensions. One aspect reveals violation of human rights where the State has failed to adopt and implement effective policies on provision of adequate shelter, housing and basic necessities to marginalized individuals (United Nations 2018).

When viewing the problem of informal settlement from another angle, they can be seen as incredible human accomplishments where marginalized people living in adverse circumstances have created a forced space for themselves to live, connect and form their own community despite extreme criticism (United Nations 2018).

Understanding the two sides of informal settlement have provided me with enthusiasm to take on the broader topic of informal settlement for my research and contribute positively to the literature by focusing on its problems and solutions simultaneously (United Nations 2018).

1.2 Informal Settlements as an Urban Problem

An in-depth understanding of the driving forces that contribute to growth and expansion of informal settlements is required to address the problem. Countries experiencing urban sprawl have more or less the same systemic issues of lack of access to housing, inefficient land management, inefficient spatial planning

along with substantial urban poverty in different local and national contexts. Gabriel (2017) indicated that informal settlements are not “just simply an urban planning problem” but rather a complex phenomena that “may threaten the long-term sustainability of urban communities” if not addressed immediately and efficiently.

From the perspective of economics, public and private investments mobilized by informal settlements remain outside the boundaries of formal investment cycles and the economy. Informal settlers normally occupy public lands illegally, shifting burdens of cost to local government and public institutions. Single unit house construction in a low density sprawl pattern results in underuse of expensive land. It limits the government’s ability to sustainably plan the use of land as the area occupied is either unsuitable for construction or has more productive social and commercial use. The real estate potential as well as a city’s orderly growth and development are largely disrupted. These settlements do not pay taxes but are connected illegally to public infrastructure impacting revenue generation of government (Tsenkova et al. 2009).

Informal settlements are an important part of formal and informal economy as well as the real estate market. The trade of houses and land in these settlements does not involve real estate agencies, payment of tax and agencies and “registration in the cadaster”. This largely reduces the transaction costs, however neither can house/land be used as collateral nor can they be mortgaged. Absence of tenure security means high risk of demolition in case of natural disaster (flood, earthquake, etc.) or government programs such as road expansion. Informal markets are neither beneficial to owners nor to government, insurance agencies, lawyers or bankers. Over the years, many remedial actions have been adopted to open the formal market to informal settlements. Still the only viable option to these settlements is informal practices. A sustainable solution should hence fully appreciate the capacity and achievements of this informal sector. “Government must recognize that informal sectors help the function of urban market” and create supportive environments to enable “integration of informal settlement with formal economy” (Tsenkova et al. 2009).

When viewed from the perspective of social dimension, informal settlers are mainly poor, facing social hardship, high unemployment, and insecurity of tenure. Apart from high risk of eviction faced by these settlements, they experience social exclusion through lack of social structure in form of schools, medical clinics, and social service. Many times the schools are located at large distances, which make

commute expensive, inaccessible and unaffordable. Residents without formal registration mainly in case of refugees cannot vote. They are not entitled to unemployment benefits, social security payments or enrolling their kids in a local school. The quality of life of people living in these settlements is poor as more than half of their population lives below the poverty line that can be visually noticed through poor quality housing (Tsenkova et al. 2009).

Unplanned use of land results in environmental challenges due to lack of infrastructure and urban sprawl. Environmental threats pose health risk to citizens of urban areas, including residents of formal settlements, as sewerage and garbage from informal settlements are dumped in rivers. Contaminated water and piles of dumped garbage are breeding grounds for deadly diseases. With inadequate infrastructure, the only means to connect to public utilities is through illegal access. This in turn leads to power and water cuts for regular users. The revenue generation of public institutions is severely affected, lowering cash inflows and institution's capacity to maintain and improve overall infrastructure. The system as a whole is exposed to both environmental and economic risk (Tsenkova et al. 2009).

Some illegal settlements situated on unsuitable land for human settlement are additionally exposed to environmental hazards of land sliding, flooding and air pollution(near industrial land). Furthermore, the occupation of protected areas (coastlines, forests or archaeological sites) is a source of depletion of strong cultural and environmental values that they hold (Tsenkova et al. 2009).

1.3 Research Objective

The World Bank collection of development indicators reported that 45.5% of population in Pakistan (as % of total urban population) lived in slums in 2014 (Economics 2019). The informal economy of Pakistan was 74% to 91% of formal economy in 2008. A study of dynamics of informal economy specifically in relation to slums in Pakistan would help policy makers devise informed strategies. Informal economy, though seen as having negative consequences by many policy makers is a primary source of earning for informal settlements residents.

The research topic chosen for this study is “Productive Employment Generation: An effective way to revitalize informal settlements in Pakistan.

The study is based on informal settlements of Pakistan and aims to understand the causes and problems of these settlements in a developing country. The characteristics and features of existing informal

settlements of Pakistan are understood in detail. The research contributes to the literature by studying existing research on informal settlements of various cities of Pakistan. It aims to find common characteristics as well as distinguished features of each of the settlements. Previous studies undertaken on informal settlement in Pakistan normally either focus on single settlement or on settlements in a specific city viewing a specific aspect of it (Dowall 1991; Bari 2016; Mustafa 2019)

This research also sees income deficiency and hence unemployment as one of the major cause of degraded living condition of residents residing in informal settlements. The concept of Income inequality and its effect of health, education, happiness, social capital and crime are explored. As residents of informal settlement live in extreme poverty, they fall on the lower end of the income spectrum and hence they are most affected by the negative consequences of income inequality. Unemployment is one of the sources of income deficiency. As described later in chapter 2, individuals do not tend to remain unemployed for long and choose to work in low paid and unskilled jobs in informal economy whereby this unemployment takes the form of disguised employment. The informal economy is a source of earning for residents of informal settlement and this research looks at productive employment as an effective mechanism to tackle the problems associated with disguised employment.

The role of government cannot be ignored as governmental policies impact the lives of its people. Finally, links between informal economy, national and local government policies and quality of lives of residents of slums is revisited for development considering aspects effecting the informal economy and slums, both individually and collectively.

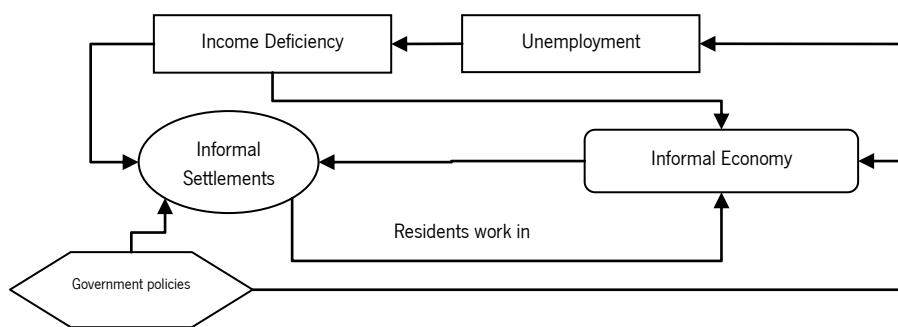


Figure 1
Link between Informal Settlement, Informal economy, Government policies and Unemployment

1.4 Research Questions

1. What are the current conditions of slums and its residents in Pakistan and what factors (legal, social, political etc.) have contributed to their evolution over the course of time?
2. How does income inequality affect health, education and crime in slums of Pakistan?
3. How does under-employment affect health, education and crime in slums of Pakistan?
4. Are informal settlements an economic activity hub? What concentration of informal economic activities is found in informal settlements of Pakistan?
5. What policies have been pursued by local governments for informal settlements?
6. What is the relationship between central government policies, macroeconomic context, slums and informal sector in Pakistan?

1.5 Research Structure

The current study is divided systematically into six chapters to achieve the objectives of the research.

Chapter one illustrates an overall research framework defining clear research objectives and questions along with setting the pathway that acts as guide for this study. Chapter two is dedicated to explaining in detail the major concepts and their origin to gain in depth understanding of research topic before proceeding to literature review. The chapter explores the definition and types of informal settlements, the historical perspective and phases of housing policies and emergence of concept of informality. Chapter three is the literature review of existing studies to find the connection between income inequality, productive employment and government policies with informal settlements. An extensive review is conducted to formulate research hypothesis and develop theoretical framework to set comprehensible direction for research.

Chapter four operationalizes the hypotheses so that they can be tested in accordance with scientific methods. It presents the research design consisting of unit of data analysis, defining independent and dependent variables and the research methodology and approach. Chapter five is dedicated to data collection and analysis. It describes the results of the analysis as well as effect on these results of limitations of data available for the study. Chapter six is the final chapter of this research study. The study

ends by providing a general conclusion of overall study in line with established theoretical and practical aspects from this research and draws attention for future lines of investigation.

CHAPTER II: CONTEXTUALIZATION AND RELEVANCE OF THEME

In 2001, around 924 million people representing 32 percent of total world population lived in slums. For developing regions a combined 43 percent of people were reported to live in slums while for least developed regions this figure was 78.2% (United Nations Human Settlements Programme 2003).

The terms slum, squatter settlement, shanty town, marginal settlement, informal areas and illegal settlement are used interchangeably with each other to define informal settlements. Distinction should however be made between these terms to prevent confusion. The word inner-city slum originated as many authors of nineteenth century used it, to define the poorest vicinities of London. These areas were characterized as having heavy population, unhygienic living conditions, epidemic with diseases and degraded houses located within or near the city center. The former inhabitants of these houses were mainly middle and high-class residents who abandoned them to move to more convenient and fashionable residences. These houses were then subdivided and rented out to low income groups. With the growth in number of residents residing in these areas, the pressure on infrastructure increased to a point at which it was unable to sustain the entire population of residents, leading to further worsening of conditions. A recognizable aspect of this type of informal settlement is that their owners possess legal title of the land. The term slum now encompasses a broader meaning and is referred differently in various countries. Slums vary amongst each other significantly in “physiognomic and social structure” with occupation of land in city centre, urban periphery to most unproductive lands and river beds (United Nations Human Settlements Programme 2003).

In Latin America, marginal settlement refers to “rapidly sprawling settlements in the urban peripheries” having high population density, insufficient public and private infrastructure and low and irregular income class employed in informal sector. Marginal settlements are comprised of traditional slums and squatters. The term squatter is specifically associated with occupation of land without legal title. Apart from illegal or semi legal occupation of public or private land, its characteristics resemble traditional slums being located on unproductive land near periphery of urban area and having absence of basic infrastructure.

Defining slums through a universal concept has been quite challenging as slums are “multiple dimensional in nature” that vary in definition according to subjective perspectives of evaluator, local, and

cultural backgrounds. For the purpose of consistent comparison and evaluation of slums, the United Nations has tried to operationalize the concept by establishing following definition:

“A slum household consists of one or a group of individuals living under the same roof in an urban area, lacking one or more of the following amenities: access to basic services, durable structural quality of housing, sufficient living area, security of tenure” (Obermayr 2017).

Conditions that enable favorable emergence of slums are a combination of poverty and inadequacy of land where the poor seek reasonably priced accommodation while “land becomes increasingly” scarce. Poverty in turn is a result of income disparity, lack of economic growth and “population growth through in-migration”. Each slum reflects its own local cultural, unique conditions and formation patterns with influences of history and politics. Slums lie at lowest socio-economic level in a city. According to a report of UN Habitat, urban poverty has been described as comprising of low level of income, human capital (education & health), social capital (social networks) and financial capital (productive assets). Factorial ecology demonstrates that the most significant factor responsible for spatial divide in a city is the social advantage/ disadvantage in terms of affordability of housing and land costs, employment opportunities and accessibility, availability of amenities, cultural landscapes and exclusionary zoning preventing some activities in specific areas. Medical science has advanced over time leading to higher life expectancy than before thereby having a direct impact on increase in population size. Along with this, rural-urban migration has contributed largely to urban population growth. The key features that make urban areas attractive to rural population for migration are employment opportunities, safety, health care and education, clean water supply, better infrastructure, and higher income. On contrary, lower agricultural income and other income opportunities, environmental degradation and declining productivity of crops are a few aspects pushing them towards urban areas. Lastly, urbanization is complemented by the lack of economic growth in many countries (United Nations Human Settlements Programme 2003). Other factors for formation of informal settlement include “inefficient public administration, ineffective housing policies, war, natural disasters and earthquakes leading to massive movement of people to places of opportunity and safety” (Amao and Benjamin 2015).

2.1 A Historic Perspective on Housing Policies

Over the course of time, various influences have affected local and national policies on housing, in turn impacting the availability of stock of houses to the urban poor. The magnitude of impact of policies, whether positive or negative, depends on local, national and global context.

Democratization has led to increased participation of citizens at national and regional level while decentralization involves delegation of power and resources to “regional, municipal and community levels” which were previously controlled through centralization. Greater autonomy and accountability have made local governments become more responsive to their regions needs while people and communities now feel more empowered than before. For informal settlements, decentralization results in policies targeted specifically toward needs of adequate shelter in the region. However, the downside involves greater fragmentation of nation and state, compromising economies of scales that were achieved through centralization and increasing corruption at local level due to poor accountability (Obermayr 2017).

Globalization and specifically economic globalization has created strong international ties at the cost of “national economic dependencies”. It has opened opportunities throughout the globe for every country, yet has increased social exclusion, poverty and inequality to a wider extent. Neoliberal policies were advocated by the World Bank and the IMF in 1970 to be adopted by countries as a means of economic growth. These policies promoted removal of trade barriers (liberalization), privatization and minimal state intervention in markets (deregulation). The aim was to create a flourishing environment for investment and free global market. The World Bank and the IMF imposed the adoption of neoliberal policies as a condition on developing countries in exchange or extension of loan. The consequences of these policies were increased interurban competition and diminishing financial prosperity of cities. In many cases, even the basic services such as water and electricity were privatized. Repayment of loans meant reducing the state expenditures and any economic growth achieved as result was used for payment of debt. In addition, decentralization forced local governments to find their own solutions to expenditure financing as national government was no longer responsible to bail out local governments through redistribution of the overall revenue earned. Raising loans meant losing financial autonomy to donors who were more interested in generating return on their investment than investing in programs that met social needs of the regions. Cities started competing with each other to attract foreign investments in their region.

This meant greater expenditures on activities attracting investors than on social causes and public services; ultimately leading to inequality, social exclusion and poverty (Obermayr 2017).

Cities are now becoming more and more fragmented as a result of external forces (neoliberal policies, decentralization and democratization) and internal forces such as “status, lifestyle and security”. Cities can be pictured as a “sea of wealth surrounded in ocean of poverty” (Obermayr 2017).

The World Bank and the United Nations have played a significant role in devising housing policies throughout the course of history of housing policies. From 1970 to 1985 the World Bank was inspired tremendously by ideas proposed by Turner (1968; 1977). Turner (1968; 1977) believed that government has a role of assisting informal settlements, who would improve their condition by themselves. In this era, the World Bank tried to improve quality of lives of residents of informal settlements through site-and-services and slum-upgrading programs. In the 1980s, neoliberal policies gained momentum, but were later abandoned by the World Bank due to their negative consequences (Davis 2006). During the 1990s, the World Bank and the IMF adopted approaches to housing policies that incorporated enablement, tenure security, participation, micro credits and capacity building (World Bank. 2000). The World Bank has always prioritized market-based solutions over all others while for UN-Habitat environmental and social concerns are of much greater importance (Obermayr 2017).

The United Nations has focused on “adequate shelter for all and sustainable human settlement development”. They have supported tenure security while giving loans on property and house improvement. Need for good governance has been made a priority through global campaign on governance who’s “objectives were to increase the capacity of local governments and other stakeholders to practice good urban governance by the operationalization of agreed norms through inclusive planning and decision-making” (UN Habitat 2002).

A conference of Habitat I was called by UN in 1976 to address concerns over deteriorating human conditions in informal settlements (United Nations 1976). It was at conference of Habitat II in 1996 that the Habitat agenda was developed. The agenda had two goals; provide “adequate shelter for all and sustainable cities”. It was decided that local government involvement, building capacity and adoption of good governance principles at all levels would be used to achieve these aims. Important commitments made during the Habitat agenda were: right to adequate housing and adequate shelter for all, sustainable human settlements, enablement and participation, gender equality, financing shelter, international

cooperation and assessing progress. In the same era, the UN also defined seven dimensions of good governance: “sustainability in all dimensions, Subsidiarity, equity, efficiency, transparency and accountability, civic engagement and security” (United Nations 1996).

At the Millennium Summit in September 2000, the Millennium development goals were formulated with one goal specifically targeted towards Slum development: “By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers”. With achievement of improvement of more than 300 million slums in 2015, UN’s Sustainable Development Goals were developed with a broader focus:

“By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums” (Obermayr 2017).

At the Habitat III conference held on October 2016, the United Nations reassured its commitment under new urban agenda towards adequate housing for all citizens and “sustainable cities”. The agenda laid out principles and standards for urban area improvement, development, management, construction and planning and for implementation through “national urban policies, urban legislation and regulations, urban planning and design, local economy and municipal finance, and local implementation”. It also recognizes the relationship between; development and good urbanization, employment creation and good urbanization and better quality of life and job opportunities. Every urban policy should incorporate these links. The agenda also highlighted how the new urban agenda would lead to the achievement of sustainable development goals set to be achieved by 2030 (United Nations 2016)

2.2 Phases of Housing Policies

Lessons have been learnt with every policy approach adopted to cater the problems of informal settlements and new approaches with improvements have been devised subsequently. Until the 1970s, governments approached informal settlements with negligence and did not recognize or mark them on a city’s map. It was in mid-20th century when governments started constructing high-rise blocks to provide suitable housing to people living previously in slums (United Nations Human Settlements Programme 2003). This policy proved to be quite expensive both for government and slum residents given that the number of houses constructed could not meet the demand and did not solve the problem of slums as

expected. In many cases, affordability of these houses was not possible for slum residents due to income constraints; hence these houses were mostly occupied by the middle class (Davis 2006).

With the adoption of neoliberal policies in the 1980s by many countries, social housing lost its attractiveness and government paid direct subsidies for housing, which was a cash alternative of social housing with similar problem of being too expensive for governments. The consequence of the adoption of neoliberal policies was not as fruitful as initially thought (United Nations Human Settlements Programme 2003), hence the next approach of government towards informal settlements was eviction. Eviction was justified on grounds of slums being an eye sore for urban residents and breeding ground for criminal activities (Davis 2006). Many informal settlements were evicted due to their prime location (United Nations Human Settlements Programme 2003). Some were removed due to events such as the Olympics, where government did not want the international visitors to develop an impression of them being poor. The residents of evicted settlements either settled at the periphery of a city or in remaining slums; worsening conditions in these areas through overcrowding while with former increasing cost of commute (Obermayr 2017).

Unlike eviction, resettlement programs did not use force of government rather involved cooperation and agreements by slum dwellers and compensation paid by government (United Nations 2014). By the 1970s, the World Bank started intervening in housing policies adopted by many governments and favored assisted self-help based on the ideology of Turner (1968; 1977). Site and Service and slum-up gradation were two ways through which assisted self-help was provided. Site and service involved provision to families; a plot on land connected with basic services and cheap material to construct houses themselves. Slum up-gradation was a program that aimed to improve the conditions of existing slums through regularization and infrastructure improvement. Additionally, housing loans were provided in some cases, either to build houses or improve existing structures. The outcome of this policy was not very satisfactory (Obermayr 2017). Missing skills, weak commitment of local authorities and slum dwellers, and lack of political will were not thought through which lead to poor governance structures, hindering effectiveness of the program (Davis 2006). It was realized that people involvement was an absolute necessity for the success of any program on slum improvement. Enabling policies incorporated this perspective where the role of government was to provide advice, financial assistance and training to build capacity. Mostly NGOs or local authorities assisted to achieve enablement with guidance of international development

organizations. The Habitat II conference further developed enabling approach and broadened it to “participatory slum improvement approach” that combined best practices with market-based approaches. The dimensions of participatory slum improvement approach set by the UN includes “physical upgrading, employment, tenure security, finance, partnership, participation, political will and formalization, sectorial reforms and capacity building” conducted through organizational, social, political action plan (Obermayr 2017).

2.3 Emergence of the Concept of Informality

The International Labor Organization (ILO) works to develop and support labour standards, policies and programs that provide “decent work for all” (International Labor Organisation 2019). In order for ILO to fulfill its purpose, it has directed its effort towards the creation of an operational measure of unemployment that could be used around the globe. To understand the impact of unemployment on countries and the effect of policies implemented, the Director General of ILO between 1948 and 1970, Davis Morse, emphasized heavily on devising measures to quantify the “magnitude of unemployment problem”. Labour statisticians during the process of formulation of the measure realized that the concept of unemployment could not “readily apply” to Low Developing Countries (LDC) as the measurement only took into account the economic life quantified through wage-labour. With the rise in rural-urban migration, a larger population worked as unpaid family labour or was self employed, thereby being caught between the spectrum of full employment and unemployment. The utility of the terms ‘disguised unemployment’ or ‘underemployment’ emerged in 1950s and 1960s, to describe work with low productivity such as work performed in urban handicraft or agriculture. With many independent states being formed as a result of decolonization, countries started using this concept in their future forecasts and employment surveys (Benanav 2019).

In 1889, Price and Booth (1896) studied the problems associated with unemployment and realized that people who were termed unemployed were in actual “irregularly employed” as they were involved in some kind of work. Robinson (1936), the British economist, came up with the concept of disguised employment after studying Keynes general theory. Keynes (1936) in his theory has not taken into consideration the ambiguities of real life and defined involuntary unemployment as idleness enforced rather than as a search for work in frantic way. Robinson (1936) viewed this aspect differently and pointed that

people who become unemployed do not remain idle for long, engaging in any work they find and managing to live hand to mouth. She gave an example of matchbox sellers who were once employed in high productivity auto plants jobs. From the perspective of Keynes general theory these individuals despite having a job, fall under the category of unemployed but in reality their employment has taken a “disguised form”. Robinson (1936) stated that when the employment level is low, government intervention to stimulate demand will be effective if it has an effect of making disguised employment visible and “then letting it resolve itself into new employment”; enabling the workers on streets to relocate to high productive jobs. Rosenstein-Rodan (1944) was first economist to use term disguised unemployment to describe insufficiency of employment in LDCs in his “big push industrialization” theory. Taking in consideration that there are many workers on the streets that have never held a job in high productive sectors, Rosenstein-Rodan (1944) described the disguised employment as “measure of workers with zero marginal-productivity”, i.e., those workers who will not have any declining effect on productivity if they leave their present job. According to him, with the start of industrial era, these agrarian workers would eventually become part of the industrial work force.

In 1951, Chiang Hsieh, the ILO official defined the term underemployment as the “difference between the labour force’s actual and potential working time”. He also acknowledged that measuring underemployment is quite difficult as workers apparently seem fully employed but actually work in low productive jobs. Taking in consideration Hsieh’s definition, ILO in 1957, defined underemployment “as the difference between the actual employment and the theoretical full employment of the labour force”. Standardizing the measurement of underemployment proved to be quite complex as the approaches undertaken involved subjective judgment of interviewee, interviewer or simply varied circumstances faced by individuals. Economists and government planners accepted only the standardize measure of visible underemployment that took account of part time workers seeking full time jobs while standardization of measures of invisible underemployment involving individuals working full time in low income activities was delayed (Benanav 2019).

Between the periods from 1950 to 1960, many countries got involved in development planning. However, due to limited expertise, post-colonial devastations, dispersed rural economies, and maneuvering by super powers, much success was not achieved. At this point ILO failed to take into consideration barriers to economic growth (such as difficulty to import in US and Europe manufactures or declining

export prices of agriculture product) as many of the developing countries were in phases of rapid growth. The detachment between economic growth and employment expansion was explained by ILO through rapid rise in population and slow rise in demand for labour. Rising population meant higher rate of increase in number of workers compared to decrease in unemployment rate brought about by economic growth. Secondly, “output of composition” was considered skewed where the rich played a more influential part in monetary economy than the poor as they tend to purchase products such as cars and whiskey that are capital intensive compared to labour intensive goods such as shoes and clothes. Governments hence favored policies that encouraged firms in LDC to import labour saving heavy production machinery. In response to these findings ILO recommended governments to set “clear and publicly defined” employment policies with targets that can be quantified. In 1969 David Morse suggested governments to work on rural development, reducing capital intensive investments and social projects. Simultaneously, ILO focused its efforts on developing operational measures for underemployment. ILO wanted to convince countries to use direct employment targeting instead of GNP targeting but as no consistent measure of underemployment could be devised, the concept was abandoned. Instead, the concept of “wage-earning jobs” was supported as a suitable measure comprising of written or verbal contracts and records being kept for wages received and paid. For LDC, this concept was inapplicable as most of their urban workers were either self-employed or contributed to unpaid family activities. Labour in rural areas comprised of men, women and children, all on whom contributed to income generating activities making it impossible to distinguish their specific role towards economic and noneconomic activities. As the work was spread across the entire day and amongst the family members, measuring the magnitude of labor force, their current level of productivity and “its potential productivity at full employment” proved to be impractical. Asking questions about “Are you available to work?”, “Are you seeking employment?” or “Are you employed?” from a peasant who had no experience of any work other than what he does or from a precariously self-employed person during the survey did not do much and ended up only in “pseudo-quantification”. Now many ILO economists started looking at the concept having such rich historic background in a new way (Benanav 2019). Franklin (1969) noted that social policies of the government, for example unemployment insurance can help standardize categories of unemployment and employment in the West. These policies enable the jobless individual to become visibly unemployed instead of disappearing by choosing precarious self-employment. It was hoped that the same would be followed by developing nations as they industrialize. The phenomenon was

observed in modern sectors where state laws were strong and wage-labour was the general norm. However for sectors where the characteristics of modern sector did not exist, the concept of Franklin could not be applied. Not surprisingly, the latter sector was expanding. ILO statisticians now started considering proposals from other sources, the first amongst them was from Myrdal (Benanav 2019).

In his book *Asian Drama* Myrdal (1968) stressed the idea of zero marginal productivity workers and argued that economist derived standard measures on labor underutilization should be used for LDC. Many measures on labor underutilization were proposed during 1970s; however, none got widely accepted. By this time ILO had already given up on putting its efforts on economic sector that was hard to describe through wage-labour relations and was experiencing crisis in formulating standard “operational measure for underemployment”.

Finally, in 1971, the concept of “employment in the informal sector” emerged (Benanav 2019). Informal sector was a neutral term used to describe activities related to so-called traditional sectors that were also inherently modern such as car repairs or beer brewing. Hart (1973) gave a presentation at Institute of Development Studies (IDS) on “informal economic activities in the Ghana economy” in 1971; where he highlighted that these activities should be supported and not suppressed. According to Hart (1973), formal income opportunities consist of public and private sector wages and transfer payments such as unemployment benefits or pension. Legitimate informal means of earning as defined by Hart (1973) were “small scale distribution” (petty trade, caterers), “primary and secondary activities” (tailor, shoe maker, farming), “tertiary enterprises” (transport, housing), others (shoe shiner, musician, barber) and “private transfer payment” (begging, gifts) while illegitimate informal means takes the form of services (including drug dealing, bribery, prostitution) and transfers (pick pocketing, money doubling tricks, gambling). Hart (1973) theory focused on lower bracket of the working poor (Jacques Charmes 2017). It was here that economists of both IDS and ILO realized that term informality fit well with their organizational development framework. ILO has previously advocated that “skewed demand composition” and technology driven government incentives were reasons for failure of economic growth not translating into employment growth. They have therefore recommended governments to adopt policies which favor labour intensive activities targeted at mass population. These aspects were covered by concept of informal sector (Benanav 2019).

Hans Singer and Richard Jolly in ILO Kenya Report choose to use the term informality instead of underemployment. Their report suggested that limited activities such as that carried out by shoe shine boy or street hawker were used by economist to theorize insufficiency of employment. In actual informal sector comprised of vast array of activities which includes individual activities as well as urban enterprises that were profitable and economically efficient. Their unique character however was that they were carried out illegally and operated “largely outside of the system of government benefits and regulations”. The name informal sector itself was selected to illustrate the positive impact that could be achieved through reduction of legalization barriers faced by small enterprises (International Labour Office 2007). This theory of Singer and Jolly put greater focus on activities that belong to upper tier of informal activities, describe by Nihan (1978) as “the modern informal sector” (Jacques Charmes 2017). The Kenyan report was produced in 1972, when the Kenyan economy was expanding. Still the authors felt the need to advocate a broader policy perspective aimed at sharing economic growth benefits with the vast majority of population so the growth in informal settlements is “evolutionary rather than involuntary”. The popularity of the informal sector approach proposed in the report rose quickly (Benanav 2019).

Approaches taken by Hart (1973) and the Kenya Report had one thing in common: both held state responsible for emergence of informality either through supporting capitalist policies as newly independent states required surplus labour or by maintaining heavy barriers preventing private initiatives to blossom (Jacques Charmes 2017).

It was in 1974, when the existence of population residing in slums and informal settlements in LDC became known to world through a survey conducted by UN. The residence of these settlements lacked access to basic necessities of life i.e. healthcare, education, clean water etc. It became apparent, rising economic growth has not only failed to increase employment levels but other aspects of better quality of life as well were unaffected. World Employment Program (WEP) in 1976 introduced “basic need perspective” where the ILO emphasized countries to target employment along with other deprivation directly rather than focusing indirectly on them through growth in economy (Benanav 2019). Moyn and Cohen (2019) pointed the shift in framework of ILO from broader equality principle to enclosed approach of sufficiency. The basic need report from ILO demanded capacity of manufacturing export to be redistributed around the globe, but not through multinational corporations. It also favored the redeployment of holding of the land. ILO officials have come to admit that skewed demand composition was not the main hindrance

between economic growth and employment insufficiency. Upper income groups had a greater hold on political process and they exert tremendous pressure on government officials. It is because of this reason that agrarian reforms should be adopted to result in power redistribution. However, by the time, the basic need report was to be recognized, the developed as well as developing nations started to experience turmoil in their economy due to increase in oil prices with which full employment approach vaporized (Benanav 2019).

Around the world in the 1980s, labour protection laws were uplifted to make labour market unregulated. It was a time where the main focus of governments was to stabilize the prices instead of focusing on full employment. This era was mostly dominated by the neoliberal ideology. Economist in this period supported the concept of voluntary unemployment that is anyone who was in need of a job would settle for whatever was available. With the start of debt crisis in Third World countries, structural adjustment came in play. Sethuraman (1981), an ILO official, argued that informal activities emerged due to “necessity to create one’s own employment” instead of being a “response to investment opportunities in the neoclassical sense”. He however did not support the idea of shoe shiner, street corner cigarette seller or self-made apartment care taker being considered an enterprise. Sethuraman (1981) claim of why people moved to informal sector was never proven.

During this time frame, ILO concentrated on tracking the growth in informality in Asia, Latin America, and Africa. As a consequence of a worker being laid off in the formal sector and wage stagnation, the size of the informal sector increased drastically. ILO has shifted its approach from working on direct measure of employment insufficiency to indirect “informal sector metric”. Simultaneously the region of focus now became Latin America. Many interested stakeholders comprising of economists, business associations, government planners, labour unions, international agencies and TV personalities dived in on the debate. With so many voices, the definition of informal sector advocated by ILO lost its real essence. Hernando De Soto revived the concept of informality in mid 1980s, explaining it in the same way as the Kenya report had done. His purpose was to lobby for reduction in business regulation which benefited the formal sector and not the society. World Bank and De Soto were trying to bring a different perspective to development approach in which market has ability to do magic (Benanav 2019). On the other hand, empirically proved underground approach put forward by Alejandro Portes “argued informality was more like a continuum than a sector; its existence served the interests of larger firms, rather than merely

competing with them” (ILO 2013). Other approach to informality was brought forward by Fields (1990) who described informal sector as being two-tiered. His approach was inspired by work of Hugon (1980) that termed informal sector as an “evolving micro-enterprise subsector” or “survivalist involutive sub-sector” and by Page and Steel (1986) who mentioned this sector as “missing middle” or “intermediate” sector. As it was hard to operationalize these concepts, ILO maintained its focus on finding standard measure for quantifying informality (Benanav 2019).

The question asked by statisticians to devise a measure of informality was which enterprises should be included in the measurement. The Kenya report had described seven characteristics (namely labour intensive technology, small scale operations, unregulated competitive market, ease of entry, family owned, non-formal skilled acquisition & indigenous resources) to be used to identify informal enterprises. Each characteristic, however, led to different measurements. Furthermore, in later studies, it was revealed that many small enterprises succeed in being recognized by government to some extent (Benanav 2019). J. Charmes (1990) pointed that noncompliance of law by operators is a result of powerlessness, inadequacy and unwillingness of the state when it comes to dealing with jobs being created spontaneously due to high unemployment. In 1993, an International Conference of Labour Statisticians resolution noted that activities in the informal sector were not performed with the conscious objective of “evading the payment of taxes or social security contributions, or infringing labour or other legislations or administrative provisions” (Jacques Charmes 2017). ILO then came up with definition of informal sector as comprising of household enterprise with non regular employees. These enterprises did not engage in formal contracts with their employees or kept work records and relied mostly on personal and social relationship, kinship and casual employment. The scope of definition of informal sector has expanded. Small enterprises now also comprised of household informal employers which made it appear more ambiguous than before. The sector included both workers having insufficient employment and profitable enterprises. In the times of economic growth, these enterprises seem to be making profit while other times barely surviving. In 2003, this definition of informal sector was criticized for not capturing the relationship between informal employments within formal sector. After 1980, the lift in labour protection measures provided opportunity to formal enterprises to hire individuals from pool of low paid urban labour and replace highly paid workers. Hence formal enterprises started employing workers on short term contract or no contract, for part time work or casual work and as labour on call. A new notion of “informal employment was born” consisting of

presence of informal workers in both informal and formal sector (Benanav 2019). Informal worker here is defined as employee without having a work contract and social protection. These employees are not subjected to income tax, national labour law, employment benefit or social protection due to nature of their work which can be of short duration, having remuneration below minimum wage or situated in area where national labour laws are not applicable. With social protection, it is more of its nonpayment than entitlement that defines informal worker as individual can have coverage through contribution from another family member (Jacques Charmes 2017).

Jacques Charmes (2017) used a slightly modified version of the above ILO definition by introducing broader concept of employment in informal economy. According to his concept, employment in informal sector comprises of informal and formal jobs in informal sector while informal employment consist of informal jobs in enterprises working in informal and formal sector and informal household jobs in form of paid domestic workers as well as production of self-consumption final goods. Employment in informal sector and informal employment together are part of employment in informal economy. To understand the impact of informal employment and informal sector on GDP, J Charmes (2013) viewed these approaches through Survey National Account. It can be interpreted from Table 1, that informal sector is a sub sector of household unincorporated enterprises while informal employment spread through various institutional sectors. Informal employment should therefore be measured using labour input matrix that involves taking in consideration all jobs and hours worked in institutional sectors to assess their contribution to GNP rather than being defined through economic unit (i.e. the fundamental unit of Survey National Account).

	Institutional sectors	Sub-sectors	Jobs	
			Formal	Informal
Enterprises/ Economic units/ Institutional Sectors	General Government Non-Financial Corporations Financial Corporations Non Profit Institutions serving Households		1	2
	Households: Unincorporated enterprises	Formal	3	4
		Unincorporated Enterprises: Informal sector	5	6
	Households: Others	Production of goods for own final use	-	7
		Paid domestic services	8	9
	Employment in the informal sector = (5) + (6)			
Informal employment = (2) + (4) +(6) + (7) + (9)				
Employment in the informal economy = ((5)+(6))+((2)+(4)+(7)+(9))				

Table 1

Informal Sector and Employment viewed through Survey National Account (J Charmes 2013)

CHAPTER III: LITERATURE REVIEW, THEORETICAL DEVELOPMENT AND HYPOTHESES

3.1 Hypothesis 1

Poverty and inequality have a direct and indirect effect on each other through economic growth. The three aspects; poverty, inequality and growth cannot be viewed in isolation. Poverty and inequality impact each other, but inequality affects growth which impacts poverty and vice versa. According to Atkinson (1997), it is difficult to explain how and why growth and hence poverty is impacted by inequality using economic theory. Hence, an alternative suggested is to study economic, social and political factors to assess its impact.

When inequality is viewed through political economy, it should be seen as “the difference between the mean and the median voter”. Previously, inequality was defended by presenting the argument that median voter prefers higher taxation charged on the rich resulting in lower investments and economic growth. However, more recent developments support the perspective that inequality leads to political instability and violence leading to reduced investments as well as direct and indirect costs associated with a reduction of government’s ability to deal with shocks (Alesina and Perotti 1996; Bourguignon 1998).

Economic factors to assess consequences of inequality on growth should see the poor as contributors to economic growth instead of as beneficiaries and view market imperfections as the major culprit. The rate of saving is high amongst poor individuals but their absolute amounts of savings are low. Therefore, their investments in education, small and medium size businesses and in other areas of life are relatively small. They are unable to protect their investments due to lack of insurance or expand these investments due to lack of access to credit markets because of unavailability of assets for collateral. If the incentives to invest and work are high for the poor, their income will increase, inequality will fall and national income will rise.

“Social inequality may create self-fulfilling expectational equilibria with lower growth”. Incentives to earn and work are lost, if the workers are compensated according to their gender, class and ethnicity instead of on their achievements (Bourguignon 1998). Lack of investments, increased costs to government, lower educational background, smaller proportions of savings and inaccessibility to credit market etc. are all signs of and leading towards poverty (Naschold 2002).

A key feature defining informal settlements is poverty and the poor are unable to afford the basic necessities of life: education, health, food, water, shelter and clothing (Naidu et al. 2015; Simiyu, Cairncross, and Swilling 2019). For the formation of the first hypothesis which looks at economic prosperity/hardship through lens of income inequality, existing theories in literature are studied to understand the relationship between income inequality and happiness, health, education, crime and social capital for individual, community and nation. Next, the conditions of existing slums which are at the lower end of the income pyramid around the globe are assessed on political, social and economic terms to devise a connection between economic affluence and quality of life of individuals. Finally, the first hypothesis is presented.

3.1.1 Theory

3.1.1.1 Income Inequality and Happiness

Subjective Wellbeing or Happiness is a self-evaluation by person of their own life through cognitive analysis (Diener, Oishi, and Lucas 2009). Happiness serves as an important measure in accessing individual and social quality of life. For a good life not only social status, job security, rewards and power are essential but so is the happiness and satisfaction experienced from them (Frey and Stutzer 2002). When viewing happiness in relation to income inequality, it can be perceived that individual generally don't like inequality (Dawes et al. 2007). The dislike can be because individuals feel that they could be at a better position in more equitable environment compared to otherwise (Piketty 1995; Benabou and Ok 2001). In the literature, several arguments have been presented on individual stance on inequality. The first view is based on individual's own self-interest while second view looks at the likes or dislikes of individual through their concern around betterment of society they live in (Ada Ferrer-i-Carbonell and Ramos 2014).

The former view on whether income inequality is liked or disliked by individual is understood through their self-motive. Taking in consideration person's circumstances and characteristics, income inequality presenting a good opportunity to individual is more likely to be accepted by them than if it is associated with worse outcome. When people believe that the distribution of outcome in worst case scenario is linked with income inequality, they tend to be more risk and income inequality averse (A. Ferrer-i-Carbonell and Ramos 2009). The history of the individual is another factor affecting their preferences. Negative instances experienced by a person in past lead to development of pessimistic view on their

chances of climbing up the income bracket and increases inequality averseness (Piketty 1995; Giuliano and Spilimbergo 2009). Alongside this, their opinion on prospect about income mobility has an impact. If individual expects a fall from income ladder, they will tend to choose income equality (Benabou and Ok 2001). In some instances where income inequality might result in negative events such as increase in crime rate, individual will prefer income equality as it will reduce these events impacting them indirectly. Individuals will dislike income equality when they expect favorable outcome for themselves in worse scenario. The expectation might be of moving up the income ladder or any other positive prospect. The society as a whole in this case is more tolerant to income inequality but if these expectations remain unrealized the tolerance level might change towards dislike for it (Hirschman and Rothschild 1973; Grosfeld and Senik 2010).

There are growing numbers of literatures on second view which support individual concerns for not only them self but also for the society. Bergstrom and Lachmann (1998) and Fehr and Schmidt (1999) pointed that choices of humans are based on their egalitarian believes and Dawes et al (2007) proposed that people are more happy in an equal opportunity environment. Individuals are not only focused on the outcome produced but also for them the means and processes involved in achieving the final results are important. The satisfaction by individual is drawn from processes being fairer (Frey, Benz, and Stutzer 2004). Therefore society will be more tolerant to income inequality when they believe income generating process is based on individual effort than on other aspects such as nepotism, luck, birth or corruption (Alesina, Di Tella, and MacCulloch 2004). In such society, multiple equilibriums are reached as a consequence of welfare policies and beliefs where effort is rewarded, taxation & income distribution are limited and reliance on luck is reduced, resulting in fulfillment of social beliefs (Alesina and Angeletos 2005).

The literatures on subjective happiness have empirically tested how happiness of individual is affected by the position individual holds relative to their reference group in income distribution (Ada Ferrer-i Carbonell and Ramos 2014). The prediction of effect of income equality on happiness taking in consideration the impact of relative position of individual in income distribution is not than straight forward. There exist two opinions on why relative concern may be in line with individual's dislike for income inequality. The first opinion can be understood from the study of Fehr and Schmidt (1999). Fehr and Schmidt (1999) categorized those having more as upward comparisons while those having less as

downward comparisons. In their study, individuals who envied upward comparison and showed compassion for downward comparison had higher utility in equal societies. This effect was observed keeping the income of individual constant. Ada Ferrer-i-Carbonell (2005) confirmed the asymmetry of relative concern. According to him individuals get unhappy when they are poor compared to their relative group but there is no effect on their happiness in case of them being richer. Hopkins (2008) established that where this phenomenon is supported through empirical studies, there always is found a strong dislike of income inequality by individuals. Second opinion is based on preferences of individual from the point of view of within and between inequalities. Individual preferences might differ according to their perception of “those perceived as equals (within inequality) and those perceived as not equals (between inequalities), the income distribution of each group will also have a different impact on happiness” (Ada Ferrer-i-Carbonell and Ramos 2014). This is however beyond the scope of this study.

Relative concern eventually translates into positional consumption that leads to generation of negative externalities impacting happiness level of individual. “A simple framework of conspicuous consumption rivalry to maintain one’s apparent relative position” suggests that income inequality has positive effect on happiness. As the society becomes more equal, the competition for rank increases, increasing conspicuous consumption and decreasing utility (Hopkins 2008). Frank (2008) provides an opposite argument. He suggests that with the increase in high income bracket earners in US which have led to income inequality, USA has experience increased positional consumption and reduced utility. This is due to trickledown effect of increase in positional consumption by high earner on low income earners. Bowles and Park (2005) through empirical study of 10 OECD countries concludes that keeping all other aspects constant, there is positive relation between inequality, number of hours worked and unhappiness.

3.1.1.2 Income Inequality and Health

Initially the researchers determined the relationship between income inequality and its effect on health by taking in account only absolute income. However with the progress in the literature, other factors were identified to also have impact on health and income inequality such as relative income of individual & its effects on health or social cohesion effecting income inequality (Wagstaff and van Doorslaer 2000). The rationale given for why relative income effects individual health is; lower comparative income induces stress in individual through induced feeling of deprivation resulting in unhealthy life (Leigh, Jencks, and

Smeeding 2009). Societal effect also has negative impact of individual health. Higher rates of crime and violence increases death rate as well as stress level of individuals. Heterogeneity in society hinders the mutual consensus on investment in public goods (Alesina, Baqir, and Easterly 1999) such as hospital or medical centers; hence resulting in higher income inequality and lower health of individual (Leigh, Jencks, and Smeeding 2009). These explanations have led to emergence of many hypotheses in literature to explain the link between income inequality and health which are discussed in detail here. Simultaneously, the impact of health on income inequality should not be ignored. According to Leigh, Jencks, and Smeeding (2009), individuals with health problem face more difficulty in seeking, retaining and being promoted in job compared to healthy individual. Healthy students have better educational outcome and are less likely to drop out which translates into brighter income prospects in future. Healthy individuals tend to “marry and build stable relationship” which impacts positively their income earning prospects (D’Hombres, Weber, and Elia 2012).

There are several hypotheses linking the effects of income inequality and health. Next, I discuss each of these in further detail.

3.1.1.2.1 Absolute Income Hypothesis

Rodgers (1979); Preston (1975) and Gravelle (1998) described the link between income inequality and health as being concave i.e. an increase in income impacts health of individual positively; however, for each incremental dollar there is diminishing incremental effect on health. When assessing the hypothesis at community or population level, it is suggested that average income of population and community along with inequality within them impact people’s health. Considering equal distribution in society consisting of 2 people, a 100 dollar fall in person A income and rise in person B income will result in greater fall in A’s health compared to rise in B’s health due to nonlinear or concave effect of income inequality on individual health. Note that average income of population with two individuals has remained the same. Taking only absolute income in consideration, as the average income of society increase, income inequality decreases and, the health of society also improves (Wagstaff and van Doorslaer 2000).

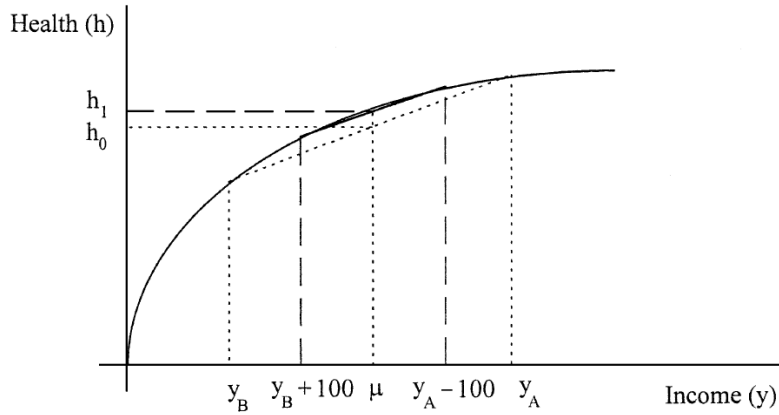


Figure 2

Relation between Individual health and Income (Wagstaff and van Doorslaer 2000)

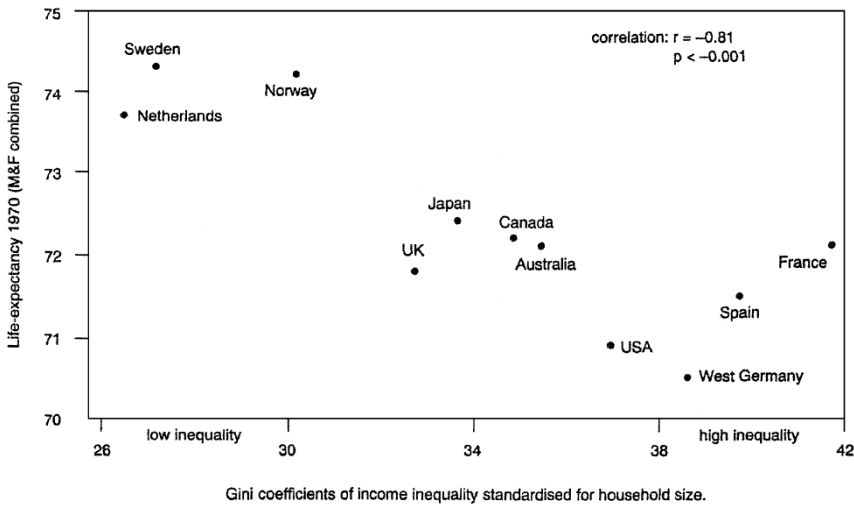


Figure 3

Relation between Country Life expectancy and Income Inequality (Wagstaff and van Doorslaer 2000)

3.1.1.2.2 The Relative Income Hypothesis

The Relative Income Hypothesis describes the effect of relative income rather than absolute income on health. According to Wilkinson (1998), the death rate of underprivileged people is higher in the United States than in Bangladesh. In United States, absolute income of poor people is higher in comparison however it is the effect of relative income and social status that affects the mortality rates tremendously. Hence at individual level, “the deviation of individual income from the mean population” affects health of individual. Individual health will worsen when his or her income deviates more from population means. At community level, the health of community is directly related to the mean community income (same as absolute income hypothesis) but inversely related to mean population income. At population level, the health and income inequality shares same relationship as derived through society level absolute income hypothesis (Wagstaff and van Doorslaer 2000).

3.1.1.2.3 The Deprivation Hypothesis

The term deprivation in social sciences is understood to be as when a person has income or living standard below poverty line. Poverty line can be expressed in absolute terms i.e. income earned below \$1 per day or in relative terms such as income below half the community median income. Expressing z for poverty line and y as for individual income, the income gap i below poverty line or otherwise zero can be calculated as $(z-y)$. Deprivation is hence measured in relative terms by using income gap as measure. At individual level, the health of individual will depend upon the income gap and the poverty line. The graph representing the relationship between health and individual income will be same as figure 1, however for income above poverty line, the relationship would appear flat. At community and population level, the health of community/population is dependent respectively on average income of poor, income equality amongst poor and proportion of poor at community & population level (Wagstaff and van Doorslaer 2000).

3.1.1.2.4 The Relative Position Hypothesis

The relative position hypothesis emphasize on the position of individual income on income distribution. The health of individual is dependent upon the income and its position on national income distribution while health of community is function of its income and income inequality and the relative

community income ranking in population. The population level health determinants are same as described by absolute income hypothesis. The second variant of hypothesis underlines the importance of ranking of individual income in relation to their community. The health of individual will then be dependent upon the income and its “relative rank in community”. Community and Population health determinants will still be described as before. Yet another variant of hypothesis looks at community income ranking in relation to population as being important to individual. Individual health is then affected by income and community income ranking in comparison to population (Wagstaff and van Doorslaer 2000).

3.1.1.2.5 The Income Inequality Hypothesis

Income Inequality Hypothesis states health at individual level is directly affected by income inequality. Hence the determinants of individual's health are his/her income and either inequality within community or at national level. The community and population health determinants are same as absolute income hypothesis (Wagstaff and van Doorslaer 2000).

3.1.1.3 Income Inequality and Education

The relationship between income inequality and education can be view from two perspectives; first, what is the impact of education on income inequality? And second, what is the impact of income inequality on education attainment?

In his theory of human capital, Becker (1964) illustrates that obtaining education enhances competences and skills of individual, thereby increasing their productivity. The competitive labor markets values productivity and hence individuals with higher education level and productivity are paid higher wages. This indicates that “the more educated a society” is the greater welfare it holds (D’Hombres, Weber, and Elia 2012). The positive correlation between education attainment and income inequality through “skill deepening” has also been suggested by Mincer (1958) and Schultz (1961). Knight and Sabo (1983) described “composition” and “wage compression” effects of accumulation of human capital on income distribution. Composition effect at first increases income inequality as the size of individuals in group with higher education level increases but eventually decreases it. The wage comprehension effect, on other hand decreases income inequality as the supply of more educated individuals in market increases while supply of less educated individual decreases. For same number of positions, greater supply of

educated individuals leads to higher competition and ultimately leads to reduction in pay gap between more educated and less educated individuals. Spence (1973) illustrates that income distribution is unaffected by education level. Education has more of signaling effect as it helps employers detect individuals with higher skills. Wolf (2004) argues that personal trait rather than higher education level are determinant of skills while Galor and Tsiddon (1997) associate higher level of education attainment to genetics. Nether less, education still is considered to be positively linked to securing better jobs in market (Rodríguez-Pose and Tselios 2009).

Analyzing the impact of income inequality on education attainment is less clear cut than it seems. As income inequality raises return on education investment, it should therefore increase expenditure on education. Topel (1997) in this reference concluded that due to increasing opportunity to capitalize returns, the accumulation of skills is quite rapid. Increasing supply of skills in due course reduces the rise in inequality (D'Hombres, Weber, and Elia 2012). However, educational attainment requires financial resources and income inequality means, uneven availability of resources to spend. Income level of a family depends on their cultural background, inheritance and attributes of the community (Durlauf 1996; Checchi 2000). According to Cooper (1998) intergenerational stability of income is observed for rich and poor than for middle class families, indicating a large section of population remains trapped at same level of income and education, generation after generation (Rodríguez-Pose and Tselios 2009).

3.1.1.4 Income Inequality and Crime

The theory here is arranged by first understanding the effect of poverty on crime to understand the impact of Income inequality on crime rate in larger context.

The relationship between poverty and crime is strongly recognized in literature (Pratt and Cullen 2005; Sampson, Robert, Lauritsen 1994; Bailey 1984; Lee 2000); however the interpretation of connection is still unclear. According to Cusson (2005) association between the two can be spurious when individual or group features are taken in account. For example if crime punishment impacts attainment of job than crime has an impact on social status of individual. Most scholars have associated poverty with criminal behavior. One explanation of why poverty flourishes crime is based on discrimination and blockage of legal opportunities. Poor people “lack access to the legal system” that translates into grievances expressed in form of crime (D. Black 1976; Donald Black 1983; Agnew 1999). Another explanation

focuses on neighborhood in which poor people reside having “lower collective efficacy” compared to rich. The neighborhood effect creates an environment where people adopt an aggressive approach or arm themselves as tactic of self-defense (Bursik 1988; Sampson 1997; Anderson 1999; Felson and Pare 2010). Yet another explanation describes tendency of people to respond to disrespect through physical violence as factor linking poverty with crime (Miller 1958; Wolfgang and Ferracuti 1967) cited in (Pare and Felson 2014).

According to economists the decision of individual to participate in criminal activities involves analyses of cost and benefit between “return from criminal and legal activities”. It is a rational decision. The net return earned from criminal conduct is equal to its return minus the opportunity and associated cost such as punishment of crime if caught. Income inequality increase the net return for poor situated at the end of income distribution as the difference between their income and mean country income is larger compared to situations with income equality (D’Hombres, Weber, and Elia 2012).

Sociologists have put forward the relative deprivation theory which states that poor compare their income with the income of the reference group and if their income is less in comparison, they experience a feeling of deprivation. The deprivation is expressed through frustration and aggressions (Dollard et al. 1939; Berkowitz 1993). Income inequality is a source of barrier to achievement of goals by poor people which leads to frustration and is visible in form of violence on “other poor who do not produce frustration”. One theory suggests that inequality and relative deprivation result in institutional anomie where “rules for governing conduct lack legitimacy and lose their force” (Merton 1938). Another argument emphasizes on weak welfare systems or social support as consequence of inequality (Antonaccio and Tittle 2008) cited in (Pare and Felson 2014).

The poverty effects can be result of absolute and relative deprivation and therefore these factors cannot be used as argument against dispute between whether income inequality or poverty causes crime. Poor people will evaluate outcome in line with their expectations. These expectations are perceived in accordance with expectation of other and according to their prior outcomes. Hence absolute deprivation is feeling arising from not having basic necessities of life while relative depreciation is result of comparison with other poor people having better outcome in life. Sociologists who hypothesize income inequality as cause of crime suggests it on ground of relative deprivation theory (Pare and Felson 2014). In the theory assumption needs to be based on who is taken as reference group for comparison (Easterlin 2001).

International studies have used compatriots for comparison while researches on reference group theory have made use of smaller close group such as families, friend etc. (Runciman 1966; Easterlin 2001; Cochran et al. 2004). With compatriots as comparison group it is still unknown as to how many wealthy individuals in country, state or city induce feeling of deprivation. Furthermore, economic success is not only a factor responsible for social comparison. Others factors include talent, popularity, health, and one's own past performance (Pare and Felson 2014).

Income Inequality studies do not incorporate neighborhood effect on crime. The literature considering neighborhood effects presents an argument quite different from studies on income inequality and crime (Kubrin and Weitzer 2003; Parker and Reckdenwald 2008; Sampson 1997). According to them neighborhood with low income inequality but high poverty are more prone to criminal activities. This explanation insists that people living with other poor people indulge in violent behavior compared to opposing view of poor people comparing and living within wealthier society and developing feeling of frustration (Pare and Felson 2014).

3.1.1.5 Income Inequality and Social Capital

Social capital has been viewed in literature as relation amongst individual (Bourdieu 1980) and as country and region aggregate property (Fukujama 1995). It is further divided into three classifications: relational, structural and cognitive social capital. "Relational social capital" incorporates reciprocity, trust and solidarity to defined relation amongst individual. "Structural social capital" is concerned about connections and networks between individual and "cognitive social capital involves attitude and shared values between individuals (Newton 1999; Chou 2006). Structural social capital is further dissected into two groups. Closed and exclusive group consist of family members and friend and is homogenous in nature while open and inclusive group comprise of members of diverse community (Narayan 2002) cited in (Pisani and Scarafilo, n.d.).

Heterogeneity is seen an important element in acting as barrier in formation of social capital. Community heterogeneity incorporates racial and ethnic heterogeneity and income inequality. Individuals tend to maintain contact with each other on basis of similarity such as having same culture, socio economic background etc. Hence in homogeneous community, individuals will be more in contact with each other compared to in a heterogeneous community. Latter communities are characterized as having

lower trust and collaboration level amongst its members (Alesina and La Ferrara 2002). In a heterogeneous community, poor individuals view society as unjust and for benefit of rich only where they are exploited. In societies with high income inequality therefore the “distrust against rich people” by poor is high (Uslaner and Brown 2005). Another impact of income inequality in such situation is on how individuals perceive their future. Mostly level of pessimism is high with low trust. The rich are also more skeptical of poor as distrust leads to increased chances of dishonestly (D’Hombres, Weber, and Elia 2012).

3.1.2 Empirical Evidence and Informal Settlements

In the developing countries, the urban poor are described through the concept of marginality. This concept is normally used to portray marginality of urban poor in terms of health. Ravallion (2002) identified that the pace of movement towards urban areas by poor is faster than a non poor. It is evident through rapid increase in slums in the urban areas of developing countries which now compose of two third of city’s population. The health of the urban poor is impacted by the environment they live in, their life style, lack of availability of the civic amenities and “primary health care services”. Health of urban poor is significantly worse than the rest of the urban area and is equivalent to people residing in rural areas. In sub Saharan Africa, around 62% of people live in informal settlements. These settlements have deteriorating environmental conditions, lack of basic facilities, inadequate infrastructure, poor sanitation and waste disposal system, overcrowding, lack of public services and insecurity of tenure. Arimah (2011) studied slums of African countries to understand the differences prevailing between them. From analysis of data drawn from the United Nations Settlement Programme report on the “global assessment of slums”, she found empirical evidence that higher level of income leads to higher financial stability and more expenditure on infrastructure, thereby minimizing the formation of slums. On contrary, income inequality, weak governance system, lack of urban planning and heavy external debts contribute to formation and expansion of informal settlements. Lanrewaju (2012) studied quality of housing in cities of Nigeria and the impact of urbanization on degeneration of urban built environment. The factors that aided the degeneration were non compliance with planning authorities and laws, inadequate infrastructure, poor ventilation, overcrowding and lack of basic housing facilities. The quality of housing had impact on the health and environment of city’s residents. Dahiya (2012) in his research also described same factors to be responsible for sprawl of informal settlements in Asia. In Asian countries as poor households lack regular

income, they are unavailable to secure mortgages or small housing loan therefore they cannot afford to spend on either purchase of house legally or on house maintenance. Unhealthy living conditions increases risk of non communicable and communicable diseases, psychosocial disorders and injuries. In Ahmedabad India, rate of infant mortality is two times higher compared to country's rural average and for Manali, the rate is three times that of the rest of the city (Dahiya 2012; Fry, Cousins, and Olivola 2012). People migrate from rural to urban areas in search of better life but many times are trapped in life of slums which is either worse or similar to what they left. Zulu et al. (2011) found half population of slums to be highly mobile while rest stayed for long time over 10 year in a slum. In all stages of their lives, slum dwellers face health risk due to inadequate infrastructure, lack of basic utilities and poor provision of health services; the services they cannot afford due to low income. Facilities like electricity are not provided to slums by government mainly due to lack of legal tenure which results in residents of slums buying alternative sources of fuel at higher prices. Massey (1996) in his research in Philadelphia found, the crime rate to increase by 0.8 points for everyone point increase in poverty rate. He also observed for Columbus Ohio, crime rate to increase three fold for neighborhoods with more than 40% poverty compared with neighborhoods with less than 20% of poverty. Urban youth born in poor household have lesser chances of achieving formal education and hence landing a decent job. The barrier to productive employment is not only related to education attainment but also dependent on socio economic factors (individual's network, local market strength etc.). S. Cameron (2012) in his studies on Hanoi and Ho Chi Minh City Vietnam and Dhaka Bangladesh, concluded that as migrants have lesser asset base, live in poor household conditions and are served by fewer public facilities and services, they attain lower education level compared to native urban individuals (Qingjie and Dashu 2013).

The theoretical literature provides an understanding of the consequences of income inequality on a society while empirical evidence stating current conditions of slums helps identify the role income plays in attaining and maintaining basic standards of life. Taking into consideration both, the first hypothesis formed is as follow;

H1: The environment of informal settlements is associated with income inequality (Kapadia 2006).

The first hypothesis presented is more of a statement of a problem faced by the society and not a solution. Therefore the next two hypotheses help identify the best possible way to reduce income inequality

along with exploring the role of the government in its implementation. A 360 degree view of the formation of Hypotheses 1, 2 and 3 obtained through relevant literature review is presented in the Appendix in a diagrammatic form.

3.2 Hypothesis 2

Poverty is a global challenge and the simplest way to view the problem of poverty is by looking at poor as having low income. When the problem is perceived through the above lens, creating productive employment generation to increase the earning level of poor is considered an effective solution to its alleviation. Poor here are seen as producers and buying for them is critical to poverty eradication (Karnani 2011).

Those who favor foreign aid as a mechanism to pull out poor from the trap of poverty believe that injecting capital through aid boost economic development. Drawbacks of the approach is it emphasizes on “one size fit all” strategy, large projects and big objectives and top down approach rather than customized strategy as per local context and bottom up tactic. It triggers corruption and dependency. It is also argued that minimal portion of aid normally go towards promoting and supporting enterprise formation and sustenance (Karnani 2011).

The supporter of market liberalization view open and liberated markets as means to reduce poverty of a nation through “trickle-down effect”. Neoliberal policies underestimate the role of government in poverty elimination and economic development. Chang (2007) has argued that some level of government intervention is essential for prosperity of a country (Karnani 2011).

Prahalad (2004) forwarded the “bottom of the pyramid approach” for eradication of poverty. Poor were viewed as consumers of goods sold by multinational companies and ultimately a source of profit. The approach is flawed as it shifts buying patterns of poor from high priority (health, education, nutrition, etc.) to low priority goods. Its market is relatively small and it undervalues the role of government towards provision of basic services (water, sanitation, safely, etc.) (Karnani 2011).

None of the three approaches tackle poverty directly by increasing productive or income generating capacity of poor. In foreign aid approach poor are recipient of charity, in market liberalization poor benefit from trickle- down effect and in bottom of pyramid approach poor are viewed as consumers (Karnani 2011).

According to World Development Report 2013, job increases productivity, living standards and promote social cohesion. Job is a source of income that effects consumption and living standards at individual level and for developing countries; it is a way out of poverty. The increase in income leads to above poverty threshold consumption of goods and services. Depending on circumstances of a country, a rise in 2 percent of income results in 1.2 to 1.7 percent decrease in poverty. Each job at collective level provides an opportunity to trade ideas, goods and services that leads to directing resources to productive uses and in turn resulting in economic value creation provided there are no externalities. Additional impacts of job are reduction in gender gap, induction of competition and creation of “demonstration effect”. Another role labour market serves is as a channel for interaction amongst people. It increases social cohesion, develops a sense of belonging and personal satisfaction. Welfare is spread through development sharing and contribution by all involved (Michelitsch et al. 2013).

At macro and micro level, the empirical evidence identifies employment generation as effective way to reduce poverty in low and middle income countries through increase in income and demand (Essama-Nssah and Bassole 2010), or (Leibbrandt and Woolard 2001). The extent to which this reduction is achieved depends upon type of employment, duration, sector, wage level and terms of contract. In the study by Islam (2004) on link between poverty reduction, employment and economic growth, the critical factor identified in reducing poverty through employment is creation and promotion of employment in “sectors with highest productivity” such as nonfarm and manufacturing activities. Policies that encourage accessibility to market and resources and “the distribution of resources” are vital. Research by Vries and Specker (2009) emphasized on significance of employment sector as well as ease of reach to job by poor. Importance of development of informal sector in “absence of formal sector” was highlighted by Dewar and Watson (1990). lyenda (2005) and the World Bank (2005) also described the value of “self employment in the informal sector” in absence of formal sector. However, lyenda (2005) argues that informal sector cannot pull poor people out of poverty due to quality of jobs it offers. It is temporary rather than permanent solution to a long term problem of poverty (Holmes et al. 2013).

Goal number 8 of the Sustainable Development Agenda 2030 for member states of United Nation is “promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all”. Sustainable development comprises of ecological, social and economic aspects of development. However compromise has to be made between economic development and social and

ecological development which makes sustainable development difficult to achieve. Inclusive development “includes marginalized people, sectors, and countries in social, political, and economic processes for increased human wellbeing, social and environmental sustainability and empowerment”. Component of inclusive development and growth are productive employment growth, sustainable and sustained growth of Gross Domestic Product per capital, social protection for everyone, continued betterment in human development indicator, decrease in inequality and income poverty that could be sustained. For growth and reduction of poverty, productive employment is a crucial element but is still an ambition than reality. The quality of job matters as increase in low quality jobs will not lead to reduction in poverty. Hence working poverty (deficit in productive employment) needs to be tackled by interventions that “translate unproductive employment into productive employment” (Georgescu and Herman 2019).

Productive employment is one that generates sufficient income to worker to allow labour and “his/her dependents” an above poverty line level of consumption(International Labor Organisation 2012). It comprises of three elements: working conditions, stable employment and remuneration (Georgescu and Herman 2019). Working poor is defined as person employed whose income is not sufficient enough for the person and his/her dependents to live a life outside poverty. Not having a productive employment either in form of working poor or unemployment is described as deficit of productive employment. In countries where social protection systems are strong unemployment is more severe issue than working poor (International Labor Organisation 2012).

Poverty classification	Labour force classification	
	Employed	Unemployed
Poor	Working poor	Unemployed, poor
Non-poor	Productively employed	Unemployed, non-poor

Table 2

Link between labour force classification and poverty (International Labor Organisation 2012)

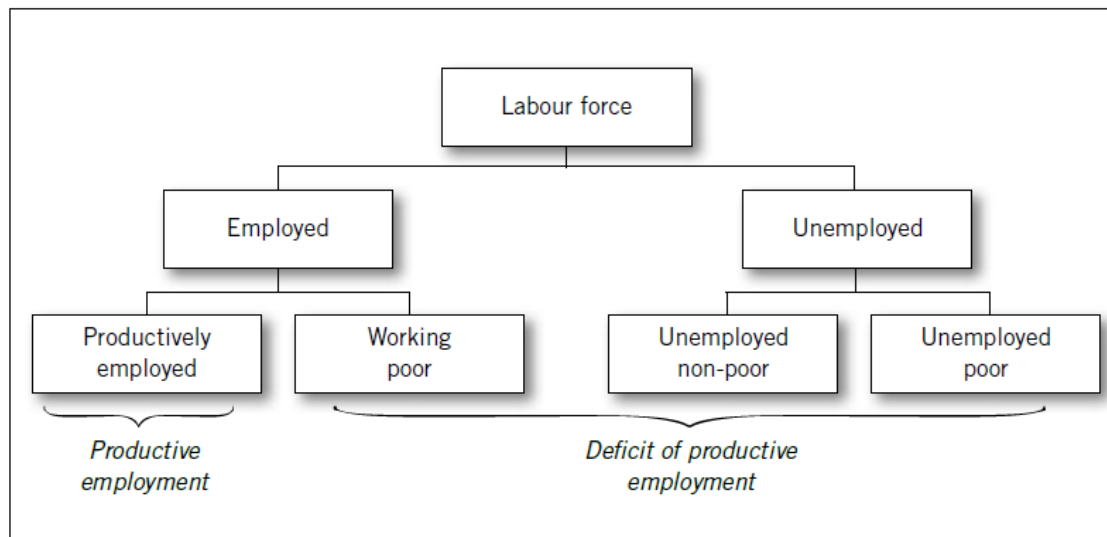


Figure 4 Decomposition of the labour force from a poverty perspective diagram (International Labor Organisation 2012)

The actual challenge faced by nation to increase employment growth during the time of economic growth is of inclusive economic development and growth. For reduction of poverty and employment generation, the pattern and nature of economic growth matters and lack of it results in elevated level of poverty, inequality and lower productive employment. According to report of World Bank “job goods for development” develop connection between global market and economy, are environmentally friendly, enhance collaboration and participation, reduce poverty and contribute to societal development. Productive employment enhances skill acquisition and learning along with increasing income level of poor people which is vital for inclusive development and growth (Georgescu and Herman 2019).

The three indicators used to measure productive employment are “the share of working poor (working poverty rate), the proportion of vulnerable workers (the proportion of own-account and contributing family workers in total employment) and labour productivity”(International Labor Organisation 2012) and (ŠKARE and PRŽIKLAS DRUŽETA 2016) cited in (Georgescu and Herman 2019).

Labour productivity is enhanced with better equipments and training and education. The standard of living of a country and its competitiveness is dependent on its economic growth. One of factors on which economic growth relies is labour productivity. Competitive economies provide high living standards to its

people where everyone contributes to society and benefits from it and where current needs of people are met without harming needs of generations to come (Georgescu and Herman 2019).

Porter identified that structural transformation is important for enhancement in quality of jobs and labour productivity. It involves gradual shift of workers from low productivity jobs mostly traditional activities to high productivity jobs such as manufacturing and services. World economic forum used the theory presented by Porter (1990) and suggested that increase in wages, productivity and competitiveness is observed when countries transform from “factor-driven stage” to “efficiency-driven stage” and finally to innovation-driven stage”. Erkut (2016) described the above process as economic evolution which is self-organized. Structural transformation is acknowledged as evolution rather than mechanical process. Many developing countries having low level of economic development were affected in terms of nature of employment created and speed of development when the share in output & employment in manufacturing sector was reduced. Lehmann-Waffenschmidt (2008) cited by Georgescu and Herman (2019) emphasized that growth and industrialization are a long term process and political interventions only provide short term solutions (Georgescu and Herman 2019).

The quality of job and labour productivity is also impacted by sector of employment and therefore if countries want to break out of poverty they need to diversify their sector of employment. Agriculture is characterized as having low productivity and high vulnerable employment and hence greater share of total employment in manufacturing sector reduces vulnerable employment. Salaried worker are less influenced by relative poverty than vulnerable workers. However transformation in nature of work from permanent to temporary, full time to part time or employee to self employment increases vulnerable workers. Lavopa and Szirmai (2018) pointed that not only should the size of modern sector be enlarged but also investment in technology should be ensured to close technological gap. Innovation and knowledge capital are drivers of economic development and productivity (Georgescu and Herman 2019).

Many of the residents of informal settlement work in informal economy implying the quality of jobs they occupy is very low. The literature suggests job creation as an effective long term solution to poverty reduction provided quality of employment offered is high. The second hypothesis is a solution to enhance and better lives of people living and facing extreme poverty in informal settlements. The hypothesis is as follow:

H2: The economic prosperity of residents of informal settlements will improve by employment creation not only through generation of jobs but through the provision of productive employment and decent work (Karnani 2011).

3.3 Hypothesis 3

Informal economy and informal settlements are linked with each other through its residents being employed by the economy. The choice of owner of a business to be part of formal or informal economy depends upon the convenience of doing business with ease in the economy on which the policies of government have tremendous affect. The policies of government also affect the ways of conducting business and growth of informal economy. This has a direct impact on informal settlement as effective policies and its implementation will bind the owner of business to fulfill regulatory requirements towards its worker while simultaneously creating an atmosphere for it to flourish for the owners. The subsequent text studies how policies affect informality both directly and indirectly.

Informality have been linked by authors Chen, Sebstad, and O'Connell (1999) to insufficient growth, growth without employment opportunities, bottom initiated growth through establishment of small enterprises and with structural adjustments. Economic growth is considered a core element to trigger expansion or shrinkage of informality and institution or policies influencing economic growth indirectly affect informality. Informality is thought to be a defensive mechanism by oppressed against rigid policies (tax laws, labour laws, social security laws etc.), bureaucracy and corruption. The studies conducted to assess the relation between informality and polices reveal inconsistent finding. Loayza (1996) used observation from 1980 to 1982 of 31 Caribbean and Latin American countries and found informality increases with "statutory corporate income tax rate". Friedman et al (2000) observed a contrary result from assessing 64 countries of Latin America, OECD and transition countries. They concluded informality to decrease with increasing tax rate that are used to improve public service simultaneously. The burden of high cost of taxation is compensated through better public goods which minimizes tendency of tax payer to enter informality. This aspect was tested by author by incorporating legal environment control in regression analysis which led to tax variable losing its importance. In their earlier paper, Johnson, Kaufmann, and Zoido-LobatoN (1998) brought forward the concept of quality of tax administration and governance playing significant role along with tax rate in affecting informality. From the perspective of firm and using the data

on countries rating based on tax burden from “Global Competitiveness Survey” 1997, they concluded for a specific tax rate, better quality of tax management results in lesser share of informality. The “type of tax variable” and “approach used to measure tax burden” determines extent of informality. Hibbs Jr. and Piculescu (2005) pointed that “large shadow economies” are result of “statutory tax rates relative to firm-specific thresholds of tax toleration rather than high tax rates”. The study by Hill and Kabir (1996) on Canada’s informal economy found greater relevance of marginal tax than average tax rate as contributory factor in formation of shadow economy (Rei and Bhattacharya 2008).

Informality provides escape from regulatory burden. Welfare expenditures such as social protection cost to the employer and pressure from trade union to protect the rights of worker by serving as barrier to reduction of wages provides perfect condition for informality to flourish (Mazumdar 1976; Nipon 1991; Botero et al. 2003). The transaction costs and complex compliance procedures set by bureaucratic government system are tiresome and costly for both employer and employee (Chickering and Salahdine 1991). According to study by Loayza (1996) factors responsible for quality of institution are negatively correlated while factors responsible for labour market restriction are positively correlated with size of informality (Rei and Bhattacharya 2008).

Transparency International, Fraser Institute, International Country Risk Guide and Freedom House are some of the agencies rating countries considering their regulatory environment. The attributes involved are quality of bureaucracy, business friendliness, formal laws and rules and their (formal) method of enforcement, economic freedom, control of corruption, non-biased judiciary etc. Countries having high rating have better quality institution and governance system. A positive regulatory environment is detriment to informality (Dreher, Kotsogiannis, and McCorriston 2009). Literature by Banerji and Ghanem (1997) suggests a different view; wage economy cannot be easily affected by small power that organized workers hold while a study by Botero et al (2003) indicates labour regulation having adverse consequences on rich countries instead of poor countries (Rei and Bhattacharya 2008).

According to rational behavior approach logical analysis of cost and benefit by economic agent determines the choice of opting for informality over formality. Informality embeds two types of costs: explicit and implicit (Rei and Bhattacharya 2008).

Explicit costs of informality are inaccessibility to legal system to enforce contract, to report criminal conduct or to benefits of “governments and other development agencies” available to registered enterprise and high

cost of capital raised from informal credit market. Costs of formality are compliance cost of regulation (labour and other regulations), payment of tax and registration cost. Each of these costs serves as benefits of informal as they can be avoided through opting for informality. The benefits to stay in formality on other hand are access to government services which requires registration, access to credit market, legal protection and trade promotion services. Implicit costs are costs undertaken to avoid compliance and remain informal such as bribe to enforcement agencies (Rei and Bhattacharya 2008).

Other factors apart from rational behavior approach too are taken in account during process of making the choice between formality and informality. These factors are human education quality, quality of government institution and services, enterprise size etc. With the growth of firm, the engagement in activities requiring formal contact becomes unavoidable (e.g. attainment of property right for enterprise). According to Krakowski (2005), the size of informal economy is dependent upon social-cultural indicators that vary with region. He also points that opting for informality is not always choice made consciously by economic agent. In developing world where literacy level is low or location is remote with little connectivity, economic agents might be unaware of legal requirement of setting up a formal enterprise. As informal economy has low productivity mostly the income tax bracket people or enterprises fall in is either exempt from tax or subjected to special tax rates. As transaction costs of enforcement to comply with regulation outweigh benefits to tax authorities the approach of negligence is adopted (Rei and Bhattacharya 2008).

From the literature review, it can be deduced that informal economy which employs residents of informal settlements are influenced by policies of government. The third and last hypothesis places significant importance to role of government. The derived hypothesis is:

H3: Federal, State and Local governments can play a limited but very important role through their policies on lives of residents of informal settlements by affecting the informal sector (Altman 2007).

CHAPTER IV: RESEARCH DESIGN AND DATA LIMITATIONS

4.1 Research Design

The research design provides an overall framework for conducting the research. In line with the research design, the research objectives and questions have been defined in prior chapters. This chapter deals with research methodology to meet those research objectives and questions (Sileyew 2019).

The two types of research method that can be used are qualitative and quantitative research methods. “Quantitative research method involves collecting numerical data which is analyzed using statistical and mathematical based methods” while qualitative research tried to understand “why and how people behave” in certain ways (Aliaga and Gunderson 2006). My research is a qualitative research conducted to understand the conditions of slums of Pakistan, factors involved in their existence and expansion and finding intervention through which the resident’s livelihood can be improved.

The data collection source can be primary data, secondary data or both. Primary data is collected by the researcher “himself/herself for a specific purpose” while secondary data relies on sources of data collected by others for a specific purpose (Sileyew 2019). In this research, data source is non experimental secondary data and the unit analysis is slum of Pakistan.

The secondary studies on slums of Pakistan are selected ensuring the author has collected and used primary data source for their research. As this research involves studying slums of Pakistan, the slums from major cities of four provinces namely Punjab, Sindh, Khyber Pakhtunkhawa and Balochistan were targeted initially. For Balochistan, however, availability of published studies on its slums could not be found; therefore the three remaining provinces became the focus of the study. Other sources of secondary data were collected from strategic papers and government reports related to slums, International and local newspapers, reports of NGO on slum dwellers, religion, kinship, discrimination, ethnicity and labour market and research papers on local government structure and urban policies of Pakistan.

4.2 Data Limitations

Initially during the proposal phase, the research intended to collect primary data on slums of Pakistan, however due to their inaccessibility in terms of geographical scope, security concerns and time and resource constraints, the study was modified to use secondary data instead.

Residents of slums are categorized as poorest segments of the society. To depict the linkage between income inequality and their conditions of living, quantitative as well as qualitative data was planned to be used. The quantitative data required for this analysis was not available in reports published by the government of Pakistan and on the World Bank databank website. Only qualitative data was used.

As mentioned earlier, the slums of all four provinces of Pakistan were to be covered in this study. As published literatures on slums of Balochistan were unavailable, the province of Balochistan had to be excluded from this study.

The latest study published “Pakistan Social and Living Standards Measurement Survey (PSLM)” at National / Provincial level by Pakistan Bureau of Statistic as of 30th May, 2020 was for year 2014-15 and “Household Integrated Economic Survey (HIES)” was for year 2015-16. As data is taken from surveys conducted in the past, current figures might vary slightly.

CHAPTER V: DATA COLLECTION AND ANALYSIS

5.1 Introduction to Pakistan

Pakistan is situated in South Asia and comprises of four Provinces namely Punjab, Sindh, Balochistan and Khyber Pakhtunkhwa. The capital of the country is Islamabad (Commonwealth Local Government Forum 2018). According to the World Bank Data, in 2018, Pakistan had a total population of 212.22 million of which 36.66% lived in urban areas; the country's surface area was 796.1 square kilometer and population density was 275.3 people per square kilometer of land area. Its poverty headcount ratio at national poverty line in 2018 was 24.3% of population and the poverty headcount ratio at \$1.90 a day (2011 PPP) was 3.9% of population. Both ratios stated for poverty headcount, have decreased from 36.8% and 8.3% respectively in 2008, yet the figure remains significantly high. In 2014, the urban population of Pakistan was 35.613% of total population out of which 45.5% of urban population lived in slums (World Bank 2018). This figure is quite alarming as it represents residents of informal settlements living and surviving without basic facilities of life.

5.2 Data Analysis on Current Condition of Pakistan

5.2.1 Health

The importance of healthy citizens in a country cannot be ignored as healthy individuals form an effective work force (Bloom, Canning, and Sevilla 2004). The information on health situation is taken from World Bank database and health indicators identified from literature are used to understand the overall health state of Pakistan.

It can be concluded from the data on Pakistan that country's mortality rate in all classes and the number of infant deaths from year 2000 to 2016 has decreased while life expectancy at birth has increased from 63 years in 2000 to 67 years in 2016. The health of citizens of Pakistan on average have improved in year 2017 compared to year 2000. The improvement in health can be attributed to overall increase in spending on health by all institutions as depicted by current health expenditure per capita, PPP (current international \$) over the period from 2000 to 2016. It should be noted that spending decreased from \$127 per capita after 2007, between years 2008 to 2013 but increased to higher value of \$131 per

capita in 2014. However, a cause of concern in area of health was the availability of health professionals in the country, as in 2015 reported physician density per 1000 population was 0.978 and nursing and midwifery personnel density per 1000 population was only 0.502 (World Bank 2018).

5.2.2 Water Supply, Sanitation and Infrastructure

Safe drinking water is essential to maintain hygiene and good health. In Pakistan, many households are deprived of adequate supply of clean water. The data from latest available report of Pakistan Bureau of Statistic (National and Provincial) on main source of drinking water indicates an increase in use of motorized hand pump from 19% in 2004-5 to 32% in 2013-14. Simultaneously use of hand pump, dug well and other sources including river, spring, pond, canal, tanker, truck, etc. did not change drastically with usage being 29%, 3% and 10% respectively in 2013-14. The percentage of use of tap water fell from 34% to 26% between 2004-05 and 2013-14. When analyzing the data on urban areas only; tap water, motorized pump and dug well usage showed similar trends while use of other sources increased and hand pump usage decreased (Pakistan Bureau of Statistics 2014).

When comparing the usage of drinking water from all sources according to the income group, the highest income group (5th quintile) consumed most drinking water while the lowest consumption was of the lowest income group (1st quintile) in year 2013-14. Overall 26% of population of Pakistan in 2013-14 had access to safe drinking water while the percentage was higher for urban areas with 52% of urban population having the access to portable water in 2013-14. Of entire individuals with access to water sources in Pakistan, overall only 22% people paid for it while for urban population having water access, only 44% pay for their usage. This represents a loss of collection of revenue to government from people that use water without payment for year 2013-14. The amount of collection has reduced from year 2012-13 being 22% and 46% respectively, representing weakening of governance system of public institutions. Another interesting aspect of concern was the installation of water delivery system. From the data available, it is not surprising that 61% of household in 2013-14 installed their own water system while local government institution installed only 28% and nongovernment institution contributed to 11% of installation of the system. A positive highlight (excluding few areas of Balochistan) was that 81% of the overall population having access of water in 2013-14 had water source inside their house, 14% had water supply

within 0.5 Kilometer and less than 5% had go obtain water from distance greater than 0.5 Kilometer (Pakistan Bureau of Statistics 2014).

The importance of Proper Sanitation facilities can be realized from the fact that it is an indicator of the Millennium Development Goals. Sanitation refers to hygienic, proper, clean (solid and liquid) waste collection and their environmentally friendly disposal. In Pakistan (excluding few areas of Balochistan), analysis of the data on sanitation system for year 2013-14 revealed; 81% of the total households had toilet facility out of which 74% used flush system either connected to public sewerage, pit or open drainage while 9% used dry raised or pit latrine(non flush toilets). 17% of the households had no toilets and represented individuals lacking basic facilities and proper hygiene; however this figure was 1% for people living in urban areas. Income wise analysis showed 36% of the lower income group households referred to as 1st quintile lacked toilet facility but for urban areas the number was around 6%. The 5th quintile higher income group households in urban areas had 100% access to toilet facility (Pakistan Bureau of Statistics 2014).

Waste disposal system of Pakistan (excluding few areas of Balochistan) was assessed through its drainage system which pointed towards an urgent need for improvement and was an alarming sign. For 2013-14, 36% of the country's household systems were open drainage while around equally same percentage had no drainage system at all. Urban areas of Pakistan had 34% of the households with open drainage system but the percentage for no system was low at 5%. Income based distinction showed 66% of the low income group having no system for drainage while the highest income quintile had 16% of the households in same category. The garbage collection of the country was no better than its drainage system. 76% of the households of the country had no garbage collection facilities while 7% accessed the system privately. For the urban areas, 43% of the households were provided garbage collection facilities by municipality, 14% accessed the facilities privately and 43% has no system access (Pakistan Bureau of Statistics 2014).

Adequate housing is considered a basic human right and unsatisfactory housing that lacks legal tenure security, accessibility to services, proper infrastructure and facilities, affordability and adequacy of culture may increase risk of health problem and “financial burden on the health system”, reduce opportunities to attain education and minimize community interaction (Karamujic 2015). The data from Pakistan Statistic Bureau on National, Provincial and District on housing tenure shows an overall 7.8% of the households either paid subsidized rent or no rent. Most of these households represent occupants of

informal settlements living under poor conditions. In urban areas, the households paying subsidized or no rent are little higher than former at 8.4%. The material used for roof and for walls of houses reflects its durability and safety. In Pakistan, 39% of houses were built from T-iron or gader in 2014-15, representing the highest percentage when compared to any other material. Urban areas however had most houses constructed from RCC i.e. 57% while T-iron or gader material was second highest in percentage i.e. 29%. 79% of the households of Pakistan had their walls built of burnt brick but 16% still were made of mud brick. For urban areas, 95% houses had walls of burnt brick and 3% had walls of mud brick. The information on number of room in house was also collected by Pakistan Statistic Bureau. In 2014-15, 28% of houses had one room and 72% of the household had more than 2 rooms while urban areas had 23% and 73% houses in respective categories. 93% of houses used electricity for lightening and 7% used other sources including oil and wood while in the urban areas the percentage was much higher 98 % and 1% respectively. The most used source of fuel for cooking in Pakistan for year 2014-15 was wood stick (51%) but for the urban areas gas was used more than wood (Pakistan Bureau of Statistics 2015).

5.2.3 Education

Every girl and boy in the world should have access to education as education and development are interlinked. Education eradicates poverty and boosts economic growth. It provides better opportunities of employment to individual along with better ability to maintain good health. It increases life expectancy of human and minimizes mortality rate. It's a source of income and promoter of peace as it enhances individual ability to make informed decision and avoid conflict (Kudroli Foundation 2019).

For Pakistan, the literacy rate of population 10 years and older for Male, Female and both was 70%, 47% and 58% respectively in 2013-14. The rate of literacy was higher for urban areas being 81%, 66% and 74% in each category reflecting a more literate population. The literacy rate declined with age, overall as well as for urban areas and for both gender indicating individuals between age range 10-14 years being most literate while those above 60 years, the least literate. Income wise analysis revealed decline in literacy rate for overall population and for urban areas as we move from highest quintile measured using consumption per capital to lowest quintile. The data on children enrollment of slums of Pakistan referred to Katchi class is available separately. For both male and female child, as the age increases from 4 years to 10 years and above, the enrollment in urban areas and overall decreases. The annual expenditure on

education per pupil for government school was less than the private school. The overall average annual expenditure incurred at primary level on education was PKR 10,361 and for Higher Level was PKR 30,399 while for urban areas it was PKR 15,113 and PKR 32,621. The Household Integrated Economic Survey 2013-14 showed the average monthly income for individuals in 1st quintile of PKR 16,583 and in 5th quintile of PKR 53,001 suggesting annual education expenditure for primary level to be equal to around a month's pay for household in 1st quintile and annual secondary education expenditure to be little less than 2 months pay of same quintile. The data also showed that the dropout rate of both genders increased with each class level being overall 0.2% for class one in 2013-14 and 19.8% for class six. Urban areas in Pakistan followed the same trend. For girls the major reason to never attend school was the permission not granted by their parents while for boys, the reason was their own unwillingness to go to school. Other reasons were; education being too expensive, school being far away from home, help required at work or home, marriage, lack of documents, poor teaching methods and no female staff. The most common reason for drop out of school before completing primary between age group 10 to 18 was unwillingness of child to attend school for both genders (Pakistan Bureau of Statistics 2014).

5.2.4 Perception of Economic Situation

In year 2014-15, Pakistan Statistic Bureau conducted a survey on how households perceived their economic situation to be now compared to last year. The survey revealed 44% of the households perceiving their economic condition to be same as previous year while 36% felt their circumstances turned worst and 18% felt they lived better life than before economically. For urban areas, the percentage of households that perceived their circumstances to have remained unchanged were same as overall percentage, however greater percentage (i.e. 38%) of the households claimed deterioration of their economic situation. When evaluating their economic situation with their community compared to last year overall 62% and in urban areas 58% of the households felt no significant change while 17% and 18% respectively felt economic decline. The institution also investigated the satisfaction level of households with government services and facilities. The overall and urban areas percentage was higher than 50% in all categories investigated namely basic health unit, family planning, school, vatrinary and agriculture except police (Pakistan Bureau of Statistics 2015).

5.2.5 Informal Sector and Unemployment

Pakistan Bureau of Statistics has published a detailed report on Pakistan Labour Force Survey for year 2017-18. However for propose of this study on residents of slums, only contents related to informal sector, unemployment and underemployment are mentioned here. The report defines informal sector as sector comprising of all households enterprises being operated and owned by “own account worker” and having less than total of 10 members including the owner, family member or part time employee. The sector excludes agricultural and non market production enterprises. A household enterprise is an enterprise which cannot be distinguished from the household unit or its owner as separate legal entity. A person is categorized as underemployed if he or she is “available for additional work and work less than 35 hours” in a week while an unemployed person is a person, equal or above age of ten without a work; who is either “seeking work” and is “currently available for work” or is “not available currently for work due to illness, with intention of joining workforce within a month, was temporary laid off or is an apprentice not seeking work” (Pakistan Bureau of Statistics 2018).

According to the report, percentage of rural to urban migration of both male and female genders in Pakistan in 2017-18 was 21.1% and 12.4% respectively accounting to total migration of 15.9%. The major reasons for migration of males were job acceptance or search for better job opportunities and for women migration was marriage. Other reasons included; job transfer, education, health, business, law and order situation and security. The employment status of surveyed migrants (2017-18) showed 53% migrants working as employees, followed by 32% migrant working as own account worker and 12.8% migrants contributed as family worker. Portion of females contributing as family member was more than males but male number exceeded female number as own account worker (Pakistan Bureau of Statistics 2018).

Pakistan informal sector (2017-18) in urban areas comprised of 69% of population’s non agricultural worker compared to 31% in formal sector. The percentage of males working in informal sector (2017-18) was 68% and of females was 66%. Industry wise distribution of informal workers depicted 32.5% of workers working in wholesale and retail trade, 22% in manufacturing, 16% in construction, 16% in community, social and personal service and 11.5% in transportation, storage and communication. Categorization of informal workers into major occupational group revealed most workers occupying unskilled jobs. 32% of workers were sales and service worker, 29% were craft and related trades worker, 17% were involved in elementary occupation, 11% were plant or machine operator and assembler and the

remaining were manager, professional, technician, clerical support worker or skilled fishery, forestry and agricultural worker. In terms of distribution of employment status of informal sector workers, 47% were employees, 42% were own account workers, 8% contributed as family members and 3% were employers (Pakistan Bureau of Statistics 2018).

Unemployment rate in Pakistan is quite low despite Pakistan being a developing nation. As nationals of the country do not have social security such as employment benefit, many cannot afford to remain jobless for long time. Most choose to land in jobs characterized as disguised employment instead of being unemployed. The annual report for period 2017-18 shows overall unemployment rate of 5.8 % for Pakistan and 7.2% unemployment rate for its urban areas while underemployment rate for same period was reported to be 1.3% for Pakistan and 0.8% for urban areas (Pakistan Bureau of Statistics 2018). The underemployment figures are lower than expected and it might be due to specific definition of disguised employment used.

5.2.6 Household Income and Consumption Expenditure

The average household size for overall Pakistan in year 2015-16 was reported 6.31 members per household and slightly less for urban areas, 6.03 members per household. Quintile wise categorization showed decreasing trend of average household size from first to fifth quintile, both for overall Pakistan and urban areas. The absolute figure of first and fifth quintile were 8.06 and 4.81 members per household overall and 8.29 and 4.92 members per household for urban areas. Comparatively, the poorest households had a higher family size than the richest households. The monthly household income and consumption expenditure for first and fifth quintile revealed the potential for saving by poor and rich households. The table 3 shows average monthly house income, consumption expenditure and potential saving of 1st and 5th quintile for Pakistan and its urban areas. Clearly, the poorest households are barely surviving while richest have greatest potential for saving after deduction of monthly expenditure from their income (Pakistan Bureau of Statistics 2016).

2015-16						
Urban Areas				Pakistan		
Quintile	Average Monthly Household Income	Average Monthly Consumption Expenditure	Average Potential Saving	Average Monthly Household Income	Average Monthly Consumption Expenditure	Average Potential Saving
	PKR	PKR	PKR	PKR	PKR	PKR
1 st	20,441	19,542	899	19,742	18,496	1,246
5 th	65,950	58,584	7,366	60,451	52,907	7,544
Total	45,283	41,529	3,754	35,662	32,578	3,084

Table3

Average monthly house income, consumption expenditure and potential saving of 1st and 5th quintile

5.3 Data Analysis on the Conditions of Slums in Pakistan

As described in the research design, data has been collected from secondary sources conducting primary research on slums of various cities of Pakistan spread across four provinces. The data for analysis is then compiled in relevant section to give an overview on the current conditions of slums in that category.

5.3.1 Education

In the research of Wanka (2014) on assessment of the impact of acquiring education on household poverty in Limpopo Province South Africa, the results revealed an inverse relationship whereby increase in education decreases poverty level. The studies on slums and education level of their residents in Pakistan directs to the same conclusion.

Jatoo, JinFu, and Saengkrod (2011) study on the slums of Malir district Karachi provided information on education level of household head of the family. The survey revealed 44.2% of respondents of 14 slums to be uneducated, 24.4% with primary level, 16% with secondary level, 5.7% with higher

secondary level of education and 9.7% completing Bachelors or higher. To summarize these results it can be stated from the data that around 84.6% of household heads had lower than higher secondary level of education.

The topic of literacy rate and educational attainment was briefly touched in Akhtar (2012) study of four slums in Islamabad comprising of majority of population belonging to Christian faith. The research showed an overall 36.7% of literacy rate for male and 33.3% literacy rate for female with total surveyed slums population literacy rate of 34.9%. This literacy rate is much lower in comparison to the literacy rate (2012-13 year) of Islamabad city being 91% for male, 78% for female and 84% overall as well as national literacy rate(2012-13 year) being 57% overall, 69% for male and 45% for female (Pakistan Bureau of Statistics 2013).

Education is a fundamental universal right of all. The research by Cynosure Consultants (Pvt.) Ltd (2013) provided in depth review on education level of four slum dwellers of Peshawar Pakistan. The study showed proportion of male and female students in age group of attending primary level education institution enrolled in a school. Higher-level education information for these slums was not available, as many do not get past the primary level. 54% of respondents sent their male child to school which comprised of total of 42% school aged boys going to school and 29% of interviewees send their female child to school which consist of 22% school aged girls going to school. Most girls went to Madrassas or Masjids (Religious teaching institutions) compared to boys; however, their percentage was fairly less compared to total girls of school going age. Girls were sent to Madrassas as cultural belief prohibited girls to attend school with boys. The rate of children attending private school in these slums was higher than public school. Reasons reported in article were Afghan refugees' children not having right to attend public school due to citizenship issue or parents preference to make their children attend Afghani private school. One determining factor in the choice between private and public school was its accessibility. In Shaheedabad slum there was no government school for girls and in Gujjar Camp there was no public school at all. The boys of Shaheedabad had to travel 5 kilometers every day to attend an education institution. Parent hence made financial sacrifice for their boy child to attend private school while girls were sent to nearby Madrassas. Households not sending their kids to school at all, complained mostly about the high cost of schooling and large distance of school leading to high transportation costs. Other reasons included the child contributing to family income, the child not having interest in studies, absence of teachers in school,

under age child and disability or illness. On average monthly household expenditure for school for a child was PKR 1,450 and average distance to school was reported to be 3.5 kilometers. When questioned on their satisfaction level, slum residents rated being very satisfied with education system as compared to residents of Peshawar city who thought system needed to be improved. Same was observed for health care system. It should be noted here that overall living environment of slums dwellers is generally low hence their benchmark standard of comparison is with their own living standard.

5.3.2 Health

Aging is an indicator of health improvement in a community or population. The population age group also direct towards the policies changes required as per the needs of current and future population demographics. Demographic transaction indicates the stage of birth rate and death rate in which population is at the moment as well as the next stage of its transition (Hernández et al. 2015). The study by Akhtar (2012) on socioeconomic status of four slums of Islamabad provides data on their demographic transaction from year 1996 and year 2012.

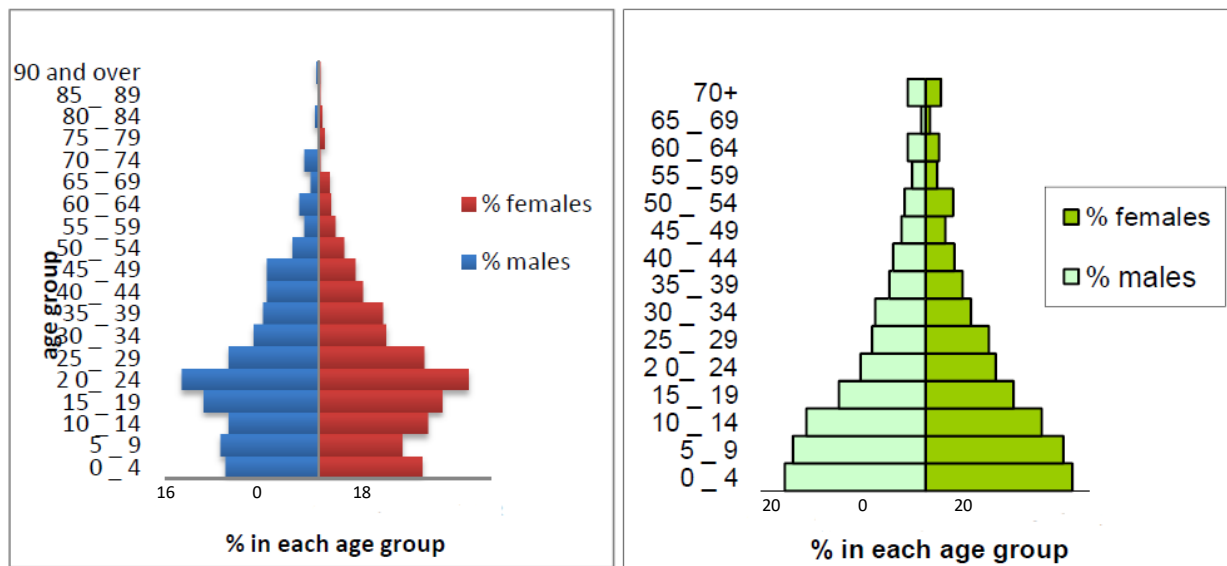


Figure 5

First diagram represents population demographic of four slums of Islamabad from study conducted by (Akhtar 2012) and second diagram represents population demographic of slums of Islamabad from NIPS studies 1996.

Comparison of data from two diagrams show transition of slum population from stage 2 in 1996 to stage 3 in 2012 of four stages of classical demographic transition. In 1996, the population of slums of Islamabad had decreasing death rate while birth rate remained constant and high. The age group between 0 to 4 years had highest percentage of individuals and the percentage declined with age. The population of slums studied by Akhtar (2012) had low constant level of death rate and decreasing birth rates; the consequence of it was highest percentage of individual in their youth between age 20 to 24. The information presented clearly point towards policy direction to be taken towards youth in slums on education, housing, health and social needs.

The study conducted by Chaudhry, Bajwa, and Nawaz (2014) on six slums of Lahore city to understand the health behaviors of residents of slums presented lack of education as major cause of their poor hygiene. 97% of respondents interviewed in this research had no prior education. The data collected through personal observation of interviewers described 43% of interviewees wearing extremely dirty cloths, 53% wearing unclean cloths, 70% being barefoot, 73% having messy hairs, 85% having unclipped nails and 76% having unclean teeth. A detail data gathered through primary survey revealed a lot about current health situations in these slums. This data was gathered through structured questionnaire. The information showed average fertility rate of slums to be 4.65 children per woman with 78% woman giving birth to 5 or less children during their life. The research by Akhtar (2012) depicted the demographic transition of Islamabad slum population while in this study average fertility rate of slums of Lahore under investigation were found to be higher than average national fertility rate (2012) of 3.07 children born to a woman, indicating a higher rise in population in Lahore slum area compared to Pakistan as whole. The research also inquired about reproductive health of female and found 38% of women to have had miscarriage once in their lifetime, 38% families had lost at least one child and 21% families had one child who died before age 1. Investigation on reasons for death pointed 24% of children dying of respiratory illness while 17% dying of diarrhea, dengue or Malaria. It was interesting to note that 56.7% of families visited medical facilities for general checkup but when it came to mode of delivery of children, 87.3% of female conceived with help of "Dai (traditional birth attendant)" instead of seeking professional help. Diseases like skin infection and eye infection were found to be high, 78% and 47% respectively while no case of polio was detected due to effort put in by World Health Organization and UNESCO on its eradication. Furthermore, drug addiction was found in 55% of families interviewed. Some hygiene related habits of residents were

alarming and explained the causes of infection; 42% of respondents changed their cloths once a week, 51% of respondents washed their hands on alternative days and 16% of them took bath once a week.

Unhygienic conditions provide breeding ground to diseases and are cause of deterioration of individual's health. Cynosure Consultants (Pvt.) Ltd (2013) in their research on four slums of Peshawar explained the living conditions of residents of slum which was followed by its health implications. From the interviewees, it came to light that within last 3 months, 74% had encountered some form of illness and most prevalent diseases described were flu, cold, fever, Intestinal and stomach disorder and diarrhea. Amongst adults' diabetes, heart and blood pressure was most common health issues reported and there were 2 cases found with polio. One aspect to be looked closely when talking on health is accessibility measured as distance of health facilities from home. The distance on average for all four slums for residents to reach to hospital was 5 Kilometer; however access was limited due to poor transport infrastructure (unpaved roads), availability and cost of transportation and security concerns normally at dawn and dusk. The residents of Peshawar slums mostly use public health facilities which have more qualified professionals (males and females), are equipped with advanced equipments compared to private physicians and are affordable to normal public but with income slum residents earn the cost is considered high especially for those with large families. The rates charged by public hospitals in Pakistan are subsidized. The problem encountered many times in hospitals is medical supplies running out of stock leading to rise in expenditures incurred by patients buying supplies now from private places. As public hospitals also have female trained staff, it makes it easier for women considering cultural sensitivities to discuss their issues with doctors of same gender. Considering the level of satisfaction, respondents were generally satisfied with public health facilities.

5.3.4 Water Supply, Sanitation and Infrastructure

Global Shelter Strategy defined the term adequate housing as having adequate; space, ventilation and lightening, privacy, basic infrastructure, security, basic facilities and accessibility to work location (United Nations 2009). To evaluate the housing conditions of slums in Pakistan various secondary studies have been referred before reaching a conclusion.

Study on Malir Slums in Karachi city by Jatoo, JinFu, and Saengkrod (2011) found the average size of household to consist of 7.7 individuals per house with average 2.54 individuals per room occupancy.

This data highlighted inadequacy of space in slums dwelling under examination. The research also provided data on time span a family has been living in a particular slum. The information is particularly useful to analyze the timeframe it takes to move from a low income locality to another place. According to the data 49.9% families were living in same location for greater than 30 years, 17% lived for greater than 20 years, 15% greater than 10 year, 5.3% for greater than 5 years and 12.6% lived in the same space for less than 5 years. On aggregate 82.1% settlers lived in their current house for greater than 10 years.

Akhtar (2012) studied the socio economic status of four Islamabad slums and collected data to understand their household composition and calculate household deprivation index. The data revealed; on average for all four slums, a household comprised total of 8.82 persons with 3.4 persons per room. The slum of F6/2 had on average household size of 6.88 with 3.1 persons per room, the slum of F7/4 had on average household size of 9.54 with 3.1 persons per room, the slum of G7/1 had on average household size of 8.15 with 3.7 persons per room and the slum of G7/2 had on average household size of 8.94 with 3.4 persons per room. The data on household composition was used to calculate the spillover population living in excess of expected population to in turn determine percentage excess population living in targeted slums that is acting as indicator of housing adequacy. On average slums contain 45.05% of more population than their current capacity while individually F6/2 slum had 40.70% spillover, F7/4 slum had 37.53% spillover, G7/1 had 45.89% spillover and G7/2 had 46.05% spillover. Housing adequacy is used as one of the four indicators of household deprivation, other three being housing space, household level facilities and “polluted water and solid waste disposal”.

A brief summary of data under each category is depicted in Table 4 and Figure 6. The research of Akhtar (2012) is eye opener as it uses the data to derive deprivation level of each slum as well as represents an overall figure. To conclude, overall these slums were 54% deprived of; household level facilities, 47% housing space and had 42% inefficient management of polluted water and waste disposal totaling the score to 46% of mean deprivation level.

Household Deprivation	%
Household Level Facilities Sub Indicators	
Households sharing toilet with other Households	82
Households with no kitchen or separate room	26
Households deprived of separate bathroom	46
Households without "flush to sewerage or flush connected to septic tank" toilets	6
Household sharing kitchen with other Households	54
Household sharing "bathroom with other Households"	78
Household sharing "more than one of above facilities with other Households"	74
Mean "Household Facilities Level Deprivation"	54
Housing Space Sub Indicators	
Households without room with cross ventilation	41
Households without internal open space	57
Households without drawing, guest or parlor room	83
Households without living or sitting room	91
Households using drawing, guest or parlor room for sleeping purpose	6
Households using living or sitting room for sleeping purpose	4
Mean Household Space Deprivation	47
"Polluted water and Solid Waste disposal Indicators"	
Polluted water Indicator	
Households discharging excretory and egestion waste in "water falls in nullas"	62
Households discharging excretory and egestion waste in water connected to open drain	3

Household link to proper sewerage	35
Mean inefficient waste management	65
Solid Water Management Indicators	
Disposal of waste in neighborhood	n/a
Disposal of waste in nullas	10
Mean "Polluted water and Solid Waste disposal inefficient Management"	42

Table4

Percent of Three Components of Household Deprivation for F6/2 ,F7/4 ,G7/1 G7/2 Slums Islamabad Akhtar (2012)

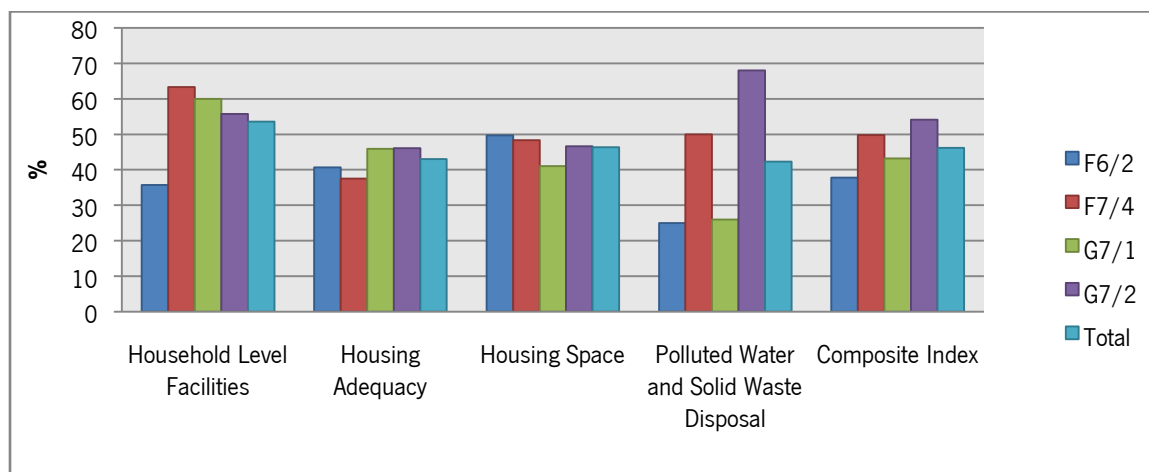


Figure 6

Percent of Components of Household Deprivation for F6/2 ,F7/4 ,G7/1 G7/2 Slums Islamabad Akhtar (2012)

A interesting research was conducted by S. Malik, Roosli, and Tariq (2020) in context of Lahore city Pakistan to understand the living conditions of residents of slums and squatters. The physical aspect of Karol Ghatti slum and Qalandarpura squatter were understood through infrastructure and basic facilities present in these settlements. Karol Ghatti slum is an illegal invasion of land with little or no security of tenure while Qalandarpura squatter is spontaneous legal invasion with partial security of tenure, both

formed at outskirts of the city. The lack of facilities and infrastructure was found to be prominent characteristic of two settlements. There was only one tap facility available for drinking water at Karol Ghatti slum consisting of total of 50 household units. As no infrastructure was provided for sanitation purpose by government to this slum, a single temporary toilet made of basic material and clothes for privacy was constructed in slum with waste disposed through “digging the mud”. Such unhygienic conditions have become breeding ground for mosquitoes and other diseases posing threat to individual's health. It was observed that many household activities such as cooking were carried out in open sky and respondent described the difficulty in carrying out their daily activities as harsh reality which they have become accustomed to over time. The slum did not have access to electricity at all and had shelters made of fragile structures which could fall easily endangering lives of tenants. Respondents described many families losing their loved ones as a result of collapse of these structures. Qalandarpura squatter had better infrastructure compared to Karol Ghatti but it was still characterized as insufficient. The streets of squatter were uneven without proper construction resulting in high chances of slippage during rainy day. As the roads were infrequently or not maintained at all by provincial government, any effort put initially had eroded with time. No lights on street increased insecurity amongst residents and promoted frequent occurrence of theft. There were electrical wires openly hanging above the roof of the household units and resident complained of overbilling as load shedding in their area was common and for extended hours. Flawed sewerage system with open manholes increased health risk and were dangerous as unattended kids can fall in them easily. As no waste disposal facility was available, garbage was dumped openly on unconstructed plots. It came with no surprise when respondents explained their efforts to reach local government authorities for help but were instead made to wait in long queues and returned without meeting. Lastly limited water supply encouraged residents to install their own water motor to pump water from nearby legal water system which meant illegal usage of water without payment of bills. Their household unit consists of a single room and toilet for family of more than 5 people with open courtyard where kitchen activities were also conducted. Most of times, a dirty fabric was hanging from roof wall instead of proper door at room entrance. The level of houses were below road level allowing water to make its way in during rainfall and unfinished back wall was adjacent to green field from where snakes found easy entry.

City after city the same lack of infrastructure is observed for slums or squatter settlements and Peshawar city was no exception. Four slums of Peshawar were studied by Cynosure Consultants (Pvt.) Ltd

(2013) on behalf of UN Habitat. Their finding provided a complete view on housing and infrastructure of these settlements. For four slums, 66% of houses had size lesser than 3 to 5 Marlas but the real concern including house size was the quality of construction. Most of the houses were constructed from semi permanent material with clay or mud houses accounting for 59% of total houses, 11% made of thatch or wood and remaining made from either brick or concrete. 80% of time one housing unit was shared by a single family unit which included married sons and their families too while 18% of housing units had more than 2 families sharing a unit together. Breaking the unit further 20% of house units had one room, 59% had 2 or more rooms and 21% had more than 4 rooms. 22% of houses had 11 people sharing a room, 37% had 6 people per room, 25% had 4 persons per room and 15% had 3 or lesser persons per room. As per UN definition of adequate living standard 75% of houses had more than 3 persons per room indicating an extreme level of overcrowding. A positive aspect observed in these slums was the land had not been illegally occupied. Shaheehabad slum had 41% houses privately owned while 59% were rented. Tajabad slum was developed and subsequently sold to private individuals by Mian family. The slum had 20% houses owned while 79% were leased or rented. The land of Gujjar camp slum is owned by Arbab family who still retains the ownership but has created a system of leasing the land to immigrants. Changarbad land is situated near railway line, hence 60% of land ownership lies with Pakistan railway and 40% is privately owned. As Afghan refugees are not allowed to own an immovable property in Pakistan; therefore they normally rent houses on 1 year renewable lease. Internally displaced persons were second majority when it came to renting or leasing houses in areas described.

The water, hygiene and sanitation system was also assessed in the research. More than 70% of households of slums had water supply in their home except Gujjar Camp. Of these households, 58% were supplied water through tap connected to public or private source and the rest through hand pump, motor pump or well. The supply of water was normally interrupted along with load shedding of electricity which meant tap supplied and motor pump household resident had to obtain water from outside sources. 30% of the households not having access to water inside their house had to fetch water from mosque or nearby neighborhood sources. Around 78% of outside sources were within 10 minutes walk still carrying a heavy water weight is tiresome work. Manly men were responsible for task of fetching water from outside due to cultural restriction on women to leave houses. Interviewees complained about insufficient availability of water but were satisfied with its quality which was doubtful as chances of water contamination are high in

slum are due to their unhygienic conditions. Around 98% of the household did have toilet inside their homes but 95% of them were non flushing toilet. Non flushing toilets are hazardous to human health as they involve collecting faeces and excretory material in a pit that needs to be emptied later using hygienic ways. In these slums it is the responsibility of women in household unit to clean the pit which is then dumped in open area. Each household unit has one latrine and normally at day time men use open defecation. Garbage is either thrown outside the house or at an empty plot few hundred meters away from the community. Garbage is not collected frequently by municipal cooperation resulting in its piling up and creating unsanitary environment for people. According to the respondents, there is no sewage drainage system provided by government, instead men on self help basis have dug drainage themselves for whose maintenance they are responsible. In rainy time the situation worsens a lot causing overspill of water from drainage into houses. It takes days for water flooding the unpaved streets to clear out and for community to return to normal pace.

Almost 100% of houses in these slums had access to electricity but only 21% had access to gas used mainly for cooking and heating purpose with Shaheedabad and Gujjar Camp slums having no access at all. Most houses had electricity connection linked to main line however the availability of electricity in Peshawar city was 12 hours per day. Those houses with no connection to main line usually borrowed electricity from neighborhood or third party and yet some stole electricity as well. Slums further experienced a problem of low voltage allowing few basic appliances to operate at one time. In place of gas, the slum dwellers used firewood, LPG and natural gas as alternative. Firewood was mostly gathered from nearby agricultural land or nearby field by children or women of the house instead of purchasing it from market due to high cost. Cow dung, another fuel source for cooking was not used a lot for same high price reason. Slums with gas connection in house received gas normally 19 hours a day except in winter when the demand was higher as consequence of heating requirements.

The transportation infrastructure determines the accessibility of slum dweller to main city center. Slums surveyed in Peshawar reported streets and main road being either unpaved or in need of urgent repair and maintenance. Shaheedabad slum is surrounded by privately owned agricultural land except 400 acres owned by Pakistan Armed Forces. The army has intervened in development of main road connecting city center. Tajabad main road through paved once now needs to be repaired. Poor transport infrastructure means difficulty in finding public transport close to houses, flooding of streets during rain and high cost of

transportation. Mostly the slum residents choose to walk by foot to their work, school etc. Rickshaws are also commonly used mode of transportation compared to public buses as they are available within 2 kilometer distance while for latter 3 to 4 kilometer distance needs to be walked before reaching the terminal.

Open spaces are important for physical as well as mental health, unfortunately slums are deprived on these spaces. Peshawar slums were no different from other slums. The nearest recreational area was on average eight kilometer away therefore visits to them were limited by a family to 3 to 4 times a month and those using the space were not fully satisfied with it. The slums dweller seemed to have adapted to circumstances according to availability of their resources. Children utilized the unoccupied plots as play areas with hand-made swings installed by elders and young men socialized by playing snooker or board game. In extreme cases these men also got involved in drugs or gambling. Community elders and men had mosques, tea stalls and nearby markets for gathering and socializing. Only women and girls were completely deprived of this facility mainly due to cultural and safety issues.

5.3.5 Crime and Social Capital

Slums emerge through illegal occupation of land, thereby posing a threat of eviction to its residents by governing authorities. There is a possibility of residents of slums changing their residence more than once in their lifetime; hence anything certain in their life is uncertainty. Karol Ghatti Slums in Lahore city investigated by S. Malik, Roosli, and Tariq (2020) is no different from any other slums. The occupants of the slum moved from one part of city to another before settling to this location. Their current life style was adopted from their ancestors who also lived in slums. As there is no up gradation in their living standards from one generation to generation, slums is the only reality they know and have learned to survive in. Slum dweller had limited vision of planning for future. They were unable to update their current situation by themselves due to financial limitation. No electricity or basic facilities have led them to conduct daily activities using natural resources. It also has inculcated a habit of waking up early and sleeping early at night. One prominent social consequence of living in this nomadic way is having early marriage of children so that cost of living is shared amongst families. Expenses of wedding are bared through selling their domestic animals. Children are normally left to wander unattended in slum depicting their ignorant behavior.

Squatters provide a low cost housing unit to urban poor. Most of the time, within real estate sector there are groups that direct people towards these cheap housing options instead of opting to use proper channel for renting and purchasing property. Sometimes squatter management corporation itself is involved through dishonestly using fake documentations to convince needy people of the legality of area. The “possession of counterfeit stamp paper” on basis of which registry of house is made, encourage settlements in squatter. The resident of Qalanderpura squatters studied in S. Malik, Roosli, and Tariq(2020) research shifted to the location as a consequence of either clearance of their previous residence due to construction of bypass in Dharmapura located in main city business area or in search of better employment opportunities. As it was second generation living in the slum they have inherited their houses from their parents and did not possess proper documentation. People in general were satisfied with the way of living as they felt they were better than other urban poor who lacked security of tenure and therefore did not put much effort in improving their quality of life. The limited financial sources as well as unawareness of official platform for poor communities to ask for help and irresponsiveness of official authorities were reasons for no self initiatives for up gradation.

Few studies on Pakistan in relation to slums were able to get hold on how a slum was developed. History of slum is important to understand its social capital. Cynosure Consultants (Pvt.) Ltd (2013) study on four urban slums of Peshawar provides details on its historical formation, enabling readers to understand the ethnic constitution and composition of these slums. The population of Peshawar city started to rise drastically in late 1970s due to immigration of Afghan refugee which consequently led to formation or increase in residents of slum. The Afghan refugees escaping Soviet war settled in Shaheedabad, Tajabad and Gujjar Camp slums in 1980s. In 2007, the first two settlements became home to internally displaced person (IDP) from operation of Pakistan Army in Teera and Bara Valley. Gujjar Camp however consists of only Afghan refugees. The residents of Changarbad slum on other hand had settled in the area in 1960s and are of nomadic origins from Peshawar or “other areas of Khyber Pukhtunkhwa Province” but were not internally displaced persons (IDP). A weak social capital of Changarbad was observed despite all being from same province when interviewees from slum expressed lack of cohesion amongst themselves with no step taken by residents to create community governance system for community benefits. Shahhedabad Colony on the other hand comprising of two large neighborhoods (Shaheedabad and Subhanabad) was formed by locals in 1970s possessing agricultural areas in

surrounding land with only one side of Subhanabad adjacent to Christen colony. It as of 2013, consisted of 27% of the Afghan refugees but still it had a committee with a head formed by people of the slum to resolve grievances (such as assigning night watch duties amongst committee members etc.) mostly associated with crimes in area. Another social capital aspect visible from planning of Tajabad area was a clear divide between the rich and the poor. Tajabad settlement is situated at periphery of Peshawar city and is classified as rural urban fringe. It was developed by Mian family in 1970s and sold to private individuals subsequently. The Tajabad area consisted of 18 streets in total with each lane considered a Mohallah or lane (neighborhood). Interestingly the socio economic characteristics of its residents varied across mohallahs showing distinct separation of rich and poor. The Miangan Mohallah situated at Mohallah 10 was identified as slum in the area during site visits.

5.3.6 Lack of Governance

One of the studies found on slums of Pakistan touched the topic of governance briefly in their research. S. Malik, Roosli, and Tariq (2020) questioned their respondents from Karol Ghatti slum and Qalanderpura squatters on their satisfaction and grievance with the government authorities regarding their state of living. Residents of these informal settlements were hopeless, frustrated and angry with the local officials. Interviewees of Karol Ghatti slum described this situation as government representative visiting their slum during elections period promising fulfillment of their demands in return of votes. Slums and its presence are forgotten once elections are over. NGO, press media and TV official have tried to highlight issues concerning slum communities within their reach but due to limited availability of funding and resources, not much is achieved.

The scenario of Qalandarpura squatter is slightly different to slums as these settlements are certified and therefore legally fall under the “authorized regularization department of Lahore City, the Directorate General (Katchi Abadis and Urban Improvement) Punjab Province, Local Government and Rural Development and Government of Punjab”. In addition at district level, the responsibility for squatter settlements falls with local authorities namely “Tehsil Authority, Union Council and Lahore Development Authority (LDA)”. These authorities are responsible for developing; plans for use of land, master plan, general development plan and plans of development of small towns. At squatter level, elected committee members provide support to local officials. The issues faced by squatter residents are no different from

residents of slums. Major reasons of ineffective governance are the lack of competence and technical expertise of local official with restrictive capabilities to plan and deliver to communities. Also the local government is financially dependent on federal and provincial governments which make it difficult for any tier of government to fully accept the responsibility. The respondent of Qalanderpura squatter described their discontent with government official more or less same as slum dwellers of Karol Ghatti slum. The false promises made by government representatives during election never get fulfilled and their applications concerning provision and betterment of infrastructure and garbage management have no response. As squatter dwellers have lost confidence in the system as a whole, any effort put in by NGO goes in vain due to resident's non cooperation. The study on slums of Peshawar pointed on Municipal Corporation not having sufficient financial resources to meet current demand. Of "800 tons of garbage produced per day in Peshawar city, government only has the capacity to process 50% of it in solid waste management system. The rest 50% is left unprocessed on streets and resident areas, harming health of residents.

5.3.7 Employment and Income

The data in this section is collected to analyze the type of employment and income bracket of slum dwellers. The information on income and employment is necessary to understand the overall economic situation of the residents of slums of Pakistan. Various studies have been referred on Pakistan to form a solid conclusion about their contribution in terms of labour productivity to overall country's economic growth and on improvement of their own living conditions.

Jatoo, JinFu, and Saengkrod (2011) in the field survey they conducted in 2016 found around 24.8% of respondents to be unemployed at the time of interview while 13.4% individuals to be part of disguised employment in form of daily wage worker and labour. 18% respondents worked in public or private job, 19.8% owned their own small businesses while 24% were housewives. They also revealed, 3% of households under survey had monthly income below poverty line for 2016 and 66.9% earned monthly income less than or equal to PKR 25,000. The average household monthly consumption expenditure for lowest (1st) quintile in year 2015-16 was PKR 19,542 for urban areas, PKR 18,321 for rural areas and PKR 18,496 for overall Pakistan (Pakistan Bureau of Statistics 2016). The comparison amongst two figures

highlights approximately 70% of slums of Malir Karachi earned income just enough or lower than required to fulfill their basic needs.

The study by Akhtar (2012) calculates wealth index for each household of four Islamabad slums under study and ranks them according to the type of assets they own to estimate the household socio economic status of the slums. The houses are surveyed and ranked according to the type of floorings (earth, cement tiles or cement), access to electricity, household assets (radio, television, landline telephone, fridge, bicycle, motorcycle, car, video deck, computer, sewing machine, camera, air conditioner, washing machine and mobile), type of toilets and source of drinking water. The sample is then divided into five quintiles according to their wealth index scores. The observations of this study were quite interesting whereby each wealth quintile in total consist of around 20% of households of all four slums under survey while individually F 6/2 slum had highest households percentage (60%) falling in poorest two quintile and G 7/2 slum had highest percentage (42%) of households falling in wealthiest quintile. The wealth index also indicated increase in possession of items such as camera, motorcycle, laptop and fridge with movement from lowest to highest quintile and the pattern of saving revealed that household falling in wealthiest quintile saved 75% of their income while poorest quintile spends away the same percentage of their income.

Chaudhry, Bajwa, and Nawaz (2014) briefly narrated in their study the profession of residents of slums in Lahore city. Their research revealed males as sole bread provider in a family, earning mostly through scavenging or begging. Foods and cloths were donated by charities which slum dwellers relied greatly on as means of sustenance. S. Malik, Roosli, and Tariq (2020) studied a slum and a squatter settlement of Lahore and were able to describe in detail works undertaken by their settlers along with problems they encountered. Slum dwellers of Karol Ghatti slum were employed on daily wage basis. They worked part time in nearby factories either as a supplier or raw material collector. Most of the residents have migrated to urban areas in search of better employment and life and others have escaped natural disaster (flood etc.) but all were now stuck in urban slums. An aspect highlighted by the writers responsible for this condition was unawareness about importance of birth control which has contributed to uncontrolled population growth in these areas leading to unsustainable economic and financial burden on family as well as city and nation. Marx, Stoker, and Suri (2013) however presented a slightly different point of view and emphasized on constant influx of people in urban areas as source of low cost labour that prevents

investment on human capital and development of urban slum by keeping wages constant. Urban poor are an important part of urban economic as their jobs contribute to mega cities development. They however are not rewarded in same proportion as their contribution. The residents of Qalandarpura squatter complained of long distances from home to work as source of stress, fatigue and extra expenditure. Its residents worked in low skilled jobs at factories, private companies, car workshop and public institutions and travelled to work by using public transport or bicycle. It took more than two hours to reach their destination. There were few workers mainly tailors who coped with the situation and managed to earn profit by working at home where the labor rates were cheap and delivering the finished product in Lahore's business hub (Badami Bagh) at profit.

Cynosure Consultants (Pvt.) Ltd (2013) categorized seven skills on which a slum worker was differentiated. The skills were unskilled labour, construction work, agriculture, highly skilled work, business management and artisanship. These skills were considered in accordance with the minimum level of education slum dwellers possess. 54% of men and 9% of women aged above 15 years in four slum areas of Peshawar had some kind of income generating skills. Around 33% of men were unskilled workers earning daily wages, 27% were involved in providing services such as mechanic or dyer, 15% had small businesses (spare parts, printer, dealer, trader, etc.), 9% were involved in artisanship (polishing, furniture making, etc.), 9% were construction workers and only 3% were farmers. The most common profession amongst slum dweller was unskilled work and driving a vehicle. Women were mostly able to work from home and their most learned skill was sewing clothes. Lesser proportions of women were found working in agriculture or vending. Children worked mainly as unskilled labour at mechanic shops.

Normally in Pakistan, household roles are clearly divided between genders, where men are bread earners and women are responsible for household chores and taking care of children. 65% of men employed in four slums of Peshawar were between age range of 15 and 50 years and 40% were between age 51 and 65 years. Women employment is 4% and child labour though not common also exist within same percentage range. Comparing poor and non poor households, the overall employment rate was almost similar in slums; 66% for former and 60% for latter. Amongst those employed, most were daily wage worker, while rest were either salaried or self employed. The average daily wage was reported PKR 300 but for poor daily wage labour the amount was much lower. According to the article, low level of education and illiteracy was major cause of poverty and engagement in low skilled jobs. Afghan refugees had further

difficulty on proving their residency and bribing the police where necessary. The article also investigated the average income and expenditure of households of slums. In a household 1.71 members were employed and worked on average 28 days. The average income earned per month per worker was PKR 9,341 while was slightly less than minimum wage set by government of Pakistan of PKR 10,000 person. Salaried individual earned highest income followed by self employed and daily wage worker. 4% of household reported other sources of income; pension, rent, gift/cash, foreign remittance, NGO support, livestock and interest on loan. On average monthly household income was PKR 18,718 and considering a family of 11 member income per family member was PKR 1,702. It was estimated that around 35% of household surveyed were under extreme poverty and 31% were classified poor as per USD 1.25 per day international poverty line figure.

On average Peshawar slums had 44% population living below poverty line. The average income was further classified as per extremely poor (PKR 12,089), poor (PKR 18,360) and above poverty line households (PKR 28,050). The size of average number of family members decreased with poverty level; 11, 9 and 6 respectively. It was noted that top 10% income was earned by 2% of household with average income of PKR 93,250 while bottom 10% was earned by 25% of household with average income of PKR 7,460. On contrary, the average monthly expenditure was PKR 18,718, PKR 129 higher than average monthly income for a household. It is worth mentioning that non poor households were able to save around 22% of their income while poor households earnings were barely enough for survival. 11% household managed to save on average PKR 5,854 mostly for future uncertain emergency expenditures, business need, marriages of children while very few saved for children education. These saving were commonly put in Rotating Savings and Credit Associations but some did keep savings at home or in bank. 17% of non poor households saved money and only 10% of poor households managed to save. In comparison to saving, borrowing was quite high normally to fill the deficit for food and health expenditures. On average 51% extremely poor households borrowed up to PKR 305,643, 46% poor households borrowed PKR 142,471 and 34% of above poverty line households borrowed PKR 305,684. The loans were majorly from relatives living abroad, local shopkeepers or employer, were interest free and long term in nature. The household ownership of assets such as telephone, refrigerator and television was quite high but of productive assets such as land or livestock was low. The average value per household of assets owned was reported PKR 1,074.

Slums are informal settlements and its residents work in informal economy but from the passage described above it can be said that they contribute to the economy of city and country they live. Their presence should not be ignored. Peshawar slum residents were mainly unskilled workers supporting formal economy through their work. They also paid rent, electricity and water bills and therefore most of them were not involved in using public service illegally except for few. Along with this, developing their own sanitation system with government assistance was an action supporting municipal agencies.

5.3.8 Unemployment, Informal Sector and Underemployment

Individuals who are unemployed do not tend to remain idle for long time instead they opt to work in low productive jobs with their employment taking disguised form (Robinson 1936). Unemployment is on rise in Pakistan and many individuals of working age are involved in disguised employment both in urban and rural areas. These workers seem to have work but their contribution in terms of productivity is low with marginal productivity being zero.

The literatures existing on determinants of unemployment in Pakistan are limited. Subhan and Hayat (2010) used time series data for period from 1980 to 2000 from the “State Bank of Pakistan” publications, “the Federal Bureau of Statistics” statistical bulletin, annual reports of “Asian Development Bank” and “Economic Survey of Pakistan” to analyze the impact of instability of prices on unemployment and economic growth. According to his study, economic growth and unemployment were negatively correlated while manufacturing growth and nominal GDP for the country were positively correlated. The imports increased unemployment in the country but export, foreign direct investment and manufacturing at large scale decreased unemployment. Gillani, Rehman, and Gill (2009) found crimes in Pakistan to be positively associated with inflation, poverty and unemployment. Rafiq (2010) in his research confirmed negative relationship of foreign direct investments and inflation with unemployment. He also found population and unemployment to be positively related in context of Pakistan. Research by Khan and Yousaf (2012) indicated duration of unemployment to be lesser for holders of higher education and professional degree compared to low degree holders and holders of general education degree. Preference to work in government organization tended to increase the duration while head of family, marital status and household size reduced the time duration of voluntary unemployment (Cheema and Atta 2014). According to Kamran (2014), literacy rate and unemployment were positively correlated and as the education level

increased, job mismatch widened leading to increase in duration of opted unemployment. Another factor affecting unemployment in Pakistan was political instability resulting in corroding confidence of the investors to invest in businesses.

When unemployment in formal economy is high, growth rate is low or the economy is going through recession, people end up working in a shadow economy. In addition, strict government regulations on the labour market (minimum wages, minimum education level and maximum working hours) puts heavy burden on the firms and limits their ability to hire more people. High inflation, unemployment, increased taxation and non existence of social welfare policies acts as catalyst towards expansion of informal economy (Mughal and Schneider 2018).

Higher taxation on income reduces the disposable income available to individual and hence motivates them to join informal economy where no taxation is paid as opposed to formal economy. (Aslam 1998; Yasmin and Rauf 2003; Ahmed and Hussain 2008) in their research used taxation as independent variable on which the size of informal economy of Pakistan was dependent. (Gulzar, Junaid, and Haider 2010; Kiani, Ahmed, and Zaman 2015) used both taxation and unemployment as variables responsible for expansion of shadow economy in Pakistan while Mughal and Schneider (2018) in his research along with taxation and unemployment also used intensity of government regulation as cause of increase in the informal economy. His studies through empirical evidence confirmed these variables to be responsible for rise in the informal economy of Pakistan.

5.4 Urban Policies of Pakistan

Pakistan has a three tier government and is a federal republic. At federal level, the parliament consists of two houses; the Senate (upper house) and the National assembly (lower house). The president is the head of the state which is elected indirectly by members of national assembly, senate and the provincial assemblies. The current head of state of Pakistan is Arif Alvi. The members of senate are either directly elected from two of the territories or indirectly from the provincial assemblies. In National assembly, the members are directly elected by the people with few seats reserved specifically for minorities and women. The current prime minister of Pakistan is Imran Khan and he is the leader of largest winning party in the National assembly. Pakistan comprises of four provinces; Punjab, Sindh, Balochistan and

Khyber Pakhtunkhwa and Gilgit-Baltistan(de facto province) and Azad and Jammu Kashmir (Commonwealth Local Government Forum 2018).

5.4.1 History of Urban Local Government

The history of local government in Pakistan dates back to pre partition times where the first municipal corporation was established in 1688 in Madaras by the East India Company. The first step towards establishment of Municipal Corporation was taken in 1842 through formation of a formal sanitary committee under the Conservancy Act to be applied to presidency of Bengal for garbage collection. The Conservancy Board was formed in Karachi in 1846 and for Lahore and Rawalpindi; the Municipal Act was established in 1867. In 1882, the municipal committees were allowed to have elected members in their committee under local self government resolution of Lord Ripon. This resolution also suggested the formation of local rural government. In 1907, it was recommended by Decentralization commission to appoint a non official chairman for member committee that was taken up by Simon Commission in 1925 which had the role of performance assessment of local self government. The Provincial autonomy to allow provinces to devise legislation for local government was granted under “Government of India Act” 1935.

After partition in 1947, Pakistan acquired limited local government systems with only Punjab province local government system being better developed than others. Due to heavy bureaucracy, the budget and policies were under bureaucratic control. With the martial law and military rule between period 1958 and 1969, a new “elected system of local government” was established which increased the involvement of people at local level (Zaidi 1996). After the era of Ayub Khan, democracy was restored and the Constitution of 1973 was established. The Constitution under article 32 abolished bureaucratic control of Local governments and directed appointment of its members including chairperson through direct election (Kalia 2016). The practical implementation of this constitution was never observed. When General Zia came in power, a second military regime, he revived the “provincial local government ordinance” in 1979 by supporting the “principle of elected local government” (Zaidi 1996). He created four tiers in urban municipal government under the ordinance namely Municipal committee, Town committee, Metropolitan Corporation and Municipal Corporation. In rural area, three level systems were introduced: District Council, Taluka or Tehsil Council and Union Council. In his regime, local governments were empowered to play vital role in development and decision making. A middle management committee was formed called District and

Divisional coordination committee comprising of members of provincial and local government to liaison between two and for approval of development programs. Local governments were dependent on revenue generated from taxes, government grants and commercial projects. There were certain taxes that had to be decided in collaboration with provincial government such as property tax, penalties and fines, fishing rights, sale proceeds from mineral and mine auction and betterment tax (Kalia 2016).

With the restoration of system of elected senators and members in national and provincial assemblies after 1985, the empowerment of local governments suffered immensely. Introduction of programs such as “Five-Point Programme” in Junejo’s government and “the People’s Programme” in Butto’s government acted as inhibitor in strengthening of the local governments. These indeed provided power to the provincial governments to use available funds according to their own judgment leading to provincial governments intervening in work at local level consistently. General Pervaiz Musharaf in 1999 replaced elected government and introduced “Local Government Ordinance 2001” also known as “Devolution of Power plan”. The local governments under the ordinance were given full power with respect to their expenditures, administration and decision making at all tiers. The rural- urban divide was abolished and a system comprising of three tiers was introduced as illustrated in figure 7 (Kalia 2016).

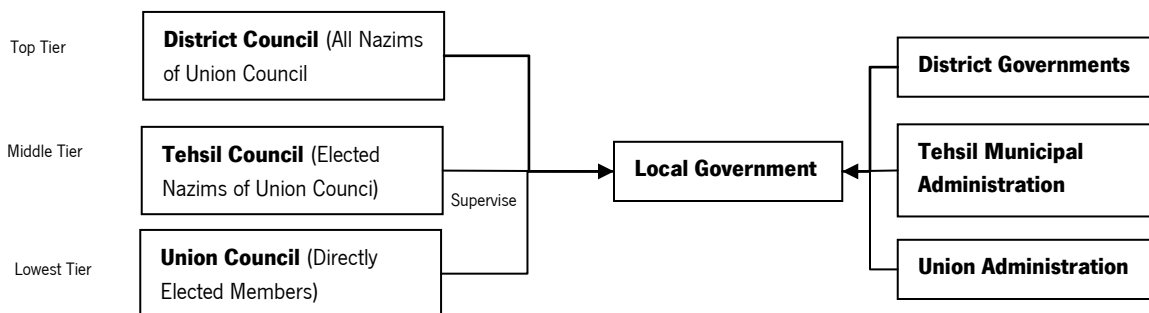


Figure 7

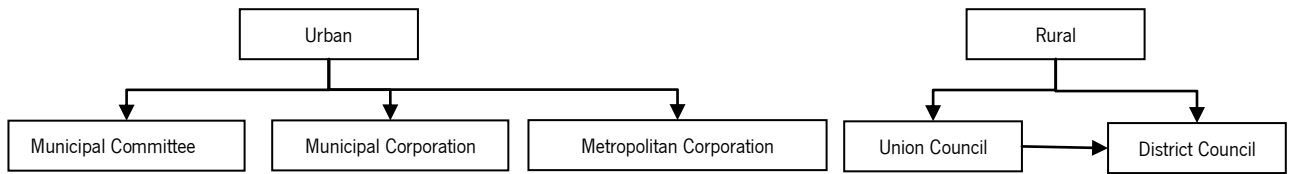
Three Tier Local Government System introduced by General Pervaiz Musharaf

The departments of provincial governments were entrusted to local governments except for Department of Police, Power and Irrigation and Education. The district police officer and the head of the district administration now reported to district Nazim. The “Provincial finance commission was established for fund transfer to local governments and the Nazim was given the authority to develop its budget and to

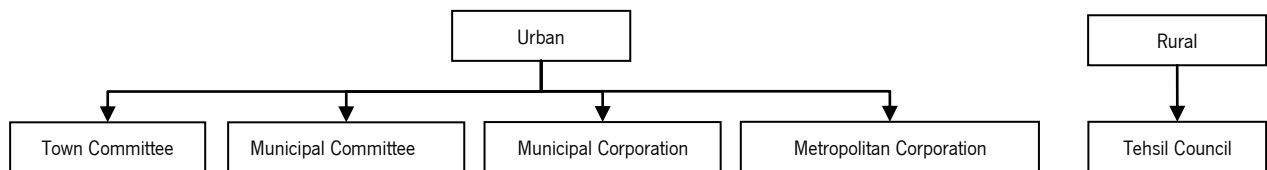
raise its revenue through taxation. A provincial local government commission was formed to assess and monitor the performance of local government and to develop annual development plan. Community participation was ensured in small development programs through formation of “Citizen Community board”. However as the election system at local government level was non party based, this resulted in fiction between provincial and local governments and in lack of ownership. In 2010, 18th amendment passed provided power back to provincial governments to devise their own plans for local governments thereby encouraging provincial bureaucracy again (Kalia 2016).

Local Government Act for four provinces namely “The Punjab Local Government Act 2019” “The Sindh Local Government Act 2017” (amended till April 3, 2017), “The Balochistan Local Government Act 2010” (amended till March 2015) and “The Khyber Pakhtunkhwa Local Government Act 2019” provides structure, power, election process, functions, responsibilities and fiscal power of their local governments (Provincial Assembly Secretariat Khyber Pakhtunwa 2019; Rohdewohld and Janjua 2019; PILDAT 2019). For Baloshistan, the Act enables the provincial government to suspend and dismiss local governments and its office holders. For Sindh, its government has the right under the law to carry out inspection on working of its council and in case of negligence; the government can suspend the council for six months. The government of Khyber Pakhtunkhwa has set up a commission to monitor activities of its local governments having authority of suspension of elected heads for 30 day if found ineffective. The inquiry can be conducted by order of government of Punjab through local government commission on its local government with suspension of Chair for 90 days. The Punjab government also provides its recommendation and direction to local governments through the commission (PILDAT 2019). The power delegated to local governments in each province under this Act was now limited in terms of fiscal management, service delivery, imposition of taxes, control over police departments and revenue generation and Provincial finance commission would transfer allocations to its local councils (UN Habitat III 2015; M. N. Malik 2019). The structure of local governments for four provinces according to the Act is represented in Figure 8.

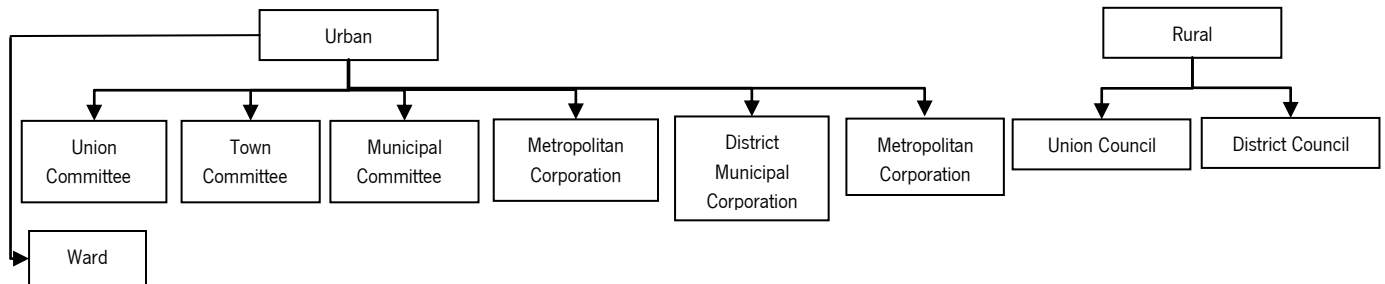
Balochistan Local Government Act 2010 (Amended 2015)
(PILDAT 2019)



Punjab Local Government Act 2019 (Rohdewohld and Janjua 2019)



Sindh Local Government Act (amended 2017) (PILDAT 2019)



Khyber Pakhtunkhwa Local Government Act 2019
(Provincial Assembly Secretariat Khyber Pakhtunwa 2019)

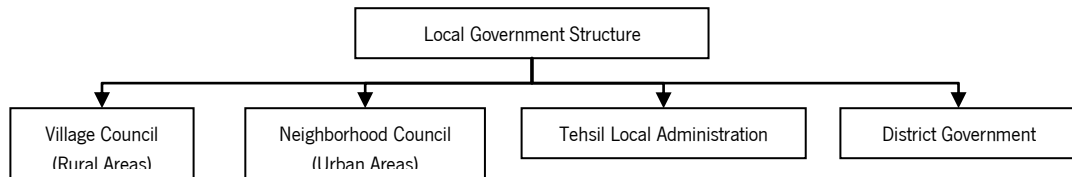


Figure 8

Local Government Structure for Provinces under Local Government Act

5.4.2 An Analysis of Urban Policies of Pakistan

Pakistan is experiencing all the elements of urban crisis and the major urban problems that country faces today are lack of supply and management of electricity, water, sewer, waste disposal, drainage, traffic congestion, transport, mismanagement of land market, sprawled out and congested cities, inefficient system of land use and social inequity apparent through rich and poor divide (Qadeer 1996). In 2017, the total housing demand per year in Pakistan was 350,000 units each for urban and rural areas. It was estimated that 10% of the demand was by “higher middle income class”, 25% by “lower middle income group” and 62% by lower income group. For urban areas, the annual supply of housing units per year was 150, 000 units creating housing unit shortage of 200,000 units per year. For rural areas, the housing shortage was 250,000 units per year with supply of 100,000 housing units a year. The unmet demand has to be fulfilled in one way or another which results in 25% of shortage being met through occupation and subdivision of land owned by government in form of Katchi Abadis, 60% through “informal subdivision of agricultural lands” (ISALs) at urban periphery and 15% through densification of lower middle and low income residences, already in existence (Hasan and Arif 2018). Urban policies developed and implemented at local, provincial and federal government have profound impact on quality of institutions in terms of its structuring, administration and economics as well as on quality of life on people living in urban areas. The reason is simple. These policies deal with provision of community and transport services, management of land and usage and development of housing and infrastructure (Qadeer 1996).

Urbanisation and urbanism are spreading rapidly in Pakistan with urbanism extending at much faster rate than urbanization. Urbanisation has resulted in two mega cities namely Karachi and Lahore and six cities comprising of population of more than a million. Urbanism is visible in Pakistan through penetration of urbanization in rural parts where the rich country side views comprising of wilderness and open areas have started to disappear and are replaced by factories, homes, garbage, open sewer, streets, etc. Formation and implementation of urban policies in Pakistan started in 1950s with development of “Five Year Plan” by planning commission at federal level. The responsibility of execution lied with line managers. At federal level, the “Division of Environment and Urban Affair (EUAD) was created in 1972 for development of urban policies and the local and the provincial governments were made responsible for

their implementation and execution. Over the course of time and with changes in leaderships, the power delegated to local governments in assisting with policy development of their area has been limited. The provincial bureaucracy has led to more centralization and lower involvement of local governments (Qadeer 1996). Now, the Planning Commission, an institution of “Government of Pakistan” is responsible for public policy and financial development. The role of commission is to conduct policy research for development and growth of economy as well as state and public infrastructure and to propose practical solutions. The commission falls under the “Ministry of Planning, Development and Reform” and has contributed significantly to Five year plan, replaced now with “Medium Term Development Framework” (Government of Pakistan 2020). At provincial level, the responsible departments are “Housing, Urban Development & Public Health Engineering Department” in Punjab (Government of the Punjab 2016), “Planning and Development Department” and “Human Settlement, Spatial Development & Social Housing Department (KatchiAbadies Department)” in Sindh (Government of Sindh 2015), “Urban Planning and Development “ and “Communication Works, Physical Planning and Housing” in Balochistan (Government of Balochistan 2020), Housing Department in Khyber Pakhtunkhwa (Government of Khyber Pakhtunkhwa 2018) and “Physical Planning and Housing Department” in Azad Jammu and Kashmir (AJ&K Official Portal 2020). It is not only urban policies that affects the working and lives of people living in urban areas, but government policies as a whole has profound impact may it than be policies related to education, health, rural development, industrial development or fiscal or monetary policies (Qadeer 1996).

Pakistan falls into low middle income country having GDP per capita of USD 1,482.40 in 2018(World Bank 2018) and the resources available to deploy towards development plans are limited. Currently the challenge faced by country is to use these limited resources in effective manner for fruitful outcomes. Pakistan was amongst one of the few pioneering countries both in First World and Third World to adopt “physical planning and housing development function” as part of its urban policies. Initially its urban policies approaches could be seen through the five year plan and allocation of resources towards it, in its national budget (Qadeer 1996).

Government of Pakistan in 1956 directed its urban policies towards mobilization of resources (funds, labour or physical resources) of the “people who will own and use the housing and common buildings” through government programs. The role of public sector was to provide financial, institutional and infrastructure framework to enable equitable and efficient functioning of private sector. This role was

modified between 1988 to 1993 when government shifted its focus on provision of housing sites and services to lower middle and low income groups. The government programs now had to be implemented on basis of self finance. These programs on urban areas development were divided into five categories; the Katchi Abadis and Housing Improvement; supply of utilities such as sanitation, sewerage, water, public transport etc.; building of institutions for survey, establishment of local and provincial housing and planning laboratories and departments and planning and design of cities; housing for public officials, government building and national capital development; and projects specifically targeted towards Azad Kashmir and tribal areas (Qadeer 1996).

After independence in 1947, millions of Muslims migrated to Pakistan from India while simultaneously Hindus and Sikhs in Pakistan migrated to India. Amongst these migrants, businessmen and farmers were settled on properties abandoned by Hindus and Sikhs and jobless and homeless were directed towards settlement in cities. In cities namely Lahore, Karachi and Hyderabad, the first squatter settlements started to appear. The first three, "Five year plan (1955-1970)" introduced by government in this era focused on resettlement of residents of these squatters namely Sodiwal squatter Lahore, Orangi, Paposhangar and Korangi squatters Karachi. This resulted in expansion of suburban areas of the cities and formation of satellite towns in Balochistan, Punjab and Sindh. Mostly middle and upper income classes resided in these towns. Under the plan, various plots development and housing schemes were launched in big cities of Pakistan (Peshawar, Rawalpindi, Lahore, Karachi, Quetta and Faisalabad). Simultaneously, in Karachi city, the establishment of government buildings, public housing and land schemes for government official began. When Islamabad was made the new capital of Pakistan in 1960, the same plan was applied to it. The plan was more tilted towards creating housing schemes and Master Plans for cities and reorganization of provincial department of planning to ministries than on traffic management, urban administration and planning legislations. A positive accomplishment of the plan was setting up of "department of urban planning and architecture" in universities to formally train professional in this area. The execution of the plan was successful; however as the need for housing was increasing at a faster rate than its supply, the housing shortage was apparent. By the end of third Five year plan, the difference between living condition of lower and poor income groups and upper and middle income groups was drastically high and so was the disparity in access of facilities between provincial and federal areas and

between rural areas, town and second tier cities. The urban policies now needed a thorough examination and revision (Qadeer 1996).

In 1971, the East Pakistan separated from Main Land Pakistan and second military regime came to an end. In the same period Zulfikar Ali Bhutto came to power. Bhutto's urban strategies focused on legalization of Kachi Abadis and provision of access of community utilities to these settlements. With the lending from World Bank, the up gradation and regularization of Kachi Abadis were accompanied with site and service programs. Free 3 Marla houses were distributed to poor households and 5 Marlas were given to village peasants. Many apartments, flats and core houses were built in city of Karachi, Faisalabad and Lahore to cater the problem of shortage of housing. Projects to develop suburban areas of cities were approved and "autonomous development authorities" and "public corporations" were created in major cities for urban administration, transport management, development and expansion of land plots and infrastructure construction. The nationalism and socialism was at its peak but so was corruption. Commercial and housing plots were given to public official, politicians and professional at discounted prices which were 5 to 10 times lower than their market price. On the flip side, many of the government's regularization programs for Kachi Abadis had been used by middleman and the public official for their own profit making purpose (Qadeer 1996). As gaining a legal title involves immense paper work, visit to offices and a house plan, middleman has emerged to help cope with these requirements after charging substantial fee (Hasan and Arif 2018).

As the approach taken by government was to deliver mass housing through public programs, in 1973 "a confiscatory act" was passed in Punjab that gave right to government to acquire land at a fixed price of PKR 200,000 per acre for development purposes. Similar but less aggressive act was introduced in Balochistan too. These acts were challenged in court and eventually nullified in 1986. Local governments were given authority to frame By-laws and decide taxation through "Punjab Development of Cities Act 1976" and Provincial Local Government Ordinance 1979" (Qadeer 1996).

The injection of foreign capital in form of foreign aids and loan was significantly high between periods from 1970 to 1977. The Lahore and Karachi's Master Plan for urban development was funded by UNDP while The World Bank funded the traffic study associated with these plans. It also provided loans for maintenance of wall city Lahore, historical renovation, expansion of water and sewerage facilities and improvement of roads and transit services. The UNDP funded Third World country projects on project to

project basis while the World Bank transformed its ways of funding by incorporating policy agenda that needed to be conformed for receipts of funds. The interruption of foreign agencies in policy priorities of the country without understanding the actual ground realities faced by the country provided ineffective solutions to their problems (Qadeer 1996).

During the same era, many Pakistani labours moved to foreign land mostly to Britain and Middle East in pursuit of better work opportunities. The remittance from abroad led to a boom in private housing market in villages and cities and to creation of “informal land development and housing industry”. The housing sector was now divided into three segments; public land with provision of complete urban facilities allotted on quotas to influential upper class; private housing market for development of Mohallas for middle and lower middle classes; and Kachi Abadis. With rise in private housing market, many of urban houses were constructed without official permission and it was estimated for Lahore to have 12% of houses built without building permits. By 1980s, the numbers of houses have increased but the quality in terms of access to facilities had decreased (Qadeer 1996).

After Bhutto, General Zia came to power in 1977 and his urban policies remained similar to Bhutto’s strategies in “Five year plan (1978-1983)”. The plan concentrated on improvement of slums, provision of community utilities, public sector programs and investment mobilization in private housing sector. With recognition of private sector involvement in housing development, a shift in government ideology was observed after 1980s. In the Seventh plan government allotted PKR 20 billion towards meeting the housing needs of low and lower income group on self financing basis. The provision of utilities and up gradation of settlements was on cost recovery model requiring a part of financial contribution from residents of Katchi Abadis. In the same era, local governments and community organization were strengthened through delegation of authority of development of local people. A successful example of self help project was Orangi Pilot Project Karachi (1980) which worked on provision of low cost housing, sanitation, family planning, health and micro credit for small and medium enterprises. Through “Matching grants programme” grants were distributed for local projects to town/district and union councils. Under these grants; pavements, streets, road and infrastructure of both urban and rural area improved, despite high level of corruption. “Social Action Programme 1991” used public sector funds towards accessibility of health, welfare services and education in remote areas (Qadeer 1996).

In 1978, the housing need of a country was 1.2 million and “the five year plan (1978-1983)” intended to cater 60% of the shortage. The plan however could not fulfill its target and by its end only 285,000 plots were developed and half a million people were covered under Katchi Abadi improvement program by public sector (Qadeer 1996). The power of legalization and regularization was initially handed to local governments however in Sindh and Punjab where most of these Katchi Abadis were located, the provincial bureaucracy remained dominant. In 1987, government of Junejo announced a cutoff date for Katchi Abadis regularization but the year was extended from 1987 to 1997 for Sindh and 2011 for Punjab, due to delay in administrative and legal matters concerning transfer of title. By this time new Katchi Abadis started to emerge (Hasan and Arif 2018).

Private sector was no different with only 225,000 out of 350,000 houses being built. An aggregate of 1.4 million housing shortage was faced in 1983 and the shortage increased to 6.25 million in 1996. The population and its need for housing was growing rapidly compared to rate of private and public housing development. The years also saw formation of many cooperative housing societies of Army, Railways, public and private groups etc. for development of land and housing. Yet the professionals could not afford to purchase land and housing due to rising real estate prices as a result of boom in housing market. However, individuals who were administratively and politically connected both in upper and lower classes, benefitted through plot quotas with allotment prices significantly lower than market their price. Housing and land market is highly speculative, fragmented and networks and connections play an important part. An interesting element was that there was shortage of housing along with vacant allocated plots which were either not developed fully or were purchased by influential individuals for purpose of speculation (Qadeer 1996).

Pakistan’s urban policies were influenced by international aid agencies such as The World Bank providing foreign aid along with policy recommendation and advice for urban development. The result was policy becoming only a “paper exercise” which widened the gap between policy made in Islamabad and actual programs implemented in Lahore, Karachi, or Quetta. Rising environmental issues were also a major concern. Urbanization and population growth had put immense pressure on environment through excessive use of natural resources such as productive agricultural land, water, waste disposal and air pollution. Though increased number of houses now had facilities of urban utilities, the quality specifically of piped water deteriorated and residents were advised to boil water before consumption. Environmental

policies hence needed to be imbedded in urban policies. At federal level, “The Federal Environmental Protection Council was created” and at provincial level, provincial agencies were formed. The cabinet in 1992 approved the “National Conservation strategy” for protection of environment (Qadeer 1996).

The federal government in 2001 developed National Housing policy which is still being followed. The policy aimed at easing the process involved in identification and provision of public land for low income housing through removing bottleneck in land acquisition, registration, and disposal. It encouraged institutions to provide housing loans at market rates and proposed financing housing through provident funds and pension schemes and microfinance schemes. For multilateral agencies such as Asian development Bank or The World bank, the policy proposed the State Bank of Pakistan to have housing refinancing window. Incentives such as lower taxation were given to private sector for building houses targeted at low and lower middle income group. Under “Katchi Abadi Improvement and Regularization Programme”, Kachi Abadis were planned to be regularized and relocation and resettlement of residents of Katchi Abadi was required in case of eviction. It recognized the importance of participation of women in community and housing related matters and of research on building materials and technologies in construction field. Provincial governments were given responsibility to direct administrative units for effective implementation of the policy however much of it was not implemented as promised by leaders of the political parties (Hasan 2014). Pakistan is still dependent upon foreign aid from foreign agencies. Recently the World Bank agreed to provide loan amounting to \$145 million towards housing for poor and women in Pakistan (Hasan and Arif 2018).

The target beneficiaries for the policy were lower middle income group but poor were unable to secure loan specifically for land acquisition as mortgage loans were directed towards provision of housing. Secondly the loan required collateral as a security in case of default which poor class was unable to provide. In theory though, leased houses of Katchi Abadis could be offered as collateral for housing up gradation funding (Hasan 2014). The low and lower middle income classes were not able to afford housing from their limited low income without government subsidiaries or loans (Hasan and Arif 2018).

The adoption of neoliberal policies by Pakistan in the start of twenty first century led to developers dominating the housing market in the large cities. The developer bought land from the government or private owners and got housing loans approved from the “Housing Building Finance Company” on behalf of clients. Some developers such as the “Defense Housing Authority” developed large commercial and

residential areas and others catered the need of lower and lower middle classes. The residents of latter were not quite satisfied with these residential areas due to smaller units and cultural mismatch. The clients were constantly doubtful of the developers who failed to build trust due to allegations of cheating. Developers hence turned more towards development of housing societies for upper and middle classes as these societies were formed with intention of earning high profits instead of catering to clients of lower classes where housing schemes were product of housing demands. These societies are mostly gated for security reasons. The consequence of developers choosing to cater former rather than latter classes was large number of vacant plots and apartment held specifically for speculation purposes. The developers had strong political ties supporting candidates and members of provincial and national assembly through funding their election campaign. Defense Housing Authority and Bahria Town used their political links to forcefully pressure landowners to sell their lands to them despite their unwillingness. As the demand for housing by middle class income group rose, the land at periphery was bought and held for development and selling intention. The poor classes that occupied land mostly at periphery, now had to move even further away which made reaching city difficult, time consuming and costly. Hence, poor families started looking for places within the city centers or near to their own work place, thereby resulting in densification of existing low income settlements (Hasan and Arif 2018).

There are number of debates going on specifically for Karachi on replacement of houses with apartments to accommodate excessive demand for housing. Under the “Sindh High Density Board Act 2014” the board member comprising of politician and government official can declare any area, road or plot high density. However due to lack of planning, the Act’s impacts are heavy burden on infrastructure and congested areas or roads. Another Act namely “The Sindh Special Development Board Act 2014” allows government to evict Katchi Abadis in Sindh province and relocate them at government cost to high to medium rise apartments. The lands cleared in process are than given to developers for development for any purpose as they wish (Hasan and Arif 2018).

The rental laws in Pakistan are tenant friendly but with informal rental markets where the laws do not apply, mostly physical power is used to threaten poor tenants living in low income settlements. Evictions of settlements are also quite common in Pakistan. “The Land Acquisition Act 1884” allowed government acquisition of any public land by compensation paid to legal owners but not to owners without legal titles. Initially evictions were compensated through relocation mostly far away from city center or work

places of residents. A strong resistance faced led government to negotiate eviction in form of cash offered at market price. A prime example of it is at time of construction of Orange Metro Line and Lahore Ring Road by Punjab government (Hasan and Arif 2018).

CHAPTER VI: CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

The data collection and analysis indicates a weak governance system in Pakistan at Federal, Provincial and Local government levels that has failed to translate policies into effective implementation. The public systems in Pakistan, may it be education system, health system, justice system or social welfare system etc. are therefore running at lower efficiency than their true capacity. This weakness of the system has impacted the lower income class the most. Many of the individuals of the lower income group in Pakistan work in the informal sector in low productive jobs categorized under disguised employment.

The residents of slums and squatters of Pakistan belong to the lower income class who cannot afford private services due to high cost and their low wages. They therefore rely on the services provided by government and non-profit organizations. Their residences lack adequate sanitation, disposal and garbage collection facilities and have limited or no access to public utilities such as water, electricity and gas. Many settlements have an illegal status facing threat of eviction and are not provided with proper infrastructure and transport facilities. Public services including primary health care centers and schools are located further away from their residence.

In contrast, the high income and the upper middle class have sufficient wealth to afford private services. Their wealth is either inherited or is due to their vast networks and educational qualifications. As they have access to alternatives, they do not care much about public services whose alternatives are available in the private market. The disparity in income between the lower income class and the high income and upper middle class is easily visible through the conditions people reside in. Much of the blame has to be given to government who has been unable to distribute national income effectively and efficiently amongst its people. Weak policies, ineffective governance system and corruption have led to widespread poverty in Pakistan.

Hence, it can be concluded that for country like Pakistan, where income inequality is at its peak, more than half of the population is living under poverty and the government systems and its leadership are weak that the economic stability is a crucial determinant of an individual's quality of life. It can also be stated with confidence that the government of a country plays a critical role through its policies and effective policy implementation, in ensuring prosperity of its people.

6.2 Recommendations

There are some problems experienced by informal settlements that are more generic in nature than others are but the specific problems faced by each informal settlement vary from country to country and according to the socio cultural context. Hence, one size fits all solutions cannot be recommended. However, it is advised for sustainable long-term development of informal settlements to take into consideration a few vital aspects when devising national policies.

- 1- A national strategy framework should be adopted that views informal settlements as a consequence of social inequality and of spatial distribution that enhances social inequality. Any policies or solutions suggested for the betterment of informal settlements should incorporate measures that focus on and reduce inequality.
- 2- Governance measures that facilitate inclusive and participatory approaches where residents of slums are involved in all stages of intervention in informal settlements should be encouraged.
- 3- It is recommended to diagnose the problems of each particular informal settlement and an integrated placed based and people focused approach should be used.
- 4- Land, spatial and housing planning should consider planning in a way that reduces income disparity and social inequality so that informal settlements are considered an equal part of the society instead of being completely cut off from it.
- 5- Policies should consider aspects of sustainability and cost effectiveness criteria so that the residents of informal settlements are able to maintain them for a foreseeable future after the intervention by government or non-profit organizations.
- 6- Land management systems should be devised such that affordable housing can be provided to all in need with no discrimination.

- 7- Public health and education systems should be strengthened and expanded to become more approachable to all income classes.
- 8- Interventions that strengthen social capital formation in informal settlements should be pursued (Economic Commission of Europe 2008).
- 9- Local government officials should be trained and educated on their role as service providers to the public and the public should simultaneously be educated on their right to information and services.
- 10- The informal sector should not be condemned; instead, ways need to be devised to encourage maximum utilization of the informal sector so that it becomes a source of productive employment instead of being recognized as a sector providing disguised employment.
- 11- The relationship between the public and the local government needs to be strengthened and local governments need to be empowered to take decisions autonomously without the requirement to go through an extensive bureaucratic hierarchy for authorization.

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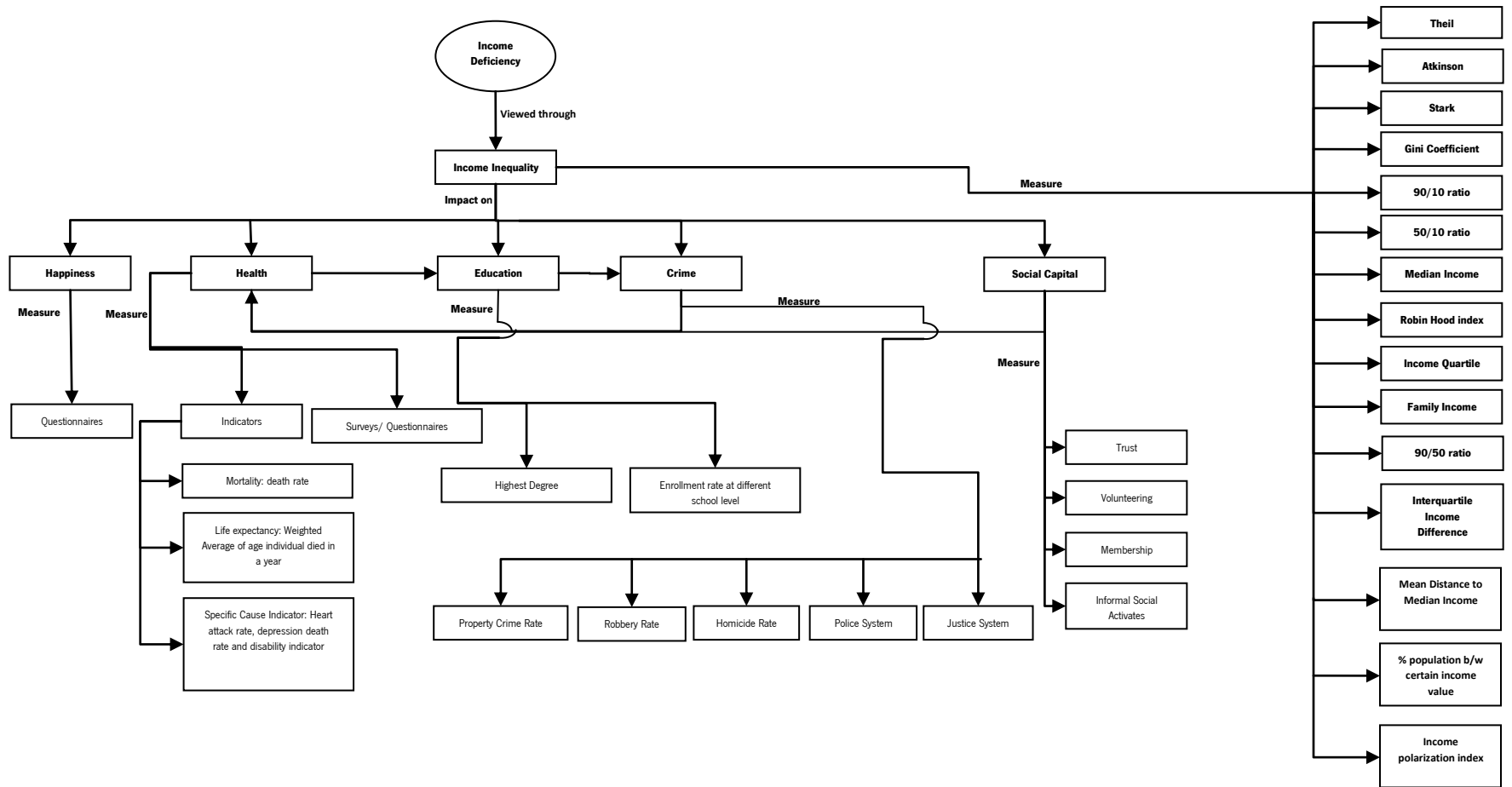
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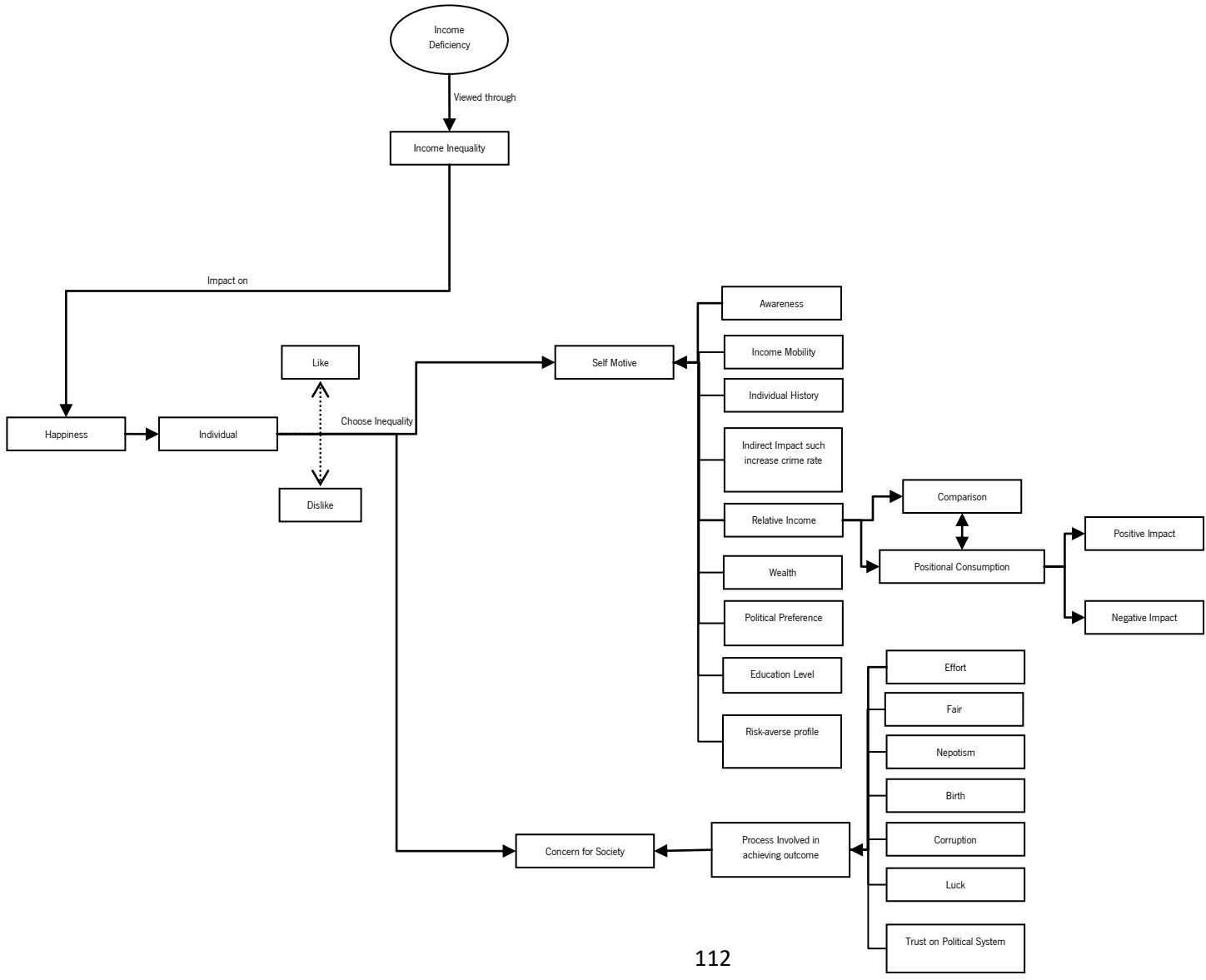
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APPENDIX

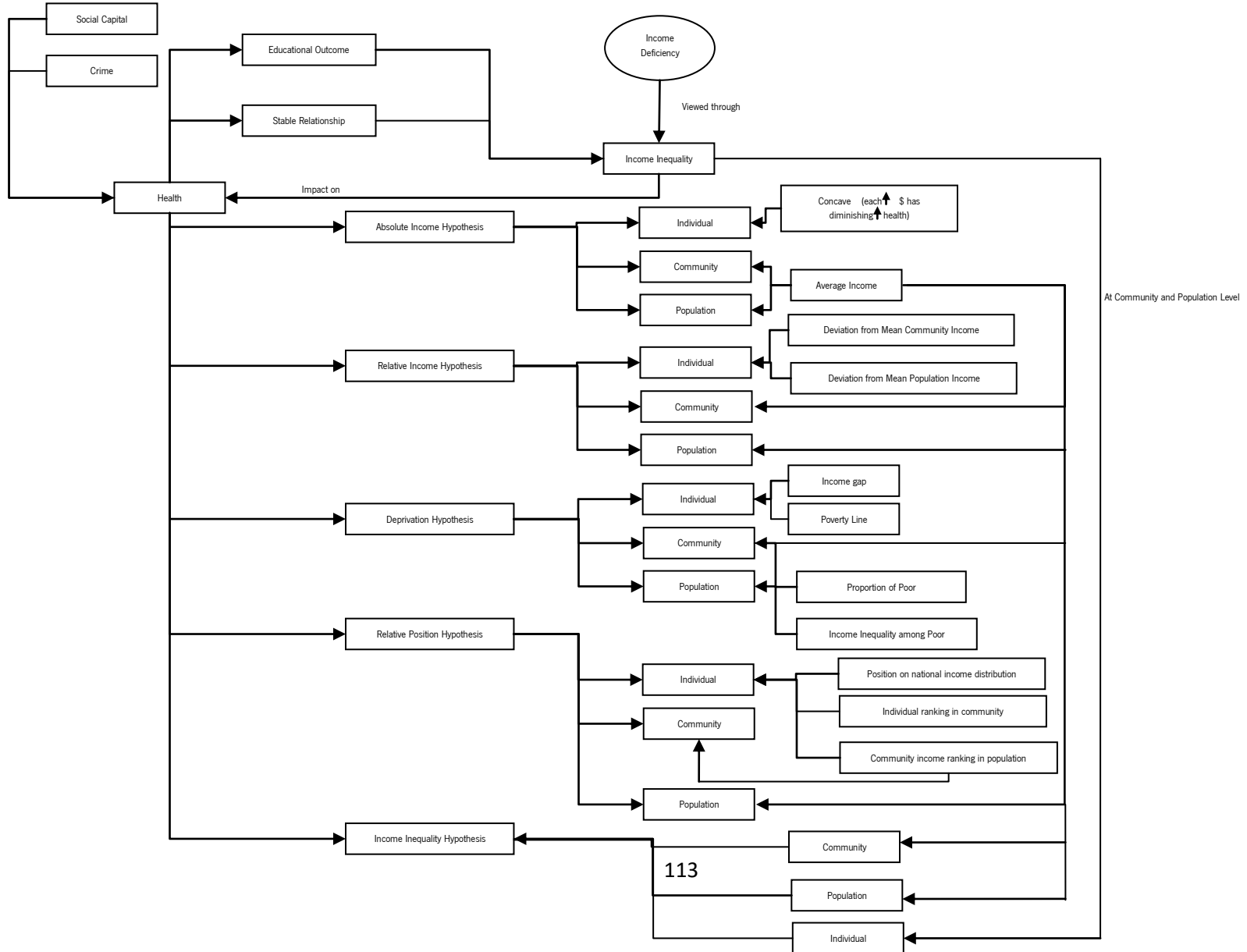
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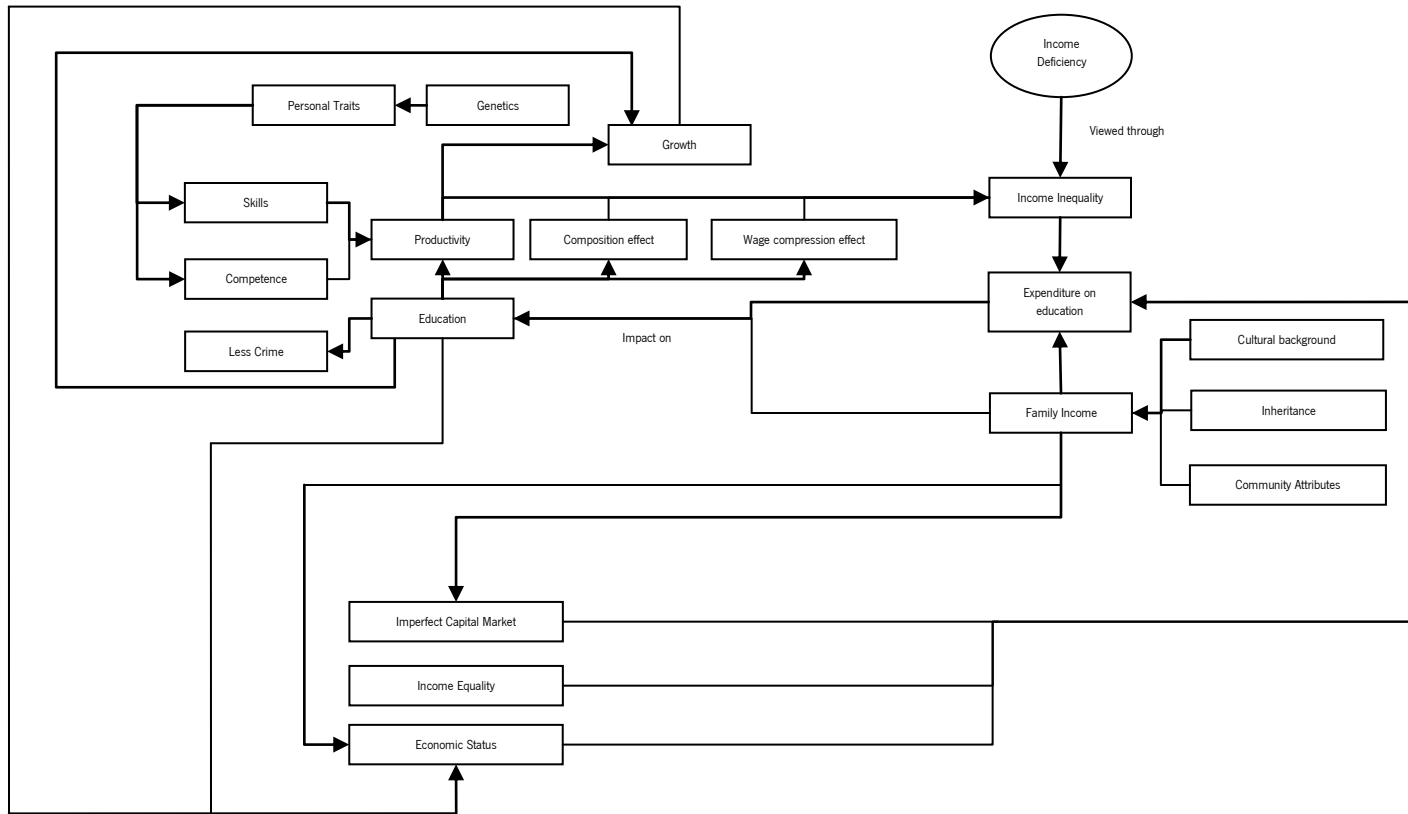
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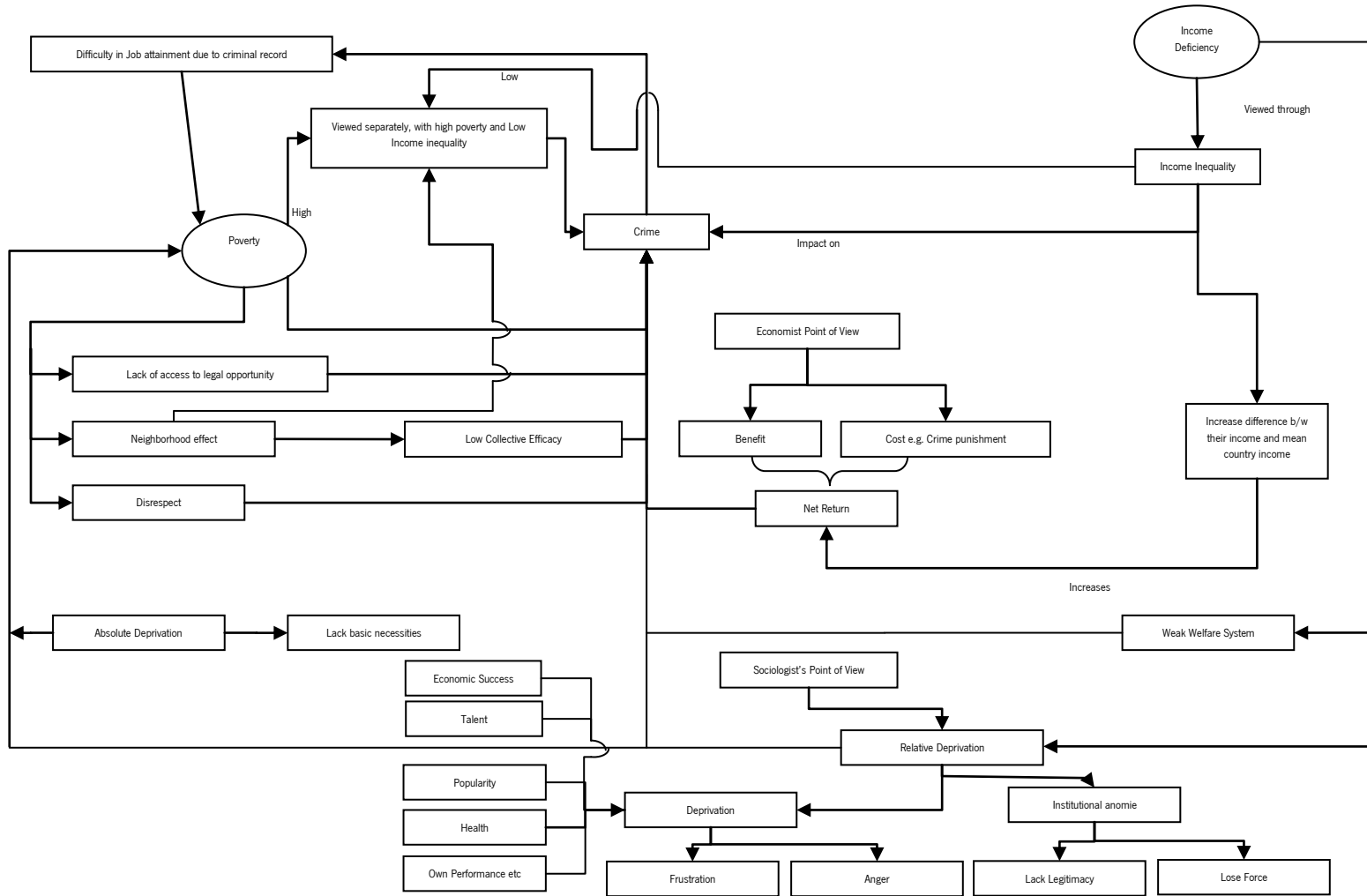
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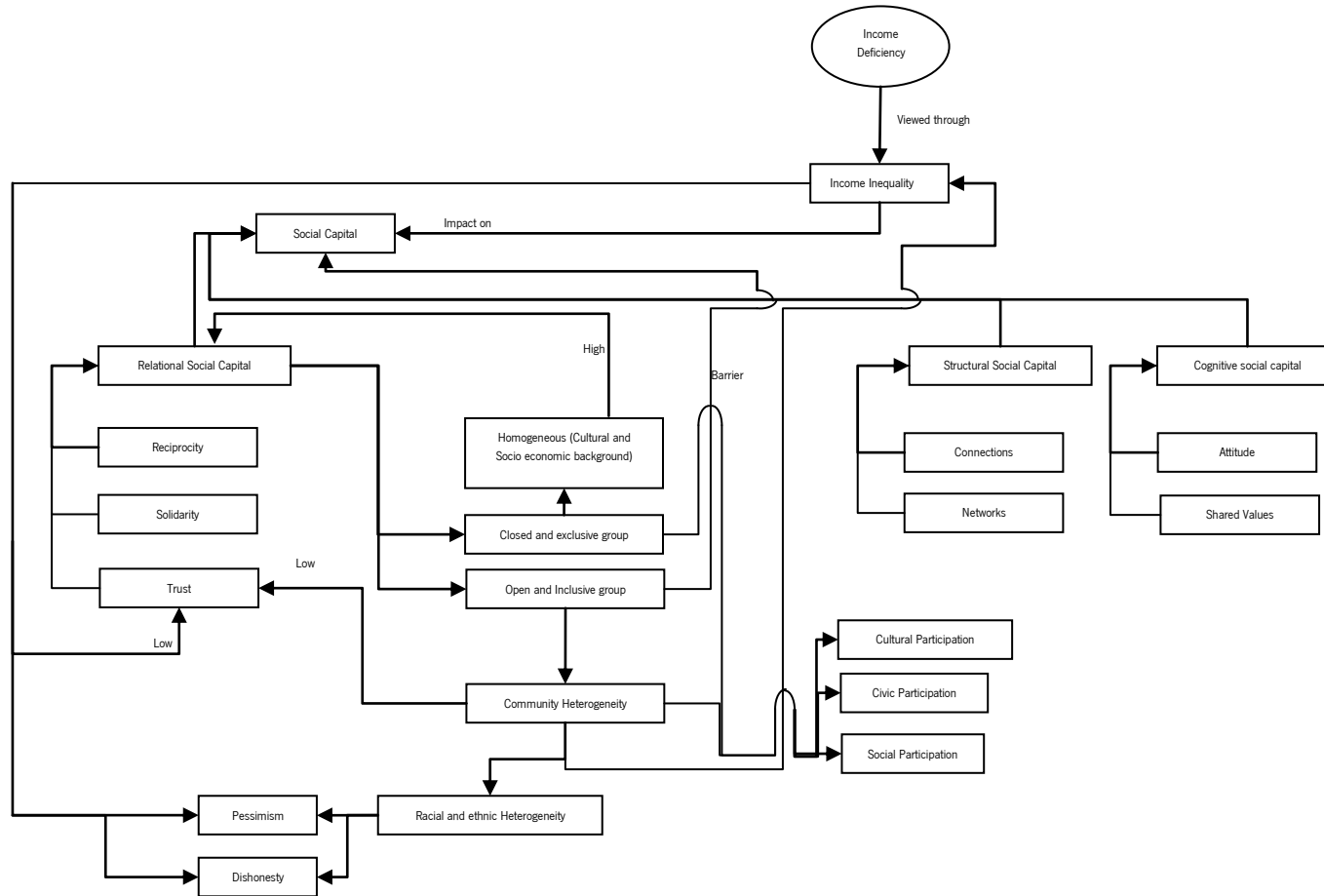
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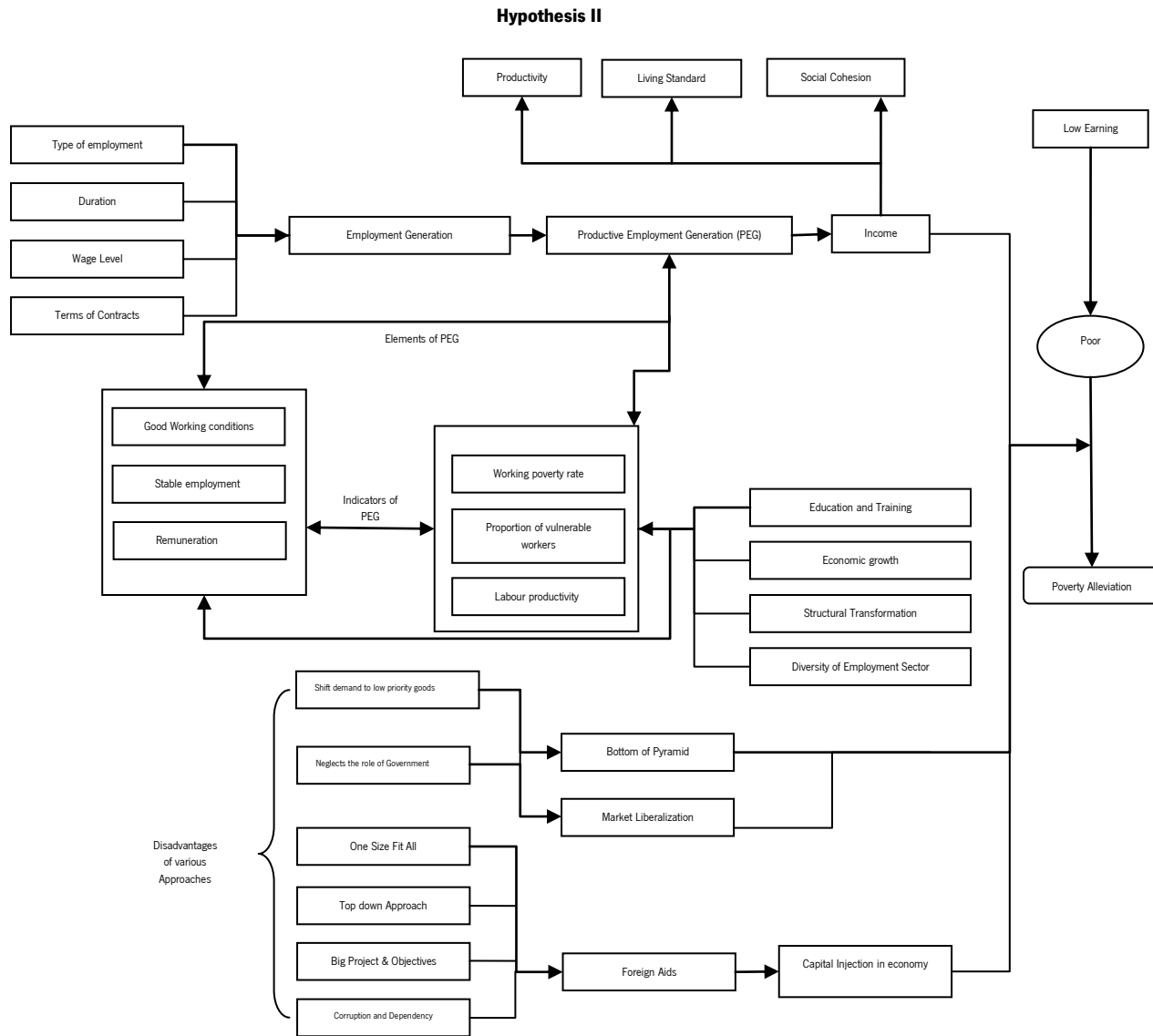


Hypothesis I



Hypothesis I





Hypothesis III

