

I would like to conclude by first recognising the fact that in a country as vast as India, any new programme is bound to face executional difficulties. But rejecting it simply because of the difficulties in implementation is wrong. There is no doubt that the DCT scheme is based on sound ideology. Hence, the need of the hour is to bring in this scheme in a proper manner which includes all the poor.

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Rural-Urban Migration and Issues in Urbanization

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The sharp U-turn of the Indian growth story has been the focus of economists, leaders and policy makers from all over the world recently. The country finally seems to be coming out of the much talked about 'policy paralysis.' While the focus had been on broad macroeconomic indicators such as interest rates and inflation among others, there is a parallel need to critically examine issues that will determine the long term course of India's development. Through this article, I attempt to examine one such issue, that of migration of labour from rural areas to urban areas and the urban poverty that is linked with it.

India is urbanizing at a very fast pace and in just over two decades, the urban population of the country is expected to almost double. This means that there will be immense pressure on existing cities in the future and a spurt in the growth of unplanned satellite cities. Without effective management of the entire process of urbanization, it is unrealistic to expect sustainable and inclusive development of the country. In order to analyze these issues in urbanization, it is essential to start by describing the nature of rural-urban migration and its causes.

Rural-Urban Migration

The theory of rural-urban migration is based on the Harris-Todaro model. The basic cause of migration, as identified by this model, is the wage differential between the urban formal sector and the rural agricultural sector of an economy. We divide the economy in two sectors: a traditional rural sector and an urban sector. The total labour force is divided between these two sectors. Wages in the formal sector tend to be higher due to a variety of reasons. This sector is usually unionized, subject to collective bargaining, pension schemes, minimum wage laws, etc which translates into a better bargaining position for workers and hence leads to higher wages. It may also be the case that firms in the formal sector deliberately pay higher wages (efficiency wages) in order to induce greater effort by workers and lower turnover rates. On the other hand, the traditional rural sector has lower wages which fluctuate according to demand and supply conditions. Migration from the rural sector to the urban sector is viewed as a result of this wage gap.

The problem arises when the urban formal sector lacks the capacity to absorb all the workers that migrate from the rural sector. The wage differential between the two sectors leads to a pool of unemployed

people in the urban sector. These unemployed workers cannot move back to the agricultural sector because this would reduce the wages in the agricultural sector even further hence increasing the incentive to migrate. This leads to a proportion of the migrated workers to work in the informal sector, where jobs are easy to find but pay very less. This informal economy thrives as it keeps the labour costs in the formal economy relatively low.

Unregulated economic activity in the informal sector is often one of the major challenges of urbanization. The informal sector forms the bulk of the urban poor. This sector is often associated with the congestion, pollution and crime rates that are characteristic of big cities. Additionally, the haphazard growth of this sector due to migration puts pressure on the existing infrastructure and administration. More importantly, wages in the informal sector are depressed and access to a better standard of living (which, paradoxically, is the rationale behind migration) is limited due to supply side constraints. This translates into rising economic inequality and fragmented development. One doesn't need to go too far to validate this; the co existence of slums in close proximity with plush shopping complexes in Delhi serves as a perfectly accurate example of how severe the challenges of urbanization are.

The growing urban population calls for policy action at two distinct levels. While there is a need to expand the absorption capacity of the urban formal sector, there is also a simultaneous need to manage our cities better.

The paradox of urban job creation

The most obvious way in which the problem of a largely unregulated informal sector can be addressed is by trying to accelerate the

absorption of labour in the formal sector. This may be done either by incentivising businesses or by expanding the public sector. While this may lead to a temporary shrinkage of the informal sector, the expansion of the government sector will eventually lead to the rural-urban migration picking up again in response to new formal sector job opportunities. The initial 'soak-up effect' may be dominated by fresh migration in response to better job conditions in urban areas and paradoxically, the size of the informal sector may end up increasing once again (This phenomenon is known as the Todaro paradox). Physically restricting migration is unfeasible politically and ethically, however, this paradox can, in theory, be addressed by offering employers in the formal sector a subsidy for every unit of labour they hire. In this case, the employer pays the same wages, however, workers get a higher wage and with a rise in the subsidy, formal sector demand for labour also rises. The problem with policies of this kind is that employment figures are difficult to verify. It is costly to determine the right amount of subsidy as this would involve verifying the veracity of each employer's employment data.

Management of the Urbanization Process

Since it is difficult and often unethical to restrict the migration from rural to urban areas, the focus should be on effective management of the process of urbanization. Policies should be targeted at alleviating large sections of the urban population from the abysmal conditions that they live in and ensure that cities can sustain such large numbers. Additionally, the focus should also be on creating more urban centres and relieving the pressure on existing ones like Delhi, Mumbai and Bangalore.

- The capacity of existing cities continues to be dismal. The High

powered expert committee report on urban infrastructure has recommended that a municipal cadre of officers trained in town planning be made. According to this report,

- As large scale public investment is required for the urbanization process to go on smoothly, revenue generation will have to be from within the cities. Additionally, cities will have to be able to raise debt funds through the market.
- The attitude of citizens towards migrants, especially from economically weaker sections of the society, is a cause of worry. It is essential to include citizens in the planning process and make them aware of the long term benefits of planning policies.
- The efficiency and execution of the service delivery process in cities need to be improved. Further, initiatives need to be taken by citizens themselves to ensure better standards of services and service delivery.

Integrated and sustainable urban development is the need of the hour and India has a long way to go in terms of addressing these issues in uneven development across space and inequality of opportunities across different sections of the society.

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The Relevance of Cooperatives

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“Cooperatives are a reminder to the international community that it is possible to pursue both economic viability and social responsibility.” –Ban Ki Moon, UN Secretary General

The year 2012 has been recognized by the United Nations as the international year of cooperatives (IYC), highlighting the contribution of cooperatives to socio-economic development. With its slogan “Cooperative enterprises build a better world” the initiative seeks to encourage the growth of cooperative organizations. But what exactly is a cooperative and how have they suddenly become so crucial in the present world?

According to the statement of ICA on cooperative identity, a cooperative may be defined as an autonomous association of people who voluntarily cooperate for their mutual, social, cultural and economic benefit. ICA or the International Cooperative Alliance is an independent nongovernmental organization with 277 member organizations from 98 countries which unites, represents and serves cooperatives worldwide. Founded in 1985, ICA today serves to be the major connecting tool between cooperatives across the globe.

Also, as a part of its statement on cooperative identity, it lays down seven principles that define cooperatives:

- Voluntary and open membership: Cooperatives are voluntary organizations open to all people