

Urban Density and Labour Markets: Evaluating Slum Redevelopment in Addis Ababa

Gharad Bryan (London School of Economics)

Simon Franklin (Queen Mary University of London)

Girum Abebe (Ethiopian Development Research Institute)

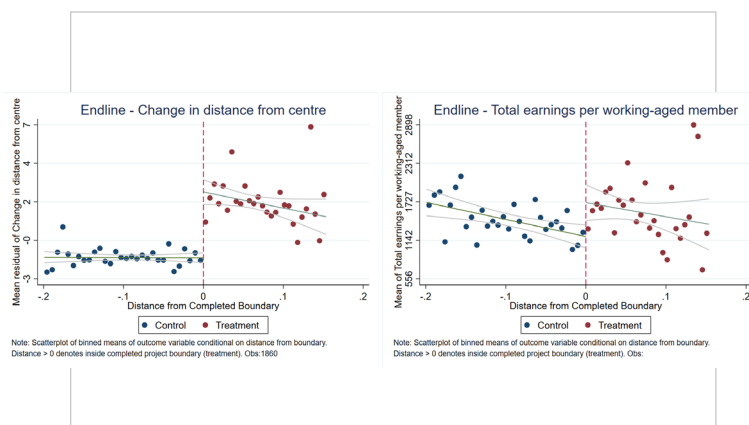


Addis Ababa eviction program improves labor market outcomes, but comes at the cost of social connection and public good access.

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Topic at a Glance

A future of sustainable development will rely on successful management of cities in the Global South. Urbanization is predicted to increase rapidly, and well-run cities can be a force for growth and a place to weather climate change, but poorly governed cities might become havens for crowding, congestion, crime and violence. A key policy challenge is informal housing. Informal housing often sits on misallocated land, increases the cost of public good provision and is at greater risk from climate change -- suggesting gains from rehousing. Among policy options, forced relocation programs continue to be popular. Yet, those living in informal housing are understandably reluctant to leave, and opponents cite the loss of social networks, decreased proximity to jobs and higher transport costs as strong negatives. Theory does little to reconcile these views. If housing markets work well then resettlement could be relatively costless. In contrast, if there are important externalities relocation costs could be very large. Despite the importance, we know little about the impact of forced eviction programs in the world's poorest cities. We partially fill this gap by studying the impact of a large scale forced resettlement program in Addis Ababa, using a spatial regression discontinuity approach.



Caption: Eviction Comes with Tradeoffs: Households Previously Living Just Inside Clearance Boundaries Now Live Much Further from The City Center; However, They Also Earn More

New Insights

Our results suggest that eviction comes with tradeoffs, even for those who are evicted. On one hand evicted households live further from the city center, pay higher rents, spend more on transport and report less access to public goods, and lower quality social networks. On the other hands, evicted households earn more, report living in better housing and having better neighbourhood amenity.

- Evictees move quite a distance, on average living 5 Km further from the centre of Addis Ababa.

- This change in location is accompanied by a 6.6 percentage point increase in the probability that a given householder is working, and an increase in earnings per capita of about 200 Birr per week from a base of about 950 Birr per week.

- If social networks are disrupted, this does not seem to translate into reduced work opportunity.

- Higher earnings translate one for one into higher expenditures which can be decomposed into a 30 birr increase in transportation costs per day, and about 190 birr increase in rent per month. Food and other categories of expenditure do not change significantly. In summary, forced displacement leads to movement away from the centre and an increase in earnings that is spent on rent and transport. Whether this increase in expenditure should be seen as a welfare gain depends on whether the housing quality justifies the additional expenditure.

- We see strong evidence of an increase in housing quality. Households have more rooms in their houses, are more likely to have a flush toilet, less likely to share a toilet, more likely to have a separate kitchen, and more likely to have piped water. An index combining these and other housing features increases by nearly 0.3 standard deviations, indicating that the median treated household overtakes about 12 percent of the control households with respect to this metric. Overall neighbourhood quality similarly improves. Household report being less likely to smell trash and sewerage, less likely

to see litter and less noise in their environment. Together, they report a 0.35 standard deviation increase in the quality of their neighbourhood

- We do, however, find evidence of negative impacts on other dimensions, we see a strong decrease in the quality of local public good provision in the outskirts of the city, which is where these households have relocated. Households report that they are far less likely to have street lights, have less public space, and less access to primary school or hospital. Overall, an index of public goods access decreases by about 0.32 standard deviations.

- Finally, we see important impacts on social networks. Many authors suggest that relocation can destroy social networks that bring either labor market or other advantages. The increase that we see in earnings suggests that there are no strong negative impacts on networked access to labor markets. We do, however, see negative impacts on social networks more generally. While households do not report a reduction in social cohesion, they report a 0.3 standard deviation reduction in an index measuring strength of their social network.

Policy Recommendations

Our results suggest that eviction need not be all bad for evictees. Households seem to be relatively economically robust to eviction, but social networks and public good access decreases. Improving access to public goods should be within the scope of government policy, but more work needs to be done to understand how policies can be better designed to preserve the quality of social networks.

Limitations

We are currently working to better understand how to aggregate the positive and negative effects to come to an overall evaluation of the welfare implications

We are not able to study other impacts of eviction, for example spillovers onto the neighbouring left behind populations, which may be positive or negative.

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