INFORMAL SETTLEMENTS IN URBAN AREAS

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DEDICATION

This paper is dedicated to Almighty Lord for the Supremacy and to the redeemer of our soul.

And also to our parents for their continued support and encouragement.
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EXECUTIVE SUMMARY

This paper evaluates the impact of informal settlements established on the economy of Pakistan. The economy has been impelled by the growing nature and amount of slum areas. For the purpose to keep it brief the city of Karachi has been taken under study. Main variables which are considered includes; population living in slums, total labor force of slums, labor force employed, labor force unemployed and the nature of Pakistan’s economy. Moreover through the research it has been deduced that due to the ever increasing urbanization and urban sprawl the delivery of provision of adequate housing facility is not being hampered due to which lower income class is bound to live in the informal settlements. The research methodology adopted for this paper is secondary data. Most of the data has been taken from World Bank while the remaining has been taken from Pakistan Bureau of Statistics. Descriptive analysis has been applied in order to investigate the statistics. The results show that 55% of the population of Karachi lives in slum areas, with 40% people without jobs and 28% have been dismissed from their occupations, not only this the GDP of the country has been falling since last 10-15 year and has shrunk to 5.4. The paper provides certain recommendations with which the problem can be eradicated. Certain policy options, political steps and government intervention can help solve the problem.
## GLOSSARY OF TERMS

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>UNFPA</td>
<td>United Nations Population Fund</td>
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<td>UNDP</td>
<td>United Nations Development Program</td>
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1.0 INTRODUCTION:
Settlements can be categorized as physical spaces occupied by a group of people in order to create shelter for their living. This term refers to as permanent or temporary living places made by either the refugees or the owners of the land. Hence, settlements can range from small camps to towns to villages to large developed cities. Therefore informal settlements can be defined as unplanned, un-owned, piece of land on which people of the deprived class occupy illegally and carryout construction there. The occupants of the accommodating areas neither have any legal claim nor do they follow any building or construction rules and regulations. Whereas UN defines these informal settlements or slums as the area having “five Deprivations” which are as follows: “Clean water, improved sanitation, sufficient living area so as not to be over-crowded, durable housing, and secure tenure.”

Hence from this definition it is evident that these areas are the houses for those people who can barely fulfill their basic necessities not only that but they also are unable to find a work for their living. It can be seen that due to the industrialization, urbanization has increased simultaneously due to which average number of slum areas have also increased. With the recent statistics provided by the World Bank it can be seen that out of world’s 7.4 billion population 4 billion people live in urban areas where as 1.3 billion people live in slums.

This paper put fortes the idea that apart from the lack of provision of the basic facilities to the people living there in slums, these areas do impact the surroundings as well as deteriorates the environment of the city creating room for viruses and contagious diseases. Not only that these illegal and informal settlers do impact the economic development of the country. The local government has the prime responsibility to provide goods and services and basic facilities to each and every social class but these people are deemed to be as the burden on the economy because they are not producing anything i.e. most of them are not working thus they come under the category of unemployed people. Hence when consumers are in large proportion than the producers, such ratio imposes serious implications on the economy as a whole.

1.1 Statement of the problem:

With the rapid industrialization the urban development has also increased. With this transition the informal settlements in the urban areas have also increased. These settlements are imposing threats to the sustainable development of every city and have serious implications on the political, economic, social, and cultural facets of the society. These slums have increased due to a number of reasons which mainly include population growth, intensive rural urban migration, lack of proper housing facilities along with adequate provisions of houses to every citizen of the country, economic weakness, lack of proper policy making, poor urban management and planning, low wages of the blue-collar workers (due to which they are unable to afford the basic necessities), refugees due to natural disaster and wars (e.g. afghan refugees in Pakistan), and last but not the least the class differences created by the society.

It can also be seen the government does not acknowledge any sort of these under-developed areas within the developed cities and neither has it worked to improve the situation. On the other hand local governments either oppose these settlements or they dislodge them; it shows rigidity and reluctance towards it and does not take the case of housing requirements up to the top level concerned authorities.

Incarnating in the slums has adverse effect on the people living there. This hypothesis can be evident from the example being followed as stated by UNFPA:

“For women, this can heighten barriers they face in accessing livelihood opportunities. Home-based workers also face challenges to entrepreneurial activity. Women in informal settlements spend more time and energy accessing basic services than other urban counterparts, limiting their ability and time to earn through paid employment. In addition, the prevalence of male-biased land tenure policies and restrictions on women’s rights to own property decreases the likelihood of alternative housing options. Poor quality housing, or eviction and homelessness, can also increase the risk of insecurity and sexual violence.”

3  https://www.unfpa.org/
1.2 Research Question:
What is the effect of informal settlements in the urban areas on the economy of country?

1.3 Scope of the study:
This research will focus on the slum areas development i.e. the reasons why some people are forced to live in these shanty towns and the serious implications the people settling here do have on the economy of the city and also the economy of the country as a whole. Lastly, the government’s efforts shall be analyzed that it makes in order to remove or demolish these spaces and the policy that it makes in order to provide adequate housings to everyone. Moreover Pakistan and its capital Karachi shall be taken as a case study.

1.4 Research Methodology:
The research methodology used in this paper will principally be qualitative in nature. Evidences and reasons along with small explanation shall be provided in order to provide a complete framework for the research. The required statistics has been acquired from the World Bank’s official website keeping in view the essential factors of the study. The reason for using the secondary data was because of the legitimacy of the existing relation and also to acquire authentic statistics in order to support our hypothesis. Some of the data has been taken from the Pakistan Bureau of statistics in order to get to know about the authentic statistics regarding the scope of our research.

1.5 Literature Review:
The main objective of this study is to figure out the main effect of the slums on the economic development of the country as a whole, while taking Pakistan as the focal point of study. Several works in the shape of books, journals and articles have been consulted with in order to comprehend the relationship between informal areas and the economic development. Some of the central points of the researchers are as follows:

Imran Sharif and Asma Imran (2006) in their article “Urban Poverty and Governance” have taken the slum areas of Multan as a case study and have fully explained what implications these areas are continuously imposing on the city and as well as the economy of Pakistan. They have conducted a multi variety analysis in which they have taken various factors that stagnate the economic growth. According to the authors Multan is the highly urbanized city with a 1:4 which
is of slums to urban areas. They have deduced that it is causing urban poverty which has adverse effects on the economic development.⁴

Riaz Ahmed and Usman Mustafa (2014) have published an article in which they have shown the increased rate of urbanization along with the increase in slum areas. The authors have compare the economic conditions of the transferred and non-transferred slums with that of the urban areas and then they have created a relation between how they are effecting various aspects of the society. In this case they have taken Faisalabad as a case study and the deteriorating accommodations provided to the citizens which force them to live in slums. ⁵

Laurent Gayer (2007) in his article Guns, Slums and Yellow Devils has discussed the slum areas of the Karachi. He has mentioned various negative effects of the slums which mainly include the increased terrorist activities, thefts, and extremist fragmentation. According to the author the fueling of the terrorists grown in the slum areas cause serious consequences and does not only effect the people living their but also have some sort of socio-economic, environmental, and political costs. ⁶

Gerald Myoro in his article, The Impact of Illegal Settlement on Economic Development, writes that the informal settlements are a problem for the society that inhibits the economic development of any country, region or city. He says that it is also the result of state and local government’s lack of planning and improper policies. Economic development of a country is followed by increased living standards, along with provision of basic facilities to the people. But it can also be seen that both the things are relatively interchangeable, living standards also affect the economic development and vice versa. He argues that economic development is a process

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through which the governments utilize the existing resources and create jobs and stimulate the economic process.\(^7\)

While going through the literature it has been deduced that most of the researchers have restricted their research to the social and environmental implications of informal settlements leaving behind the major factor which needs some attention. While considering how the informal settlements do affect the economy of the country, situational analysis approach must be carried out. Considering this approach this paper has taken the Slum Areas of Karachi under attention.

**1.6 Organization of paper:**
The paper is divided into five distinct parts each part having same amount of word count. The paper is organized in a way that it is according to the research paper requirements. The paper starts with the introduction of the topic, followed by the case being discussed in order to support our hypothesis, the research question is further buoyed in the findings section by the help of secondary data, acquired from the official data banks. The research paper is ended with the concluding remarks along with some pragmatic recommendations which will be helpful in eradicating the problem.

\(^7\) [https://www.academia.edu/27978339/The_Impact_Of_Illegal_Settlement_On_Economic_Development_A_Case_Study_Of_Chirundu_Border_Town_Mash_West_Zimbabwe](https://www.academia.edu/27978339/The_Impact_Of_Illegal_Settlement_On_Economic_Development_A_Case_Study_Of_Chirundu_Border_Town_Mash_West_Zimbabwe)
2.0 SLUMS, URBAN AREAS, AND ECONOMIC DEVELOPMENT- CASE STUDY OF KARACHI

Pakistan, the most country with the strategic location in South Asia, is one of those countries with struggling economies. Since the last 2 to 3 decades it has been categorized under the heading of third world countries, i.e. the countries who are striving in order to compete the developed countries in terms of resources, economy, status on the international forum and much more. Like other countries, Pakistan is also grappling with the same set of problems that almost all of the developing countries are facing and trying to cope with; one of the most prevalent problem in these countries is the formation of informal settlements within the developed cities due to massive rural-urban migration. According to the latest survey conducted by Pakistan Economic Survey (2010-2011) 37% of the total population lives in urban areas. Out of this percentage 47% people live in slum areas which shows the highest ratio of urban to slums living and this is now shifting the focal point of poverty towards the cities. The economic stagnation of Pakistan has driven and enforced more and more people to live in the slum areas; thus creating more political, economic, and socio-environmental insinuations.

Karachi is the single port of Pakistan and the biggest city that has the total of 18 million population according to the latest statistics provided by the World Bank. It can also be seen that Karachi is also the hub of major economic, industrial, corporate and business activities. Not only has that it also had the largest contribution to national tax income which is about 62 percent. Despite being one of the major cities, the increasing amount of informal settlements has surpassed for the past few years. These increasing numbers have become a major concern for the policy makers as well as the local and provincial government. These expansions are mostly occurring in the north and western areas of Karachi. According to some suppositions provided by certain unceremonious sources there are over 702 informal settlements spread out all over the Karachi, with ever-increasing number of people inhabiting these areas? This proposition is also evident from the following data which provides the population living in slum areas:

Table: 1

From the above mentioned data it can be devised that the population as well as the number of households in the slum areas are increasing day by day and it is expected that the urban poverty will also increase due to rapid urbanization and no proper planning and development mechanism adopted by the local government as well as the national/ federal government. In 2013, World Bank issued a report declaring Karachi being part of poor cities in Pakistan, the economic growth of which is on the rapid decline. This rise in the urban poverty is imposing serious threats and risk on the economic development of Pakistan and is leading to stagnant economy. Among the total population 50% is youth having ages less than 25 years, which means that they will have to be employed within next 2-3 years. But the problem still remains there, the population is increasing day by day but the adequate job opportunities are not being provided by the government to the citizens. Hence more and more people, due to poverty and unaffordability, are driven towards the squatting areas and are unable to improve the living conditions of the places they inhabit. Therefore it can be seen that there is a reciprocal relationship between economic growth and increased informal settlements in urban areas.

The increasing urban poverty is not only due to lack of financial capital to each and every person but it also because of the deprivation at economic, political and social level. This is because the institutions are not working hard enough neither they are making any sort of policies for the provision of adequate housing facilities to everyone, the deteriorating housing conditions and the shantytowns where most of the people are living are all the factors which are continuously adding up and aggregating the poverty. These factors directly add up in shrinking the economy of the country which in this case Karachi is playing an important role to inhibit the growth of the economy.

Source: KDA/MPD

<table>
<thead>
<tr>
<th></th>
<th>1990’s</th>
<th>2000’s</th>
<th>2020 (Projection)</th>
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<tbody>
<tr>
<td>Population</td>
<td>1,036,000</td>
<td>1,064,400</td>
<td>1,080,000</td>
</tr>
<tr>
<td>No. of households</td>
<td>164,000</td>
<td>178,000</td>
<td>190,000</td>
</tr>
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11 http://databank.worldbank.org
economy causing inflation and devaluation of the currency. This can be named as “Urbanization without growth” because people are continuously moving from internal Sindh to Karachi in order to have access to basic amenities and better living conditions along with job opportunities but they end up living in jhuggis and no jobs. Due to unemployment, the labor force which is capable of working does not adds up in to the economy rather is solely a burden and a continuous risk for the country.

The regional inequality is basically due to discriminated incomes at the different levels and has some identical similarities between the regional living disparities and economic development. Most of the literature suggests that the urbanization is associated with the economic growth but what really is the type of relationship is somewhat questionable. It is acceptable that urbanization can be one indicator that shows that the country is on the road to progress but it cannot stand alone when the negative impacts of urbanization are inculcated which mainly includes the rising informal settlements which are due to increasing rural-urban migrations. These migrations are causing imbalances and are considered as the factor for slow economic growth. From the latest statics of 2017 provided by the World Bank it can be seen that 71,517,889 labors presently out of which only 42,910,733 people are employed either way rest of which are posing fatalities and are inhibiting national economic growth. Because the rest 40% of the labor force has not been yet accommodated and is entailing labor productivity losses. Through the data explained in the next section it can be seen that informal settlements in urban areas and economic growth goes hand in hand and both the factors have some sort of negative relationship. It is quite evident that both are negatively correlated and it has been seen that greater the rate of urbanization in Karachi the more is the increase in the slum areas and thus the slower economic development.

Not only that UNDP had recently publish a report which showed that 1 in 3 houses in Karachi were unable to acquire basic necessities and this one house tend to be present in the slums of Karachi. Due to lack of proper provision of basic needs, the slum areas of Karachi are sinking in the sea of poverty and imposing social and ethical dilemmas side by side. These areas have become the home for many terrorist and target killers who have adopted such professions only to earn some living as they are unable to attain a job. Taking a slight look onto the employment

12 http://databank.worldbank.org
trends in Karachi it can be seen that in 1980’s 35.2% of the total labor force was employed whereas this percentage has dropped to 27.8% in 2000 and then to approx. 24% in 2017.\textsuperscript{13} Hence this decreased employment trend has implications because the numbers are not shrinking because the labor force is shrinking it is decreasing because of lack of job opportunities for enormous slum labor force. Moreover, many young urban dwellers have committed suicides. It should be a serious concern for the government because until and unless any attention is provided to this matter, the quality of living will continue to deteriorate along with some key risks putting on to the economy.

Hence from the above presented condition of Karachi, it is obvious that the Govt of Sindh is not working for the betterment of the living conditions of the slum areas of Karachi. It is not utilizing the existing resources to either provide proper lodging or create new job openings with the help of which the economic growth shall be amplified or not just the economy the living standards shall be raised with in return shall increase the GDP.

\textsuperscript{13} https://www.undp.org/content/undp/en/home/sustainable-development-goals.html
3.0 OBSERVATIONS:
From the recent data provided by the World Bank the total population of Karachi is 16.62 million out of which 55% individual’s lives in slum areas of Karachi.\textsuperscript{14} During the year 2009-2014, with 5.2 percent increase in population\textsuperscript{15} (Figure 1) there has been 1.1 percent decrease in population of slum area i.e. 46.6% to 45.5% in Pakistan (as shown in Figure 2) indicating that the rate of population growth is much higher as compared with urbanization.\textsuperscript{16} This issue needs to be addressed as soon as possible in order to balance with the rate of urbanization to create prosperity and to increase the development in Pakistan.

![Figure 1: Total population of Pakistan](image1)

![Figure 2: Total population (%) living in slum area of Pakistan](image2)
The total rural population of Pakistan is progressing towards urbanization at a very less rate of 0.2 percent per year. Since 2000 till 2017 the rate of urban growth has shown upward trend and increased only up to 3.5% during these 17 years (as shown in Figure 3). This shows that Pakistan lacks behind in the development of infrastructure and is not in position to provide adequate basic facilities to its lower income individuals.

Figure 3: Urban growth (%)
According to the world bank Pakistan’s economic growth is still in a crucial state i.e. 5.4% in 2017 and is showing a downwards trend more often since 2010 (Figure 4)\textsuperscript{18}; implying that living standards of most of its population might not be in good state and scarce resources are available for feeding this large population broadening the gap between rural and urban population.

**Figure 4:** Trade in Services (% of GDP)

![Trade in Services (% of GDP)](image)

This increase in population and low amount of resources available to feed its citizens creates more burden on the economy, creates unemployment and worsen living conditions for its poor citizens. The result shows that urbanization is positively associated with the level of economic development.

From the recent data provided by the World Bank it can be seen that the total labor force is increasing at the rate of 2.7% per year along with the decreased participation rate (as shown in Figure 5).\textsuperscript{19}


\textsuperscript{19} [https://data.worldbank.org/indicator/SL.TLF.TOTL.IN?locations=PK](https://data.worldbank.org/indicator/SL.TLF.TOTL.IN?locations=PK)
The statistics show that in the year 2000 the unemployment rate was 7.16% and in 2018 it has decreased to 4.083% which shows that almost 28% employed people had lost their jobs and 40% remaining are the free riders who are just simply a burden on the economy (as shown in Figure 6).

Most of the population of slum areas faced a decrease in employment rate during the last decade in Pakistan with the decrease in economy. Almost 20% of employed population of slum areas was reduced and unemployment rate of slum areas increased by 40% during the year 2000-2017 in Karachi (Table 2).

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### Table 2: Employment trends Karachi

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<tr>
<th></th>
<th>1980</th>
<th>2000</th>
<th>2017</th>
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<tbody>
<tr>
<td>Total population employed (%)</td>
<td>38</td>
<td>30</td>
<td>25</td>
</tr>
<tr>
<td>Unemployed (%)</td>
<td>14</td>
<td>18</td>
<td>20</td>
</tr>
<tr>
<td>Population of slums employed (%)</td>
<td>33</td>
<td>40</td>
<td>27</td>
</tr>
<tr>
<td>Population of slums unemployed (%)</td>
<td>15</td>
<td>12</td>
<td>28</td>
</tr>
</tbody>
</table>

*Source: Census Reports, Government of Pakistan*

The unemployed individuals will not have any income and the less number of employed individuals in slum areas only have little income per capita. So households with lower level of income will not improve their housing conditions and will be determine to compromise their living standards. The statistics shows that the economy of Pakistan is in a very havoc condition and creating a huge gap between the rich and poor. Most of the people living in slum areas are neglected while this situation is being hurdle in the way of becoming a well-developed nation. Poor economic conditions lead to creation of slums.

#### 3.1 Inference

Hence from the above presented data it is pertinent to deduce that the population of Karachi is increasing day by day due to migration from the country sides with the result more and more people are forced to live in slum areas. In these slums out of 100 only 40 labor force has been employed while the remaining 60 are simply a burden on the economy of Karachi and Pakistan as a whole.

Apart from the recession, inflation etc. the reason why Pakistan’s economy is falling day by day is due to lack of employment opportunities provided to the blue collar workers and also the nature of the lower class who are not ready to work religiously. Such people are consuming the resources and not adding up a single unit in the production side. In economics, when such...

situation occurs where you do have a large amount of labor force in the external market and none of them have been utilized properly is referred to as Recession. The gap between the total population and the total housing facility is very large, and it is very difficult to cope with the increasing demands of the accommodations. Not only that the gap between labor force employed and not employed is also facing a high rise, if adequate jobs are not provided by the government to these people of slum areas, the economic conditions will be worsen and the people of Karachi would also be bearing the social costs created due to thefts and other ill-fated acts of underprivileged people.

4.0 CONCLUSIONS:
The focus of this paper was on the relation between slum areas, urban growth and economic development.

Although Pakistan has gain independence 67 years ago yet the economic growth is not flourishing as it should be. The reason is that the planning and strategies planned for urban development does not cater to the present and future challenges of urbanization, which is directly effecting the economic growth.

Slums are created due to the result of people migrating from rural to urban areas. They are the after effects of economic centric policies. Uneven economic and asset based exercises are making genuine financial issues.

A significant amount of urban population lives in slums. The general population living in slum zones are the most denied individuals and face worse financial conditions. The condition of infra-structure and sanitary and drainage area is poor. Despite the fact that literacy rate was reasonable yet people are not so keen towards higher education. The lodging status is poor. The majority of the general population live in a single room house. People have extremely low salaries and savings are close to nothing.

Better living means that all the basic needs should be provided to the general public along with better infrastructure and steady income. Unfortunately, it is discouraging to say that the cities are unable to provide these amenities. A nation whose large part of population is jobless and is denied everyday comforts is a burden on the economy and creates a burden on the nation.
5.0 RECOMMENDATIONS:
Development of slums in Pakistan is an occurrence, which is effecting the economy and the urbanization advancements. This is a major concern for the government, citizens and for the developed countries. Following can be some suggestions to overcome this problem:

1. All the constitutions which are involved in planning at government level like policy makers should collaborate with each other.
2. The government must establish authorized system in slums which will keep an eye of their conditions and fundamental problems.
3. The planning should be done so that it accommodates the increasing pressure of urbanization. The physical features like sewage system and clean water system should be improved.
4. The slum occupants should be given a chance to plan their communities.
5. The slum occupants should be provided with basic facilities like electricity, water, sewerage, education and health facilities to improve their living standards.
6. Residential flats and housing schemes should be built to avoid over population.
7. To improve the economic conditions the government should introduce employment opportunities.
8. Steps should be taken to stop the growth of slum areas.
9. Special budget should be allotted for the education sector and more schools and colleges should be built for low income groups.
10. A large amount of women living in slum areas are doing jobs. So Government should open institutes to train and educate women in these areas. This can lead in strengthen the economy.
11. It is responsibility of the city to ensure justice and equality in all its processes. The poor should be provided the same opportunities and facilities which the upper class has access to.
12. Steps should be taken by the government to turn the slums into legal settlements. The residents will be encouraged to invest in properties and this will generate more money for the government in the form of tax revenue.
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