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THE ROLE OF SMALL CITIES IN SHAPING YOUTH EMPLOYMENT OUTCOMES IN INDIA AND INDONESIA

Mukta Naik & Gregory Randolph



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A main street in the old port area, the *bunder*, in Mangalore (photo credit: Pranav Kuttaiah)



Executive Summary

Across the world, many emerging economies find themselves at a critical juncture known as the “demographic dividend” – where the ratio of working-age adults to children and the elderly is climbing towards a peak. If leveraged through the creation of productive work for youth, these favorable demographics can enable a major transition towards greater prosperity.

While much ink has been spilled on forecasting, measuring and realizing the demographic dividend, research has focused less on an essential aspect of this policy challenge: the “where” of the demographic dividend. Where are these young people seeking productive work? Where can their economic potential be fulfilled? Where do youth aspiring for economic mobility move in search of more opportunity?

This report argues that the demographic dividend actually lies in spaces that have been overlooked: a diverse collection of non-metropolitan urban places. Small towns, secondary and tertiary cities, ‘rurban’ settlements, and corridors of urban transformation – which this report collectively refers to with the shorthand “small cities” – lie on the front lines of the demographic dividend opportunity and challenge. The report explores the dynamics of small cities – the economic opportunities they contain, the

migration patterns they witness, and the urban governance challenges they confront – through an examination of two of the world’s largest emerging economies: India and Indonesia.

We argue that small cities are critical in realizing the demographic dividend for three reasons:

1. **A high share of non-farm employment already exists in small cities.** In India, about 1 in every 4 youth employed off the farm lives in a non-metropolitan urban area. In Indonesia the ratio is even higher: 38.5 percent of non-farm youth employment is in non-metropolitan urban settlements.ⁱ These places are also growing quickly. In Indonesia, 85 percent of future urban growth is predicted to occur in urban areas whose 2010 populations were less than 750,000 people. In India, while the population in million-plus cities grew by 6.7 percent between 2001-2011, census towns – those settlements that became urban from reclassification – grew by 6.4 percent as well.
2. **Small cities are critical in facilitating rural-urban migration.** In Indonesia, a young person (15-29) was more likely to leave than come to the urban core of a metropolitan area between 2010 and 2015. Even peri-urban areas surrounding metropolitan areas saw roughly even rates of in- and out-migration among

ⁱ For the purposes of this report, we define non-metropolitan urban in India as all settlements classified as urban with fewer than 1 million inhabitants. Non-metropolitan urban in Indonesia refers to urban settlements outside Indonesia’s 9 major metropolitan areas – as defined in a 2012 report prepared by the World Bank (Ellis, P. (2012). *The Rise of Metropolitan Regions: Towards Inclusive and Sustainable Regional Development in Indonesia*. Jakarta: World Bank. Retrieved from: <http://www.worldbank.org/en/news/feature/2012/08/13/towards-inclusive-and-sustainable-regional-development>).

youth. In contrast, small cities in Indonesia are swelling from rural-urban migration; on average, they witnessed a 3 percent growth of their youth populations over the 2010-15 time period due to migration alone. In India, 24.6 percent of migrant youth move to non-metropolitan cities as compared to only 12 percent into metropolitan cities, where migration rates are falling.

3. **Small towns are proliferating due to in situ rural-to-urban transformations.** Many rural youth live in settlements that are gradually becoming urban, thanks to demographic growth, densification and a transition toward non-farm economic activity. These new towns are an increasingly important part of the non-metropolitan urban landscape in India and Indonesia, and therefore critical sites for boosting the availability of productive work.

Given their increasing importance in the processes of economic development and structural transformation, this report examines small cities in India and Indonesia through four interrelated themes:

- **Labor market transition.** The large-scale transition from agricultural work to employment in industry and services – required to harness the demographic dividend – presents major policy challenges in small cities. Young people must acquire not only new technical skills but also new soft skills. Moreover, in addition to facilitating the transition from farm to non-farm work, policy frameworks must also forge employment pathways for young people so that they experience genuine and sustained economic mobility.
- **Mobility.** In addition to creating productive employment opportunities for young migrants, small cities face a broader set of challenges too with respect to high levels of mobility. Some of these are related to conventional urban planning issues: housing, water and sanitation, and transportation. Other challenges are more linked to the social, cultural and political negotiations that migration entails. How can new migrants to small cities be supported in their efforts to integrate – in the labor market but also socially – and find a sense of belonging?
- **Gender.** Given the chronic challenge of providing women equal access to the labor market in India and Indonesia, these issues ought to be seen from the perspective of women workers. How can the structural transformation occurring in non-metropolitan India and Indonesia enable women's economic empowerment? What sorts of policies and institutions can support women's efforts to negotiate or push beyond the limitations imposed by patriarchal labor markets?
- **Urban governance.** Given their rapid pace of growth and transformation, critical governance questions in small cities will include: What are the right administrative structures for governing spaces that are neither rural nor urban? How can local revenue be generated for critical investments in people and infrastructure in small urban settlements where nearly the entire economy is informal?

How can rural-urban linkages be harnessed to the benefit of both small towns and rural villages?

CASE CITY APPROACH

In addition to secondary data analysis, the research in this report relies on an in-depth case study approach, based on four cities across the two countries. The cities were selected with attention to national urbanization trends, geography, and labor market diversity in India and Indonesia. In each of these four locations, the research team conducted 500 surveys with working youth,ⁱⁱ carried out 10-15 focus group discussions and interviewed 20-30 local stakeholders from government, the private sector and civil society institutions.

- **Kishangarh, Rajasthan [INDIA]:** A city of almost 155,000 people located in Ajmer District of Rajasthan, Kishangarh is a significant marble processing and trading hub. The marble industry propels rural-urban migration to Kishangarh in addition to rural-urban commuting from the impoverished rural areas that surround it. The city is rapidly growing due to several infrastructure projects in recent years, including a new wholesale grains market, a railway freight corridor, and a new airport.
- **Mangalore, Karnataka [INDIA]:** A port city of almost 500,000 people in the southern Indian state of Karnataka on India's western coastline, Mangalore is the administrative and financial headquarters of the Dakshina Kannada district.

In geographic terms, the city serves as a node in established migrant networks that stretch from the southern state of Kerala to Goa and is one of India's most cosmopolitan small cities – linguistically and in terms of the mix of religious groups. Employment is concentrated in agro-processing, petrochemical manufacturing, and an emerging service sector.

- **Kupang, East Nusa Tenggara [INDONESIA]:** Kupang is an island of relative prosperity surrounded by one of Indonesia's least-developed regions, the province of East Nusa Tenggara (NTT) in the southeastern corner of the archipelago. The provincial capital has become a magnet of opportunity for youth migrants from rural areas in the province, and has grown rapidly due to state-driven growth and development following major decentralization reforms. With investments in education and infrastructure, young people in the province of NTT increasingly view Kupang as an urban destination offering social and economic mobility. However, its economy remains heavily dependent on state spending and consumption.
- **Semarang Regency, Central Java [INDONESIA]:** Of the four sites selected as case studies under this project, Semarang Regency is the only one that is not officially designated as a city. The regency is part of an area of Central Java that is characterized by high population density, a mixture of rural and urban economic activity, and a diversity of land uses – making it a classic example of a *desakota*

ⁱⁱ Owing to the smaller size of Kishangarh, only 400 surveys were conducted with working youth in the city.

region.ⁱⁱⁱ While the regency hosts about 1 million people living in a land area 35 percent larger than Singapore, its urban population is approximately 400,000 – organized mostly along a dense highway corridor. The rapid growth of labor-intensive manufacturing has driven urbanization and expansion over the last two decades.

KEY FINDINGS

This report emerges from three years of engagement with the topic of small city transformations in India and Indonesia. The research findings are presented under five thematic umbrellas – each pulling from both primary and secondary data and drawing heavily on grounded examples from the four case cities that were analyzed under the project.

THEME 1 – AT THE CUSP OF MULTIPLE MOBILITY PATHWAYS

Migration junctions

Small cities act as migration junctions in several different ways. A rural young person might migrate to a small city, acquire skills and further migrate to another location for employment, in the manner of ‘step-migration’. Or she might move to the small city for work and then return to her place of origin eventually. A small city might see young people leave for better opportunities elsewhere, perhaps in a metropolitan area, while another group of migrants come in to replace the labor deficit thus created. These multiple

mobilities, which intersect in small cities, shed light on the complex migration landscape in India and Indonesia.

A diversity of local, regional and national migration pathways

In terms of the area from which they attract youth migrants, our case cities show considerable variation. While the Indonesian case cities draw workers primarily from within the same province – and especially from neighboring cities and regencies – we find that the Indian case cities host internal migrants from both proximate and distant locations.

Small city mobility pathways reflect broader economic geographies

While the largest shares of India’s population live in its least developed states, the situation is reversed in Indonesia. These contrasting relationships between population concentration and economic development drive different migration pathways. Poorer states in north and east India have high volumes of out-migration, and migrants from these states are found in labor markets large and small throughout the country – including in small cities like Kishangarh and Mangalore. In contrast, the absolute number of out-migrants from Indonesia’s less developed states, in the eastern part of the country, is too few for these migrants to comprise a significant share of the urban labor force in small cities of Java, the country’s most industrialized and populous island.

ⁱⁱⁱ The term *desakota*, coined by Terry McGee, refers to areas with high population density, intensive agricultural use, developed transport networks, high population mobility, increasing activity outside the agricultural sector, and the coexistence of many different forms of land use.

Commuting and return migration

In all but one of our case cities (Kupang), we find that commuting is a common livelihood strategy for residents of rural areas in the vicinity of small cities. This is facilitated by improvements in transport infrastructure and by access to cheap credit for purchasing two-wheelers. Even in cases where migrants move to the small city, many retain strong linkages with their origin communities and imagine an eventual return. This is particularly the case where industrial employment has ballooned – such as in Kishangarh and Semarang Regency – since these jobs do not offer long-term economic opportunities.

THEME 2 – EMERGING SMALL CITY ECONOMIES: SPECIALIZED OR DIVERSE? RESILIENT OR VULNERABLE?

Specialized economies, diverse labor markets

Our case cities demonstrate the wide variety of employment opportunities available in small cities – even while their economies rely substantially on particular sectors, such as apparel manufacturing in Semarang Regency or marble processing in Kishangarh. For example, in Semarang Regency, the high volume of factory workers has created demand for many other goods and services. Clusters of informal economic activity emerge around large factories—with small enterprises offering housing (*kosts*), laundry services, fast food (*warung*), secure parking lots, and motorbike repair.

“Footloose” versus “sticky” sectors

Small cities tend to specialize in lower-value-added sectors, where the vast majority of workers have basic education and are expected to perform a limited range of routine tasks. Only 6.8 percent of our sample of youth in Kishangarh and 1.8 percent in Semarang Regency have a university degree. This could have significant consequences for specialized small-city economies. Tradable lower-value-added sectors are often “footloose” – in the sense of being able to operate in a wide range of locations – as compared to “sticky” sectors that depend on unique local conditions, such as a highly skilled workforce. Moreover, the routine-intensive nature of many low-value-added sectors leaves them vulnerable to automation. If they do not develop unique local advantages, small city economies may be threatened by these long-term structural challenges.

Local assets, local capital

These vulnerabilities may be reduced in cases where small cities develop economies on the basis of local assets and grow through infusions of both local and foreign capital. Despite issues with the quality of work in its marble processing industry, Kishangarh is a good example. Local investors from Rajasthan were largely responsible for the development of the marble processing hub, and local firms appear to have a long-term commitment to its continued development and expansion. There are early indications that the sector might outlive the finite supply of nearby marble: processing units in Kishangarh have begun importing raw marble from elsewhere in India and even abroad.

THEME 3 – ECONOMIC MOBILITY, CIRCUMSCRIBED: THE PARADOX OF SMALL CITY EMPLOYMENT LANDSCAPES

Moving one rung up the economic ladder

Small cities enable different forms of economic mobility. In most cases these are movements one rung up the economic ladder. The poorest of migrants, many coming from families that depend on subsistence agriculture, come to small cities in search of opportunities for wage work – or as many describe it, cash. Those who have basic education and come from households that are no longer facing severe poverty largely find in small cities an opportunity for regular work in formal firms that pay the established minimum wage, such as in Semarang Regency's apparel manufacturing cluster. Finally, a much smaller set of youth reach the Indian and Indonesian middle classes by working in small cities as skilled entrepreneurs or employees in professional or government services. Aside from these employment opportunities, small cities attract youth seeking educational opportunity. About one third of migrant survey respondents in Kupang cite education as their primary motivation to migrate.

Getting stuck: threats to economic mobility

Despite the opportunities for young people in small cities in the form of wage work, formal economy jobs, entrepreneurship and education, evidence from our case cities also suggests that these pathways are limited. One of the primary concerns among youth workers in small cities is the probability of winding up in “dead-end jobs” with few opportunities for advancement,

particularly in small cities whose economies are built around industry.

A related issue is the limited return on education in many small city labor markets. The industrial sectors in Kishangarh and Semarang Regency appear to have a “flattening” effect on the labor market, where factories absorb large volumes of young people with both low and medium levels of education and the wage distribution is narrow. In more diverse and service-oriented economies, like Kupang and Mangalore, the distribution of wages is much wider, but employment is highly concentrated in low-value-added, low-paying service sector jobs. Unlike metropolitan economies, which host large numbers of professional class jobs, small city economies struggle to offer quality jobs for university graduates. In Kupang, youth with higher levels of education experience a slower pace of income growth.

Finally, many young people must face precarious working conditions in order to climb their “one rung” of economic mobility. In Kishangarh, less than 2 percent of the workers in our survey have a written contract, and 37.3 percent work an average of 10 or more hours per day. Over half the factors workers surveyed in Semarang Regency reported workplace hazards, with 46.6 percent of these having experienced a physical injury or health issue on the job. These issues of precariousness differ across cities. In more informal labor markets, daily wage laborers face the issue of unpredictable work cycles; many respondents in such situations reported skipping meals on days when they were not able to find work.

THEME 4 – THE SMALL CITY AS A SITE OF NEGOTIATED OPPORTUNITIES FOR WOMEN

Feminization of work and migration

Women's work in small cities reflects broader trends in the feminization of labor, especially in export-oriented industries. For women migrants, the opportunity the small city represents is interwoven with a sense of responsibility towards family. In Indonesia, this manifests in the 'factory daughter' trend found in Semarang Regency or similar experiences of women 'being sent' to live with relatives to work in Kupang. In India, the phenomenon of 'marriage migration' – brides relocating to their marital home after marriage – brings women workers to urban labor markets where, statistically, they are more likely to work than their non-migrant counterparts.

Beyond the sphere of "women's work"

In the case cities, women's employment predominantly falls in the category of "women's work" – tasks that align with what society considers "natural" for women to do. These roles include work in the garments sector in Semarang Regency, where "nimble fingers" are a prerequisite, care work in nursing in Mangalore, and cleaning, home-based crafts and tailoring work in Kishangarh. However, the growth of the services sector has created new work opportunities for young women in less gendered occupations like retail in Kupang and information technology in Mangalore. This trend indicates that small cities hold some potential for enabling young women to break out of conventional labor market roles.

Barriers and levers for women in small city labor markets

While more men work in insecure jobs than women in small cities, women face specific forms of precariousness owing to patriarchal social structures. It is not uncommon for women employees in Kupang to be provided food and lodging by employers who also place restrictions on their mobility and expect them to work long hours without additional compensation. In Mangalore, female domestic workers reported limited financial autonomy within the home, and labor practices like performance-based remuneration in the female-dominated garments cluster in Semarang Regency reduce women's earning potential and increase work hours. Additionally, in the case cities, women tend to be concentrated in the kinds of routine-intensive jobs that are both "dead-end" and vulnerable to automation.

Migrant women face a triple burden. For example, beyond navigating the experience of migration, the women who power industries in Semarang Regency face repetitive work with limited options for skill development while also shouldering substantial responsibilities to family in terms of both care work and remittances. In Kishangarh, women "marriage migrants" have to negotiate restrictions on mobility and severe stigma against women's work. Small cities therefore offer opportunities to migrant women at significant costs.

A lack of start-up capital restricts options for women in entrepreneurship. In the absence of career pathways, many women end up in unpaid

family work or low-productivity micro-enterprises once they become pregnant or age out of industrial work. Skill development opportunities and capital are unavailable for middle-aged women who are seeking to re-enter the workforce after having taken a break to raise their children.

Despite the challenges faced by women in employment, some supportive institutions and practices make it easier for women in small cities to manage precarious jobs or navigate patriarchal structures. In Semarang Regency, migrant women rely on a system of boarding houses, locally known as *kosts*, which offer accommodation that is decent, safe, affordable, and in most cases proximate to their place of work. In Mangalore, a robust, efficient and safe bus system makes commuting easier for women. Access to the formal banking system, group savings and credit schemes, and, to a lesser extent, unions are some other mechanisms that working women leverage in small cities.

Carving out space: women's relationship with the small city

In small cities, young women negotiate and strategize around marriage in order to improve their prospects for work. These strategies may involve delaying marriage by staying in education for a longer period of time, or opting to work within family enterprises or in home-based work. Some women also negotiate with their families to marry into more progressive households in more desirable locations. Because they have comparatively limited exposure, young women have to assert themselves and take risks in order

to find work opportunities and establish an independent professional identity.

THEME 5 – PLANNING THE SMALL CITY

Agency a pre-condition for capacity

Both India and Indonesia have embarked on ambitious decentralization programs, but with different aims and different effects. While both decentralization processes began in the 1990s, a key difference is that Indian states retained importance as the tier of government that receives and disburses central government grants and loans. In Indonesia, meanwhile, cities (*kotas*) and regencies (*kabupatens*) – the third tier of government – receive large fiscal transfers directly from the center. As a result, Indonesian urban areas – especially *kotas* – have much more control over their affairs than do Indian cities.

Local governments in Indonesia have been given several key governance functions – including health, education, public works, infrastructure, services, environment, transport, agriculture, manufacturing, industry and trade, land, labor and capital investment. While the central government remains a key player, local governments have significant authority over expenditure. In India, by contrast, the constitutional promises made to localities – authority over land use, urban planning, economic and development planning, among others – have not been fulfilled.

Planning within a multi-level governance framework

Despite the different models of decentralization, both Indian and Indonesian local governments often find themselves reacting to large-scale, top-

down infrastructure investments by the central government. For example, recent infrastructure projects including industrial parks, a new rail freight corridor, a private sector logistics park and a new airport have positioned Kishangarh to become a transportation and logistics hub, but the municipality was not involved in planning these projects nor does it have the capacity to estimate the impact of these new developments on land prices, housing demand or demographics. These top-down processes appear efficient, but are vulnerable to the influence of powerful factions among local and regional elites.

Issues of planning across different jurisdictions tend to emerge in this context. For example, in Central Java, Semarang Regency finds itself competing with neighboring regencies for the same pool of investors, a scenario encouraged by a provincial government that benefits from the taxation of enterprises. Within regencies (*kabupatens*), the ‘rurban’ nature of settlements complicates planning efforts, as local governments struggle to balance the needs of rural and urban development.

The struggle with envisioning economic futures

While local economic planning is more robust in Indonesia than in India, local governments in both countries struggle to develop sustainable, inclusive economic development strategies. Interventions are generally limited to the guidelines of central government schemes, stymying innovative localized approaches to targeted skills development or scaling up of small enterprises – as examples. Top-down governance

with low levels of coordination between tiers of government and among government departments also leads to fragmentation in programs related to jobs – with each intervention too small and siloed to have a real impact on the local labor market.

POLICY DIRECTIONS FOR SMALL CITIES

Building future-oriented economies

1. Develop targeted, locally relevant programs to facilitate labor market transitions, skill development and economic mobility.

Current education and skill development policies in both countries largely focus on getting youth into jobs, without the foresight of envisioning career pathways for them. Training programs and labor market information systems in small cities must be designed to support workers at different stages in their employment journeys. In doing so, the unique position of small cities as migration junctions can also be harnessed to provide different forms of skills development for different populations. If different kinds of workers and migrants are transiting through these spaces – whether on their way in or out – they may be strategic locations for governments to concentrate their workforce development efforts.

2. Refine entrepreneurship strategies to focus on building a local private sector.

One of the “quick fix” employment strategies utilized in both India and Indonesia is entrepreneurship programs that do little more than create micro-enterprises of single self-employed workers.

The right kind of entrepreneurship strategy would focus on the vital goal of expanding and formalizing a locally rooted private sector, through supporting viable enterprises that have the potential to grow and create productive jobs on a meaningful scale.

3. **Harness the potential of rural-urban linkages through collaborative governance.**

Many small cities have a unique economic advantage when it comes to their intimate connections with the rural regions in which they are embedded. These rural-urban linkages are already strong, but much of their potential remains unrealized. A higher degree of coordination among and within local governments is necessary to reap the gains that could come from building mutually beneficial economic relationships between small cities and their rural surroundings.

4. **Pursue economic niches that are “sticky,” adaptable and upgradable.** To generate productive employment and scope for upward mobility in their local labor markets, small cities will need to develop economic niches that are viable in non-metropolitan locations and then root those industries in local economic interactions through forward and backward linkages. Moreover, in building an economic development strategy for the long run, small cities ought to build on their assets rather than seeking outside investment at any cost.

5. **Combine top-down investment with strong community-level leadership.** While large-scale, top-down investment can be a boon for small cities, its transformative potential could

be greater if combined with a stronger culture of participatory planning and locally driven economic development. Local leadership can help ensure that major infrastructure projects are carried out with an appropriate and genuine form of local consultation. Moreover, by cultivating leadership in local bureaucracy, the private sector and civil society, small cities can ensure that diverse communities of producers are positioned to benefit from new investments.

Managing migration and mobilities

1. **Practice inclusive land regulation and urban design.** Small cities have a chance to reshape land markets and recognize multiple forms of land and housing tenure beyond the formal-informal binary. Small cities should adopt context-specific regulation that conserves traditional and mixed-use neighborhoods – thereby protecting traditional occupations and small business that are especially important for women’s work, which is likely to be in home-based occupations or family-owned businesses.

2. **Improve services to attract and retain migrants.** Extending services to informal settlements where many migrants live can create livable, affordable neighborhoods for migrant populations in small cities. In doing so, local governments must choose the most context-appropriate technology – avoiding attempts to replicate costly metropolitan-style infrastructure – and leverage the investment potential of local households. Investments in services must go beyond waste management,

water and sanitation – for example, enhancing connectivity with rural areas from which migrants commute, and boosting quality of life through initiatives around transport, education, healthcare, childcare, and public spaces.

3. **Develop robust rental housing markets with appropriate forms of rental housing for young workers.** In order to continue acting as accessible migration destinations, small cities' first housing priority must be to develop robust rental markets. Local governments should articulate clear rental housing policies, which build on traditional – and often informal – practices that are strongly entrenched in both countries and all four case cities. Usually operated by local residents and not capitalist investors, these small-city rental markets are themselves forms of livelihood as well.
4. **Embrace diversity to foster innovation.** Small cities must evolve local policy frameworks for embracing migrants and, through awareness campaigns, signal an acceptance of diverse cultures, languages, traditions and ways of life. This would not only help to retain migrant labor, but also encourage new forms of enterprise that emerge from collaborations between migrants and residents. In this way, small cities can also position themselves strategically against the exclusionary impulses of major metropolitan areas.

Increasing women's workforce participation and economic mobility

1. **Adopt a life-cycle approach to women's work.** To retain young women in the

labor force, policies must hold employers accountable for ensuring equal opportunity hiring, women's safety and compliance with sexual harassment regulations. Childcare services are also essential in this regard. Moreover, as entrepreneurship often enables women to stay active in the labor market as they age and start families, policy frameworks must also focus on affordable credit for women entrepreneurs through formal institutions like banks and microcredit institutions. In this, the experience of self-help groups in India can be scaled up, with a greater emphasis on enterprise support. To help women succeed as entrepreneurs, governments must also offer gender-sensitive training in soft skills, enterprise management and accounting.

2. **Practice gender-inclusive urban design and governance.** Through a focus on urban design and neighborhood improvement, small cities can invite women to participate in the labor market. Mixed-use neighborhoods that promote walking and street-level activity are safer overall. Conserving and enhancing such neighborhoods with good infrastructure like quality sidewalks, lighting, street furniture and seating can contribute to making women feel safer going out alone – expanding their opportunities to work beyond daylight hours, while also increasing street interactions that give them access to social networks and labor market information. Moreover, incentives for entrepreneurs to set up hostels for young women would go a long way in enhancing young women's ability to migrate independently for higher education, skill development and work.

Introduction

The term “emerging economy” represents an enormously diverse group of countries, whose social, cultural and economic systems are wide-ranging. One of the key attributes that distinguishes emerging economies is that they find themselves at a critical juncture in their trajectory of social and economic development. This juncture is defined by the “demographic dividend” – a privileged moment in the course of a country’s history where the ratio of working-age adults to children and the elderly reaches a peak, enabling a major economic transition.

“Demographic dividend” has become such a ubiquitous buzzword of governments, consulting firms and multilateral institutions that some of its conceptual importance has eroded from overuse. Yet it is difficult to overestimate the importance of this youth “bulge.” The promise of a demographic dividend can provide the impetus and financing for critical investments in health, education and social safety nets. Moreover, it was during this critical period that many of today’s advanced economies were able to lift the majority of their populations out of poverty into the middle class. If harnessed, the low dependency ratios that emerging economies now enjoy can be a boon not only for economic growth but also for human development more broadly defined.

Many countries in South and Southeast Asia find themselves at precisely this juncture. The countries on which this report focuses – India and Indonesia – are among the most consequential

case studies; as the world’s second and fourth largest countries, they together comprise over 1.6 billion people. Both countries have made significant strides in recent decades in pulling people out from the grip of extreme poverty. In India, between 2001 and 2011, the percentage of people living in poverty (living on less than \$2 per day adjusted for PPP, or purchasing power parity) fell from 35.4 percent to 19.8 percent. Over the same period in Indonesia, the figure fell even more dramatically – from 48.8 percent to 18.1 percent. However, contrary to popular imagination, the middle classes of both countries have grown at a much slower pace. In India, the middle, upper-middle and upper classes – measured as those earning more than \$10 per day (PPP) – made up only 3.3 percent of the population in 2011; in Indonesia the figure stood at 6 percent. Most of those who have made their way out of poverty are still living precariously close to it – earning between \$2 and \$10 per day (PPP)¹ While often thought of as an emerging middle class, these low-income families are in reality just one medical emergency or economic shock away from falling below the poverty line again. For India and Indonesia, the opportunity in the demographic dividend is, therefore, the genuine and large-scale expansion of the middle class.

While much ink has been spilled on forecasting, measuring and realizing the demographic dividend, research has been less focused on an essential aspect of this policy challenge: the

“where” of the demographic dividend. After all, the demographic transition – and its accompanying positive and negative social and economic changes – must be seen not only in the arc of time but also through the prism of space. Where are these young people seeking productive work? Where can their economic potential be fulfilled? Where do youth aspiring for economic mobility move in search of more opportunity? The “where” of the demographic dividend involves complex geographic questions related to migration and urbanization, which should inform any policy aimed at maximizing the demographic dividend.

While much ink has been spilled on forecasting, measuring and realizing the demographic dividend, research has been less focused on an essential aspect of this policy challenge: the “where” of the demographic dividend.

Our argument is that – despite the pervasive policy dialogue on the demographic dividend in countries like India and Indonesia – this major development opportunity actually lies in spaces that have been overlooked: a diverse collection of non-metropolitan urban places. Small towns, secondary and tertiary cities, ‘rurban’ settlements, and corridors of urban transformation – which in this paper we collectively refer to with the shorthand “small cities” – lie on the front lines of the demographic dividend opportunity and challenge. These urban and urbanizing spaces are

diverse in character but share the fate of neglect in policy and academic debates. They are places that Denis and Zerah might call “subaltern” urban geographies² and that Robinson might consider “off the map.”³

THE DEMOGRAPHIC DIVIDEND LIES BEYOND THE METROPOLIS

What do we mean by the front lines of the demographic dividend? First of all, a high share of youth working in non-farm occupations live in these non-metropolitan urban settlements: In India, about 23.9 percentⁱ and in Indonesia 38.5 percent.ⁱⁱ In other words, many of the young people powering the structural transformation process – transitioning out of agriculture and into industry and services sectors – live in urban areas beyond the metropolis. Their journey in finding productive employment is unfolding in neither rural villages nor major metropolitan areas – a binary that is over-emphasized in policy debates on economic development.

What is more surprising is the fact that these places are actually absorbing the major share of youth migrants who are on the move in search of economic and educational opportunities. As Bell and Jayne observe, small cities are sometimes depicted as “bit-part players, ‘not [yet] cities’ or would-be cities,”⁴ But empirical realities of smaller and secondary cities in today’s India and Indonesia tell a very different story. First of all, many have witnessed faster economic growth

ⁱ Metropolitan area is not a census term in India, but million-plus cities are separately recognised in the census. For the purposes of this report, we understand non-metropolitan urban as referring to all settlements classified as urban with fewer than 1 million inhabitants.

ⁱⁱ Indonesia’s nine major metropolitan areas are defined in a 2012 report prepared by the World Bank (Ellis, P. (2012). The Rise of Metropolitan Regions: Towards Inclusive and Sustainable Regional Development in Indonesia. Jakarta: World Bank. Retrieved from: <http://www.worldbank.org/en/news/feature/2012/08/13/towards-inclusive-and-sustainable-regional-development>). They are defined as the urban core and peripheral suburbs that surround the following cities: Balikpapan/Samarinda, Bandung, Denpasar, Jakarta, Makassar, Manado, Medan, Semarang, and Surabaya.

than large cities in recent years. For example, small cities in India averaged local GDP growth rates of 7.5 percent per year between 1999 and 2006.⁵ In Indonesia, medium-sized cities of 500,000 to 1 million people have proved most effective in recent decades at harnessing the benefits of agglomeration economies.⁶

As a result, many non-metropolitan cities are becoming important destinations for rural-urban migrants. In Indonesia, urban cores of major cities are losing more young people through migration than they are gaining, and even the peri-urban areas around cities like Jakarta, Surabaya and Medan have roughly equal rates of in- and out-migration of youth. In contrast, small cities in Indonesia witnessed 3 percent growth of their youth populations through migration alone in the 2010-2015 period (see **Figure 1**). In India, where rural-rural migration is significant, 24.6 percent of

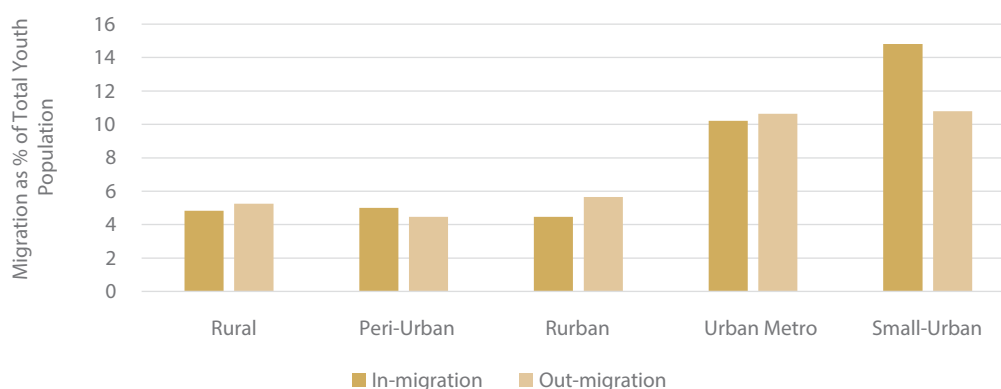
migrant youth move to non-metropolitan cities as compared to only 12 percent into metropolitan cities, where migration rates are falling.

What's more, many rural youth live in villages that are soon to become small towns.

An important driver of non-metropolitan urban growth in these two countries is the process of *in situ* urbanization. Mukhopadhyay and colleagues have described this as urbanization led by “the morphing of places” as opposed to “the moving of people.”⁷ Spatial and demographic data suggest that rural settlements are becoming urban not through in-migration but through a gradual process involving natural population growth, densification, and transitions to non-farm work.ⁱⁱⁱ This process is well documented in India^{8,9} but is also occurring to some extent in erstwhile rural parts of Java and Bali – the most

Figure 1

In-Migration and Out-Migration (%) of Youth in Indonesia (2010-2015)



Source: SUPAS, 2015

ⁱⁱⁱ These three criteria – population size, population density, and labor market structure – are generally understood to determine whether a settlement is urban. In India, these are the three criteria used by the central government to define ‘urban,’ while Indonesia uses a more complex scoring system based on urban characteristics, including facilities and infrastructure.

densely populated of Indonesia's major islands. These islands are witnessing an expansion of the *desakota* settlement pattern that McGee identified almost 30 years ago in the periphery of Jakarta – characterized by high population density, a mixture of land uses, and both rural and urban activities.¹⁰ In such urbanizing settlements, structural transformation is therefore happening inter-generationally and *in situ*, with the children of farmers taking up non-farm work within the same settlement and therefore “making” it urban.

Given these intersecting trends, the importance of small cities for the labor markets and urban systems of India and Indonesia appears to be growing. The share of non-farm youth workers living and working in non-metropolitan urban areas is poised to grow further due to population growth and rural-urban migration to smaller secondary and tertiary cities, as well as *in situ* urbanization.

SPACES OF INTERACTION AND INTERSECTION

To enhance the demographic dividend, the spatial focus of policy must consider not only where the working-age population lives, but also the spaces with which these populations interact. Two points must be made in this regard. First of all, small towns and cities in both these countries (and around the world) tend to have high levels of interaction with rural geographies. The young people who live in villages in India and Indonesia are more likely to interact on a regular basis with a proximate small town than they are with a major metropolis. Nearby small towns function as centers of temporary employment for households

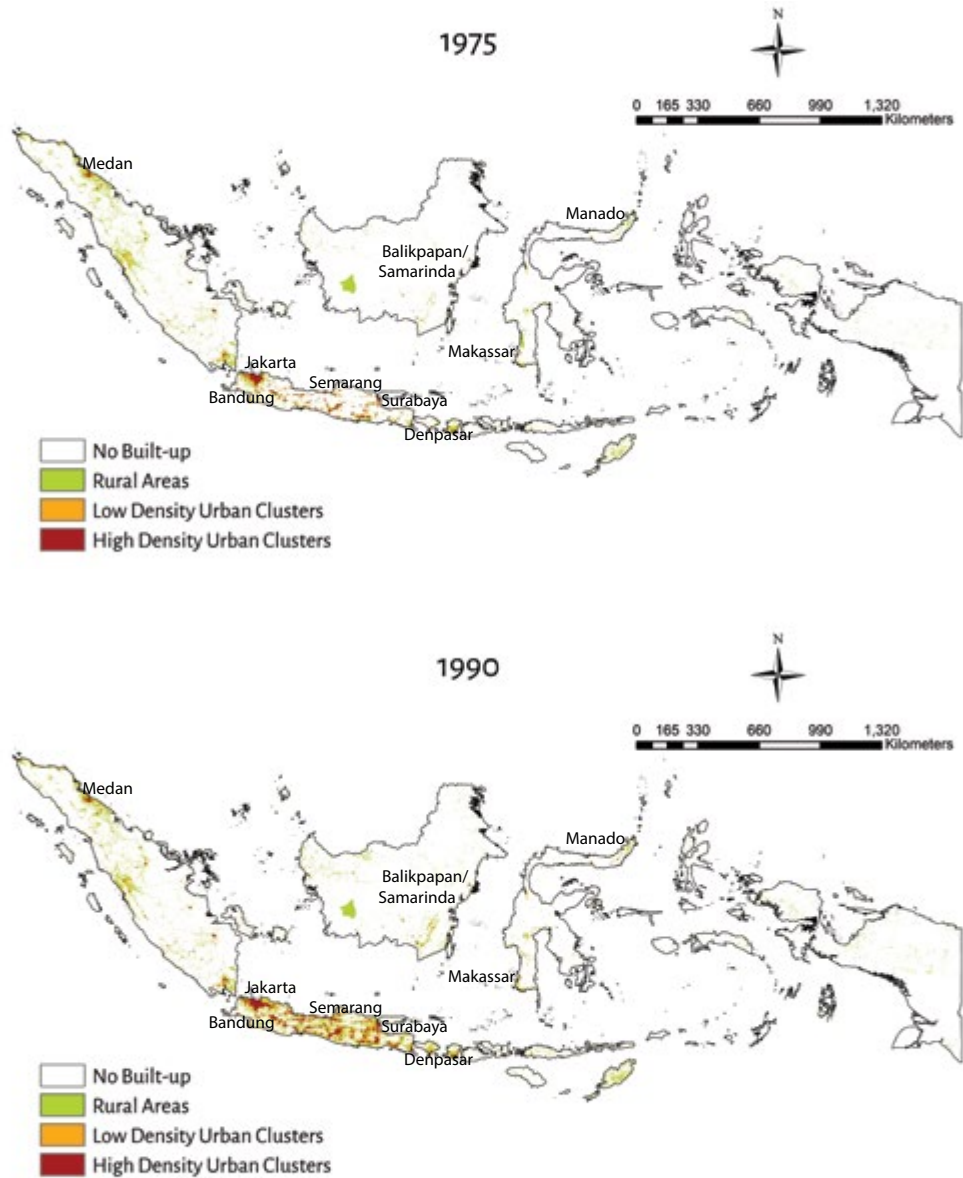
seeking to diversify their income sources; they act as market centers for agricultural produce; and they typically provide services like secondary education and healthcare to rural dwellers.^{11,12}

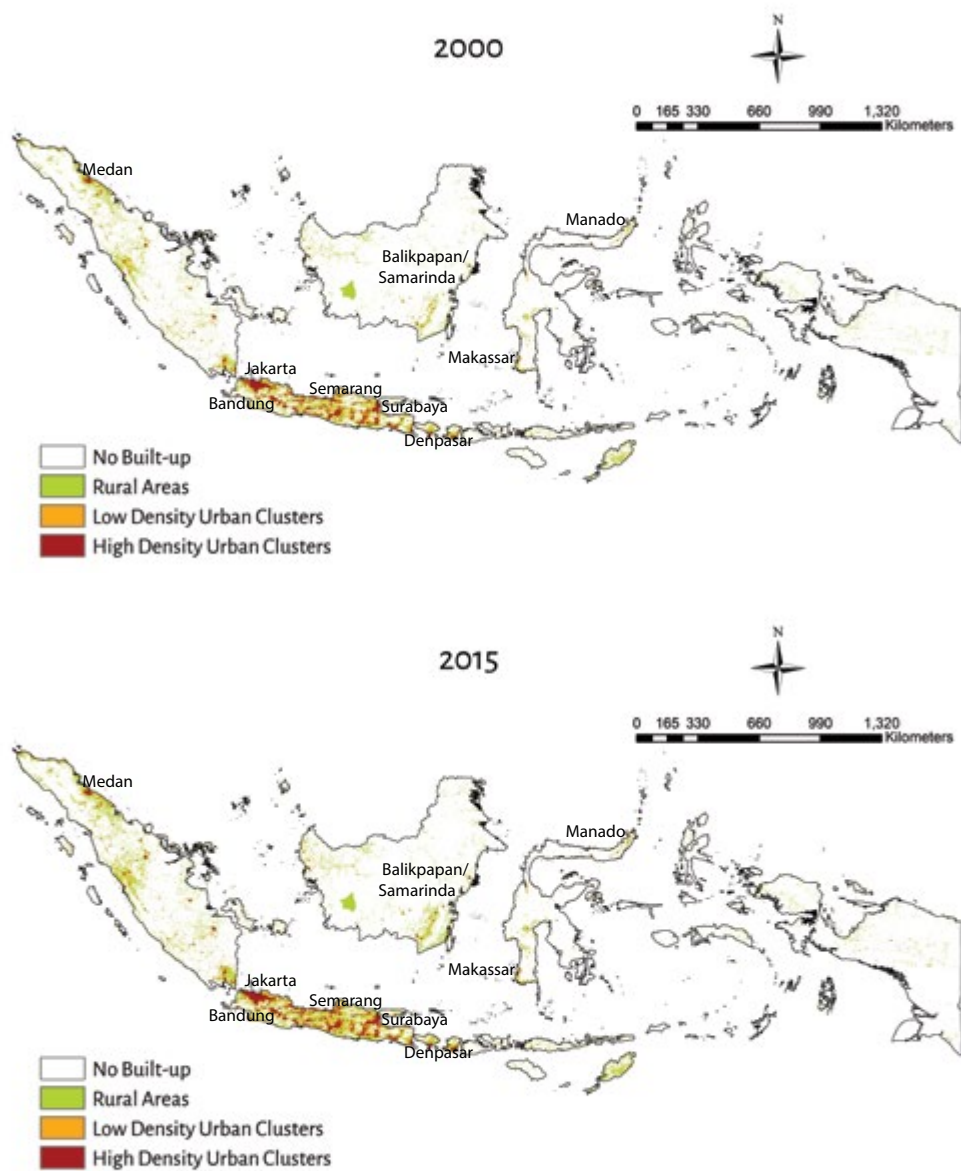
Scholars have also shown that small cities can be vital in reducing poverty through migration, as they are more likely to lie within the ‘action space’ for rural youth – i.e. the range of destinations and livelihoods that are perceived as feasible.¹³ Further, recent research has shown that small towns, secondary cities and smaller capitals of peripheral provinces in India and Indonesia are not just receiving rural migrants but acting as ‘migration junctions’ – functioning simultaneously as origins, destinations and way-stations for internal migrants and therefore facilitating their search for economic mobility.¹⁴ For these reasons among others, Denis and Zerah argue that small cities “need to be studied as sites of urbanity, economic activities and social transformations and for their place in urbanization, rural-urban linkages and the global economy.”¹⁵

While Bell and Jayne point out that expanding the study of small cities is important to generating a “full picture of urban form and function,”¹⁶ our claim is that the scant attention paid to small cities is not merely an issue of incomplete academic inquiry. It is an important missed opportunity to promote human and economic development. With so many rural dwellers and migrants – especially youth – interacting with small cities, they could serve as strategic points of intervention for policies aimed at enhancing the productive capacities of India's and Indonesia's working-age populations, for example, through

Figure 2a

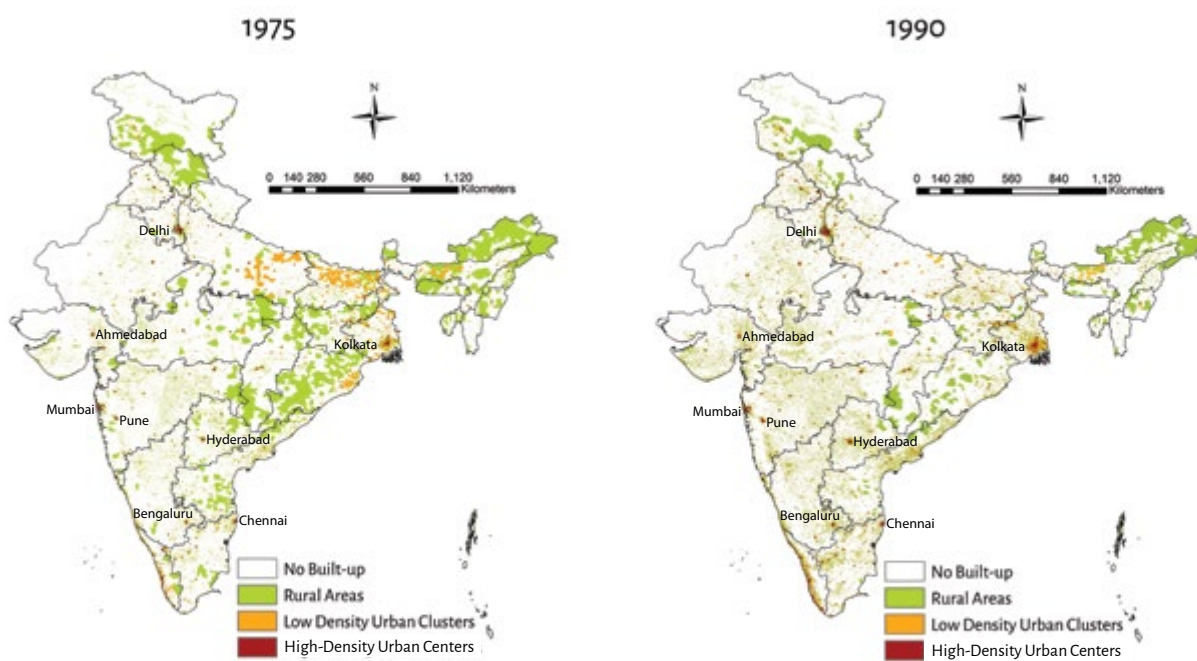
Urbanization Trends in Indonesia

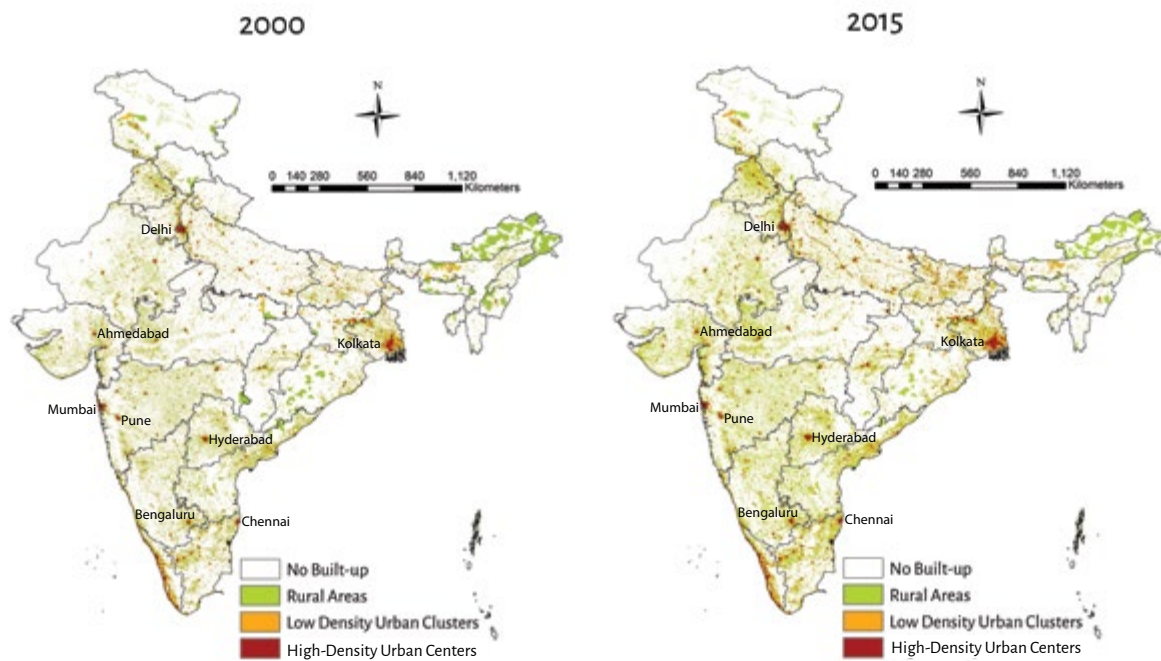




Source: Global Human Settlement Layers, European Commission

Figure 2b
Urbanization Trends in India





Source: Global Human Settlement Layers, European Commission

effective skill development or social protection policies implemented in such places.

STUDYING SMALL CITIES: LABOR MARKET TRANSITIONS, MIGRATION, URBAN GOVERNANCE, AND GENDER

Given the trends described above, we see small cities as being on the front lines of not only the demographic dividend, but many of the most critical development challenges in India and Indonesia. The ways in which national, regional and local policy frameworks enable proactive governance to manage and shape these challenges will influence the development pathways of India and Indonesia in profound ways. In the context of this report and the research on which it is based, our focus is on four intersecting concerns: labor market transitions, migration, urban governance, and gender.

The massive **labor market transition** required to harness the demographic dividend will require major policy challenges in small cities. For young people to transition from agricultural work to employment in industry and services, they must acquire not only new technical skills but also new soft skills; this transition is social and cultural as well as economic. Labor market institutions and skill development policies must be sensitive to this reality. Moreover, these policies and institutions must not only smooth the transition from farm to non-farm work; they must also forge employment pathways for young people so that they experience genuine and sustained economic mobility.

With so much migration to (and from) small cities, governance challenges with respect to

mobility abound. Beyond creating productive employment opportunities, small cities will face other challenges too with respect to migration, which must not be overlooked. Some of these are related to conventional urban planning issues: housing, water and sanitation, and transportation. Other challenges are more linked to the social, cultural and political negotiations that migration entails. How can new migrants to small cities be supported in their efforts to integrate – in the labor market but also socially – and find a sense of belonging?

Particularly for India and Indonesia, countries that struggle in deep, systemic ways with women's marginalization, these policy challenges must be viewed through the lens of **gender**. How will the transitions unfolding in small cities affect men and women differently? To what extent will the structural transformation occurring in non-metropolitan India and Indonesia enable women's economic empowerment? Will women simply confront new, reconstituted forms of patriarchy and marginalization in small cities—and if so, what sorts of institutions will support their efforts to negotiate or push beyond those limitations?

Given their rapid pace of growth and transformation, it is within small cities that many of the greatest policy challenges around **urban governance** will be confronted. In Indonesia, 85 percent of future urban growth is predicted to occur in urban areas whose 2010 populations were less than 750,000 people; defined thus, small and medium cities in Indonesia are projected to add 23.8 million people between

2010 and 2025.¹⁷ In India, the importance of non-metropolitan centres to urbanization cannot be underestimated. Between 2001-2011, the population in million-plus cities grew by 6.7 percent, census towns – those settlements that became from reclassification – grew by 6.4 percent as well. Critical governance questions will include: What are the right administrative structures for governing spaces that are neither rural nor urban? How can local revenue be generated for critical investments in people and infrastructure in small urban settlements where nearly the entire economy is informal? How can rural-urban linkages be harnessed to the benefit of both small towns and rural villages? Urban planners, policymakers, the private sector and civil society groups will be forced to grapple with these and many other urban governance questions in the decades to come.

Moreover, this diverse range of places we call “small cities” defy any easy categorization and assume many forms, including small towns, diffuse agglomerations of urbanizing villages, and extended ‘rurban’ corridors, among others. They also defy easy administrative classification. Both India’s and Indonesia’s current administrative structures present challenges for effective multi-scalar governance. Addressing all of these major policy challenges will therefore require responsive, innovative and flexible governance based on a multi-scalar approach, with effective policy translation and implementation across national, regional and local levels of government.

UNDERSTANDING CURRENT SMALL CITY REALITIES AND IMAGINING POSSIBLE FUTURES

Researchers and policymakers usually engage with the issues identified above – employment, migration, gender, and urban governance – through examinations of mega-cities like Delhi, Mumbai and Jakarta, while occasionally turning their attention to so-called tier-2 cities like Medan and Surabaya in Indonesia or Pune and Ahmedabad in India. Building on the empirical work on small cities that we have cited above, in this report we turn our focus to the ground realities of what’s happening in smaller urban geographies, given the critical role that these places are playing in addressing the development challenges and opportunities inherent in the major 21st-century transitions in India and Indonesia.

In order to be meaningful and productive, our research project required much tighter boundaries as compared to the breadth and scale of the trends reported above. **Section 2** details our research approach, which focused on three questions, broadly aligned with themes of work, migration, and urban governance.

- Who is coming to small cities in India and Indonesia? What kinds of migrants are attracted to these places and why?
- What kinds of labor market opportunities are small cities creating?
- How do young people relate to small cities? What challenges and opportunities do they

face in terms of living conditions, access to services, and social integration?

For each of these questions, our focus was on youth – given the importance of young people in the ongoing demographic transition and the fact that youth experiences and decisions often foreshadow the future. We examined gender as a cross-cutting theme – analyzing at every step the differences between women’s and men’s experiences.

Needless to say, these questions are only a small slice of the research that is required to build a complex, multilayered understanding of the realities of small cities in contemporary India and Indonesia. Our hope is that in addressing these more specific questions, we help to build on the existing research on small cities in a way that is meaningful for policymaking institutions.

Rather than acting as a comprehensive account of the data we collected and analyzed over the nearly 3-year project, this report attempts to distill key themes that have emerged from our empirical exercises: secondary data analysis, a survey of 1,900 working youth across four cities in India and Indonesia, focus group discussions with young people and extensive qualitative interviews with government, civil society institutions, employers and other local stakeholders.

In distilling these themes, our attempt has been to paint a complex picture of non-metropolitan urban areas as they exist today. In addition, we have attempted to think through the threats and opportunities small cities face – and how development processes in these places might unfold over the coming decades. Therefore, the themes presented here are also forward-looking, and in many ways they raise additional questions for future research.

The report is organized as follows:

[Section 2](#) explains our research approach, why we chose to compare India and Indonesia, and the kinds of secondary and primary data we mobilized in our work.

[Section 3](#) introduces the four case cities where we spent the majority of our research energies.

[Section 4](#) presents the themes that have emerged from our research, which relate to the key concerns of the project – migration, labor and economy, gender, and urban governance.

In [Section 5](#), we synthesize these themes by presenting the potential and challenges that we foresee in small cities in India and Indonesia.

Finally, in [Section 6](#), we offer policy recommendations for national, regional and local governments charged with governing small cities.

Endnotes

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Research Approach

The work presented in this report is the result of nearly three years of research examining small cities in India and Indonesia conducted jointly by the Centre for Policy Research and JustJobs Network between 2016 and 2018. In this section, we explain the approach and methods that guided this research.

THE INDIA-INDONESIA COMPARISON

At the outset, the research team saw great potential in a comparative project analyzing India and Indonesia side by side. In our view, policy institutions in both countries have sought best practices or policy lessons in countries that are poor comparators. India frequently compares itself with China – other than population size, there are few dimensions on which India and China are well matched – or with advanced economies like the United States or United Kingdom. In Indonesia, comparisons to Singapore are commonplace, despite its much smaller size.

India and Indonesia are in many ways well suited for comparison.¹⁸ Both countries have large populations and tremendous social, cultural, and linguistic diversity. Both governments adopt ambitious social welfare programs – owing partly to a “non-aligned” socialist past – but struggle to implement them over vast and complex geographies. In both countries, the government has embraced the neoliberal 21st century as an opportunity for jumpstarting growth and reducing poverty, and yet both

countries are wary of building economies that are overly dependent on outside investment. Both struggle to empower women while navigating the patriarchal norms of traditional religious and cultural institutions. Both are complicated and sometimes disorderly democracies. And both countries have made ambitious attempts at decentralization – with India yielding significant power to state governments and rural *panchayats* while Indonesia has invested authority in its third-tier of sub-provincial government – *kotas* (cities) and *kabupatens* (regencies).

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Despite these striking similarities, India and Indonesia have rarely been compared – and most of the comparative work that does exist comes from academic rather than policy-oriented institutions.¹⁹ Of course, we do not seek to overestimate the similarities or collapse the differences, which themselves are numerous. Even while both are among the largest countries in the world, India has approximately five times

the number of people as Indonesia. Indonesia is made up of over 17,000 islands, whereas nearly all of India's population is contained within a single land mass. India has been a democracy since its independence in 1947, while Indonesia only became a democracy after the fall of Suharto in 1998. These differences no doubt shape the trends we observe around labor, migration and urbanization. Nevertheless, we contend that comparison in the context of these two countries can be fruitful – especially given the important juncture in human and economic development at which they both find themselves, as described in the introduction.

METHODS

The research team adopted a mixed-methods approach. The initial exercise we undertook was to utilize existing secondary data to develop a deeper understanding of non-metropolitan urban settlements and their place in the economic development of India and Indonesia. We relied on census data in both countries, but supplemented the census with several other country-specific data sources. In India, we used the National Sample Survey (NSS) and the Economic Census. In Indonesia, we used PODES (containing information on local service provision), SAKERNAS (Indonesia's national labor force survey), SUSENAS (a detailed annual sample survey), and SUPAS (the inter-census survey, conducted at the mid-way point between national censuses).

We confronted different kinds of secondary data limitations in the two countries. Relevant data on Indonesian cities and regencies is published on

hundreds of local government websites in the form of *Dalam Angka* ("By the Numbers") reports, which are extensive but not standardized across locations or years, constraining the potential for consistent, cross-locality comparisons over time. On the other hand, the central government compiles large volumes of more reliable and more consistent data, but this data is only available at very high cost to third parties (including Indonesian research organizations). Our project resources allowed us to purchase 2015 data across a range of indicators, while we used a sample of census data available through Integrated Public Use Microdata Series (IPUMS) to observe trends over time. On the other hand, Indian data is freely available, but its depth and quality – particularly on issues of migration – is lacking. Moreover, important migration data from the 2011 Indian census has yet to be released by the government – limiting much of our analysis to 2001 data. For migration, this means tracking people's movements between 1991 and 2001 – i.e. nearly two to three decades ago. Given rapid growth and development in India, migration patterns are highly dynamic, and they may have changed in important ways over this time period.

Nonetheless, secondary data not only played an important role in understanding the landscape of small cities through the lenses of labor, migration, gender and urban governance; it also informed our process of case city selection. Our aim was to select cities that would speak to the key concern of the project: how small cities are shaping economic opportunity for youth in India and Indonesia.

We developed a list of potential case cities on the basis of the following criteria:

- Non-metropolitan – i.e. urban population of less than 1 million people
- High levels of in-migration among working youth, especially rural youth
- High levels of economic growth
- Important economic relationships between the city and surrounding rural areas
- Scope for studying women's labor market experiences

Beyond these criteria, we sought to choose cities that would exemplify important emerging migration and urbanization patterns related to non-metropolitan geographies. In Indonesia, analysis of secondary data and interviews with experts helped us determine that two important and relevant trends were unfolding in the country: 1) the growth of provincial capital cities outside of Java, driven in large part by major government investments in developing peripheral regions of the country; and (2) the rapid urbanization and industrialization of regencies in Central Java, especially those proximate to secondary urban centers and new infrastructure investments. We interpreted the latter as the extension of the *desakota* settlement pattern deeper into erstwhile rural regions of Java. We chose our first case in Indonesia – Kupang, East Nusa Tenggara

– as an illustration of the former trend, while Semarang Regency in Central Java was selected as an example of the latter trend.

In India, we identified two different trends in the urbanization of smaller towns and cities. First, based on secondary data and a qualitative understanding of places that meet the above criteria, we noted that many small cities host industrial economies – often powered by small and medium-sized firms and home-based enterprises. Meanwhile, a different class of smaller cities is seeking to break into the services-oriented growth that has characterized India's broader development story. Kishangarh, a marble processing hub in Rajasthan, was chosen to represent the former, while we selected Mangalore, a relatively prosperous city in the south Indian state of Karnataka, as an example of the latter trend.

We strove for geographic and economic diversity across our cities; in Indonesia, this meant choosing one site within Java (where about 60 percent of Indonesians live) and one site beyond Java. We selected one city in north India and one in south India, given the different histories and cultures that shape the two regions. Another important consideration in case city selection was identifying a strong local institution that could support data collection efforts, contribute important local knowledge to the research process, and ensure that research findings reached local stakeholders, including government.

In each case city, we engaged in three different forms of primary data collection:

A survey with approximately 500 working youth in each city^{iv} (ages 15-29), stratified according to migrant status,^v gender^{vi} and age.^{vii} We utilized a settlement-based strategy to select the sample – developing a typology of sub-districts/neighborhoods specific to each city, randomly selecting a representative group of sub-districts/neighborhoods from across the typology, and then sourcing respondents from within the selected sub-districts/neighborhoods. Our sourcing strategy depended on the city but can broadly be described as purposive, working through local informants and aimed at targeting working young people and maintaining the stratification described above.

Focus group discussions with working youth.

In each city, qualitative researchers conducted approximately 12-15 focus group discussions, with each discussion involving a group of youth with similar characteristics – based primarily on

age, gender and type of work (employee or self-employed).

Key informant interviews with government, civil society, employers and other relevant stakeholders. In each city, we conducted approximately 20-25 semi-structured qualitative interviews with a diverse group of stakeholders to understand their impressions of and their role in shaping key trends around labor, migration and urbanization.

Data was collected in collaboration with local partners in all four case cities: in Kupang, a local civil society organization, Perkumpulan Pikul; in Semarang Regency, a unit of the urban planning department at Universitas Diponegoro; in Kishangarh, a local non-profit organization, Manthan Sanstha Kothri; and in Mangalore, a citizens' group, The Citizens Forum for Mangalore Development. These partners provided not only technical and logistical support in data collection but intellectual partnership in analyzing the data and thinking through the specific opportunities and challenges represented in our case cities.

^{iv} In Kishangarh, we surveyed 397 respondents owing to the smaller size of the city.

^v We defined an individual as a migrant if he or she moved to the city at the age of 15 or older (signifying an independent decision) and a non-migrant if he or she was born in the city or moved as a child. We aimed to survey a sample of approximately half migrants and half non-migrants.

^{vi} In Indonesia, we built a sample that mirrored women's share of the workforce in our respective case cities. In India, we oversampled for women given their low labor force participation.

^{vii} We broke our sample into three age groups – 15-19, 20-24, and 25-29. Broadly, we stratified the sample according to each group's representation in the youth workforce.

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Introduction to Case Cities

KISHANGARH, RAJASTHAN [INDIA]

Geography

Kishangarh is a city with a population of 154,886 located in Rajasthan's Ajmer district, only 26 km northwest of Ajmer city, the district capital and 100 kms southwest of state capital Jaipur. The smallest of our four case cities, the city was founded in 1611 and is the birthplace of the Bani Thani style of miniature painting. Kishangarh developed steadily with the coming of the railway in 1868 and the cotton industry in 1915. The Ajmer-Jaipur bypass further sped up growth of the city and paved the way for a wholesale market (*mandi*) and warehouses for the sale of agricultural produce from the region. With the advent of the Rajasthan State Industrial Development and Investment Corporation (RIICO) industrial zone in the 1980s, the city became a marble processing and trading hub - and is known as the Marble City even today.

Economy and labor market

Though it has a traditional arts industry, Kishangarh has been an industrial city since the 1960s, with a focus on textiles and subsequently power looms, as well as some small-scale industry related to mineral processing and iron works. Currently, marble and granite processing dominates its economic profile, but the city also serves important functions as a market town, a transport hub, and an administrative center. It

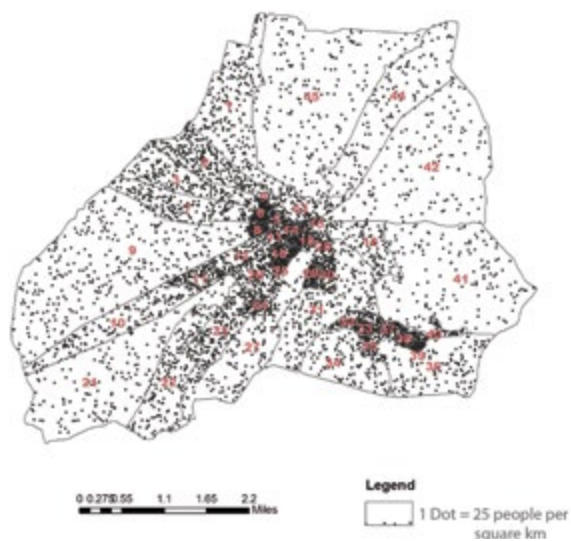
is also becoming a center for education of rural youth from the surrounding sub-districts.

The employment rate in Kishangarh has risen in the recent past, especially in the last inter-census period. While in 1991 and 2001, 27.2 percent and 29 percent of the city's working-age population respectively were employed, in 2011 this figure went up to 49.7 percent, owing to the expansion of the marble processing industry. However, among those women of working age, only 17.3 percent are in the workforce. Sectorally, 36.6 percent of Kishangarh's workers were working in manufacturing and repair in 2001, whereas 20.5 percent were in wholesale and retail trade and 13.8 percent worked in services. In 2001, 24 percent of Kishangarh's workforce were migrant workers, over half of them migrating from within the district, and only 8.5 percent from another state.

Kishangarh's Master Plan 2031 lists industry, trade and commerce, and administration as the key sectors of employment in the city, and also recognizes employment in retail and small-scale service provision, the wholesale agriculture market (*mandi*), transport, vehicle repair and roadside restaurants and hotels. Our survey indicates that next to marble processing, transport, food and hospitality are significant sectors of employment in the city; however, youth in these sectors get lower wages than those in industrial work. The city has a small elite class

Figure 3a

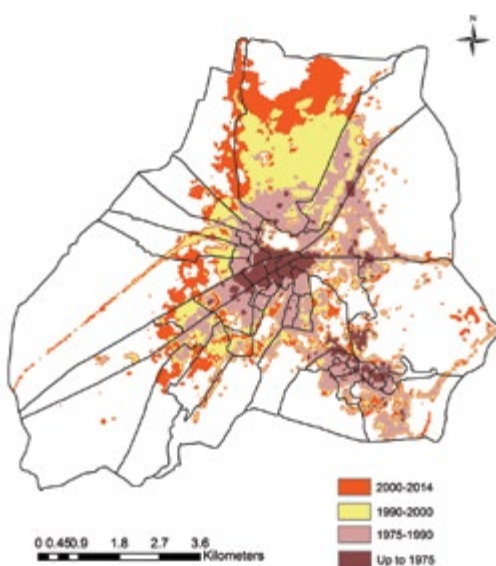
Kishangarh Population Density Map



Source: Census of India

Figure 3b

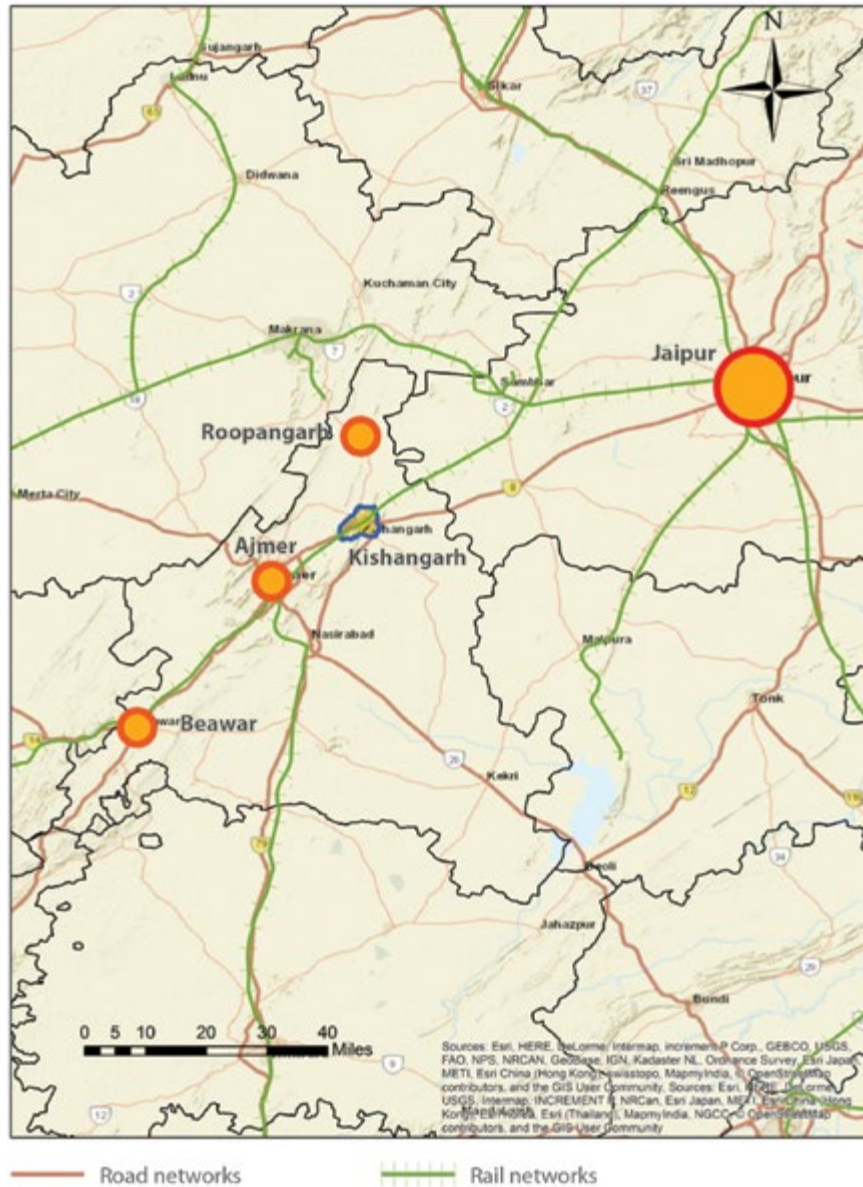
Growth in Kishangarh's Built-up Area



Source: Global Human Settlement Layers, European Commission

Figure 3c

Kishnagarh: Context and Network of Urban Settlements



Source: Census of India

of industrialists and business owners, while the majority of the population is working class, with low wage levels. Labor relations are managed through patronage and workers, even in industry, are not self-organized.

Caste and religion are strongly linked to occupation in Kishangarh – in entrepreneurship and in traditional forms of employment – for example, sanitation, broom-making, and drum-making; and caste-based networks are conduits to jobs and business capital. As per the 2011 census, about 83 percent of the city's population belong to the general castes and 16 percent are Scheduled Castes – a catch-all for historically marginalized caste groups. In terms of religion, the city is predominantly Hindu (79.4 percent), with prominent Muslim (14.8 percent) and Jain (5.5 percent) populations as well.

As it has grown, Kishangarh has incorporated numerous surrounding villages—in 2011, 25 villages were brought into municipal limits—and it continues to have a close relationship with surrounding rural areas, in terms of the movements of goods, people and resources. Kishangarh is a destination for many people from neighboring areas and villages to study and work, with many commuting in daily.

Kishangarh's growth is strongly linked with another smaller marble hub, Roopangarh, to its north, as well as with the district headquarters Ajmer, an administrative center. However, while the economy in Ajmer and nearby Pushkar remains limited to tourism, Kishangarh is rapidly emerging as a regional economic hub that offers

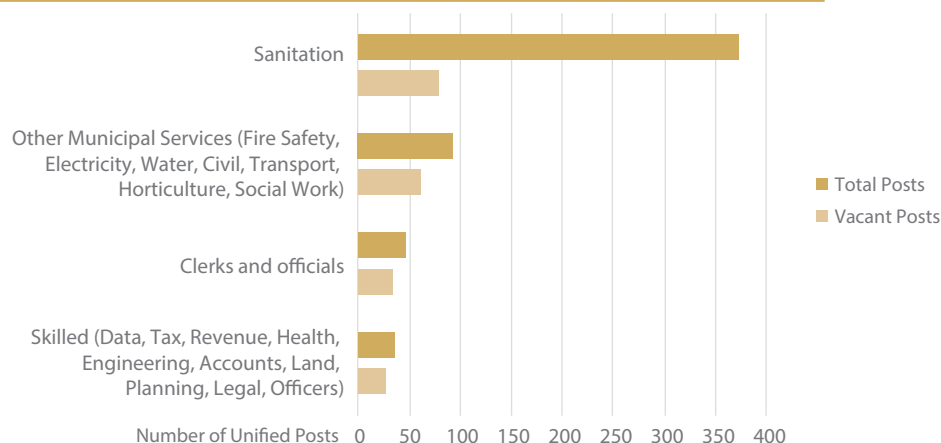
opportunities for regular wage employment in industry. With improved transport networks, Kishangarh is now increasingly linked with transformations in the state capital, Jaipur. Recently, the city has seen several new infrastructure projects, including a *mandi*, bus stand, railway station, airport, and a dedicated freight corridor that connects to key ports and centres of production, resulting in speculative real estate development (see **Figure 3b**) and expectedly, a boost for commerce in the city.

Governance

Kishangarh has a functional municipal council, also called the Nagar Parishad, which is a form of local self-government for smaller cities in India. A Chief Municipal Officer is the executive head of the Nagar Parishad, and is advised by the Council Member who represents the voices of the elected councillors. The Nagar Parishad chiefly attends to sanitation and sewerage. Since Kishangarh does not have a Development Authority, a parastatal form that generally manages planning and land use, the Nagar Parishad issues building and land use change permits in the city. However, the Master Plan is prepared by a state-level authority, the Town Planning Department of Rajasthan. Of its budget of approximately INR 2.6 billion (US\$ 36.6 million) for 2018-19, the lion's share comes from central and state governments, with only minimal amounts raised through local taxes, rents and fees. As such, the Nagar Parishad is also fiscally, and in part operationally, responsible for the implementation of central and state government schemes.

Figure 4

Kishangarh – Nagar Parishad Staffing Showing Types of Positions Unfilled



Source: Kishangarh Nagar Parishad

Like most municipal governments in India, Kishangarh Nagar Parishad is understaffed and disempowered. (see **Figure 4**) Because Kishangarh is also the headquarters of the sub-district, a Sub-Divisional Magistrate (SDM) with the powers of a civil court is also posted in the city. The position wields considerable influence in matters of law and order. A number of powerful central and state government institutions also operate in the city: RILCO, the Indian Railways, which manages the Dedicated Freight Corridor project, as well as the Airports Authority of India. Additionally, private players like the powerful Kishangarh Marble Association, which represents the interests of the industry, are also politically powerful in the city.

In terms of services, Kishangarh does very poorly in sanitation — with most of the city lacking piped sewerage. About 20 percent of the city's populations lives in slums, which are poorly

served with no tenure security. Housing in the city is segregated along lines of caste and economic class; however, in our survey, the majority of residents reported living in houses of decent quality built of permanent building materials.

MANGALORE, KARNATAKA [INDIA]

Geography

Mangalore, home to almost 500,000 people as per the 2011 census, is a port city in the southern Indian state of Karnataka on India's western coastline. It is the administrative and financial headquarters of the Dakshina Kannada district. In geographic terms, the city serves as a node in established migrant networks that stretch from Kasargod in Kerala to Udupi in the northern half of Karnataka's coast, and for some networks even up to Goa. This 'strip urbanism' – with *desakota*-style development running along the coastline

– is made possible by road networks (particularly National Highway 17), the Konkan Railways and also sea transport. Particularly, Mangalore's location as a port town located along two major rivers, the Gurupura and the Netravati, ensured that it developed as a convenient market, with access to a prosperous inland agriculture sector.

Mangalore is one of the most cosmopolitan small cities in India, linguistically as well in terms of the mix of religious groups. It is also a geographic, cultural and economic crossroads between Malayalam, Kannada and Konkani cultures. With Human Development Index (HDI) indicators comparable to those in the adjoining state of Kerala – the census estimates a literacy rate of 93.7 percent for the city – Dakshin Kannada has been for centuries been one of India's most developed regions.

Economy and labor market

Mangalore was established as a trading city after the arrival of the Portuguese in 1498 and continues to be an important commercial hub for agro-based industries and processing units. Post-independence and particularly with the formation of the Karnataka state, Mangalore's prosperity generated interest in industrial growth and the New Mangalore Port (NMP) was opened in 1975, which brought in raw materials for the state-owned Mangalore Chemicals and Fertilizers, set up in 1976. In subsequent years the Kudremukh Iron Ore Company Limited (KIOCL) would set up factory in 1980 - and ultimately in 1996 the city became home to the Mangalore Refineries and Petrochemicals Limited (MRPL) and the Baden

Aniline and Soda Factory (BASF) on the Netravati river.

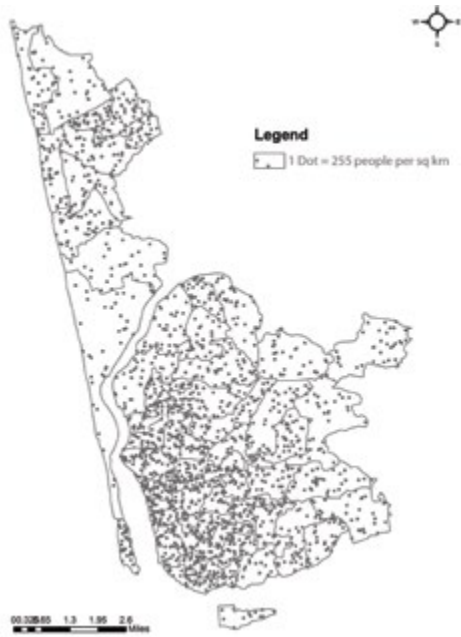
In the time period between 1972 and 1999, the broader region's built-up area grew by 146 percent – at three times the rate of the city's population – indicating an overall increase in land being used for a variety of developmental purposes. The industrial areas of the city include Baikampady, Yeyyadi and Panambur - with industries of various scales being divided between them. Of these, the micro, small and medium enterprises (MSME), concentrated in the first two, account for a large number of jobs. For example, the food and agro-processing industry, with a fixed capital investment of INR 2.81 billion (US\$ 39.9 million), accounts for nearly 25,000 jobs, and the readymade garments industry with an investment of INR 1.42 billion (US\$ 20.1 million) employs 14,000. By comparison, the large petrochemical factories and refineries are far less job-intensive – creating between 300 and 1,500 jobs for investments ranging from INR 3.5 to 20 billion.

In addition to these sectors, Mangalore also exhibits two emerging trends: one, it hosts a large and emerging real estate sector, tied to the economic prosperity of a number of out-migrants who wish to re-invest in homes there. The city has also, in recent times, seen a large number of its high-skilled and educated youth returning to Mangalore to set up small businesses in IT, beauty industries, restaurants and a range of other services.

About 56.7 percent of Mangalore's working-age population is employed, and 31.1 percent of

Figure 5a

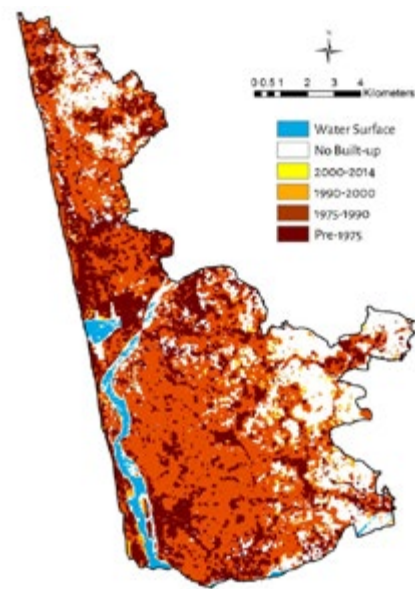
Mangalore Population Density Map



Source: Census of India

Figure 5b

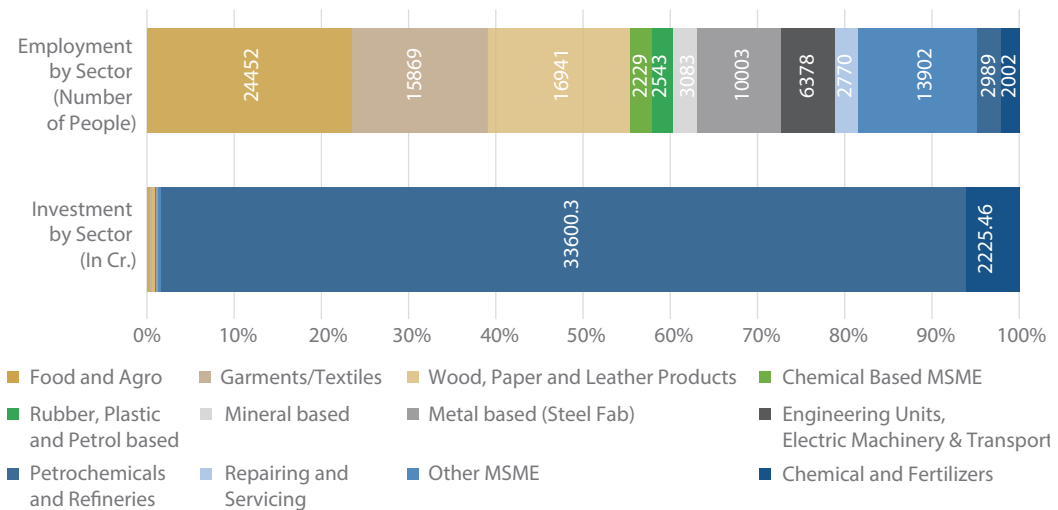
Mangalore Built-up Area Since Mid 20th Century



Source: Global Human Settlement Layers, European Commission

Figure 5c

Mangalore Industrial Investment and Employment



Source: District Industries Centre, Mangalore

Figure 5d

Mangalore: Context and Network of Urban Settlements



Source: Census of India

those employed are women, as per the Census 2011. In 2001, the city had 28.7 percent of its workers employed in manufacturing and repair, 15.9 percent in wholesale and retail trade, and 17.4 percent in services. In 2001, 32.9 percent of the migrants in the city worked in manufacturing and repairs, 10 percent in trade and 18.3 percent in services. The 2001 census recorded that a significant percentage of migrants, 21.7 percent, came to Mangalore from other states.

Mangalore's highly networked agrarian export economy has fostered close networks with a number of nearby towns, creating a regionally co-dependent economic system. Notwithstanding the robust commuter networks within the urban agglomeration of Mangalore, home to 623,000 people, increased road connectivity and improved access to the labor market through education have made possible entrenched commuter networks from places further away. The Mangalore International Airport provides direct flights to Oman, Kuwait, Bahrain, Dubai, Abu Dhabi and the UAE, to serve the numerous migrants who leave Mangalore to work in the Middle East. The region is also well-connected to the state capital, the global IT metropolis of Bangalore.

Governance

Mangalore has had some form of urban municipal governance since 1866 and is currently governed by the Mangalore City Corporation under the Karnataka Municipalities Act of 1964. The city is divided into 60 wards, with elected corporators to oversee municipal functions, as well as a state-

appointed commissioner from the Karnataka Administrative Services. The city corporation's budget for 2018-19 is projected to be Rs 9.62 billion (US\$ 0.14 bn), less than that of 2017-18 by 16.5 percent, indicating no significant new investments are on the anvil for the year.

The Mangalore Urban Development Authority is responsible for land-use planning and land development. Like other Indian cities, the municipality has limited powers, and the district commissioner is the default decision maker, also serving as the chairman of the development authority.

The Karnataka Urban Infrastructure Development and Finance Corporation, a parastatal technical agency, houses a project that is highly relevant to Mangalore and Dakshina Kannada – the Karnataka Urban Development and Coastal Environmental Management Project, which was established to facilitate infrastructure development in Karnataka's coastal cities. Owing to this project, for which the money was loaned by the Asian Development Bank (ADB), the city has a very high level of services, with even its densest parts being highly serviced and prosperous. As visible in **Figure 6a**, the city has extensive coverage of treated drinking water as well as in-house latrines, but with some patterns of spatial inequality. The ADB has also recently approved a US\$ 75 million plan to improve urban water resource management in Karnataka through modernization and expansion of urban water supply and sanitation infrastructure and institutions, a project for which Mangalore has been selected.

Mangalore's In-house Sanitation Facility



Mangalore Vehicle Ownership



Table 1

Key Indicators Across Case Cities, 2016

Indicator	Kupang	Semarang Regency	Kishangarh	Mangalore
Population	40,228, Year 2016	961,016, Year 2016	154,886, Year 2011	499,487, Year 2011
Main Economic Sectors	Services and Trade	Manufacturing	Manufacturing	Services and Trade
Human Development Index	78, Year 2017	73.2, Year 2017	N/A	N/A
GDP per capita	12,986, Year 2016	2,971, Year 2016	N/A	N/A

Source: Badan Pusat Statistik, Census of India 2011

KUPANG, EAST NUSA TENGGARA [INDONESIA]

Geography

Kupang is an island of relative prosperity surrounded by one of Indonesia's least-developed regions, the province of East Nusa Tenggara (NTT) in the southeastern corner of the archipelago. With human development levels roughly on par with those of the national capital of Jakarta, the provincial capital Kota Kupang has become a magnet of opportunity for youth migrants from rural areas in the province.

During the 17-19th centuries, Kupang functioned as a small port and military outpost for colonial governments, first the Portuguese and later the Dutch.^{20,21,22} Until the mid-20th century and into the post-independence era, it remained a city that shipped and administered activities related to resource extraction.²³ It was named the provincial capital of NTT in 1958, but did not see immediate benefit from this as industrialization

and economic development during the Suharto era (1967-1998) remained concentrated in Java.

Since the beginning of the *Reformasi* era in Indonesia following the fall of Suharto, and the introduction of major decentralization reforms, Kupang has grown much faster. In the 21st century particularly, it has seen major state-driven growth and development, as the central government steps up its commitment to “develop Indonesia from the peripheries” – the words of current president Joko “Jokowi” Widodo. With these investments in education and infrastructure, young people in the province of NTT increasingly view Kupang as an urban destination offering social and economic mobility.

Economy and Labor Market

Despite rapid GDP growth in recent years, Kupang remains a consumption-driven economy with no particular niche in the Indonesian economy. Between 2010 and 2016, state spending averaged 22.2 percent of GDP,²⁴ more than double the

Table 2

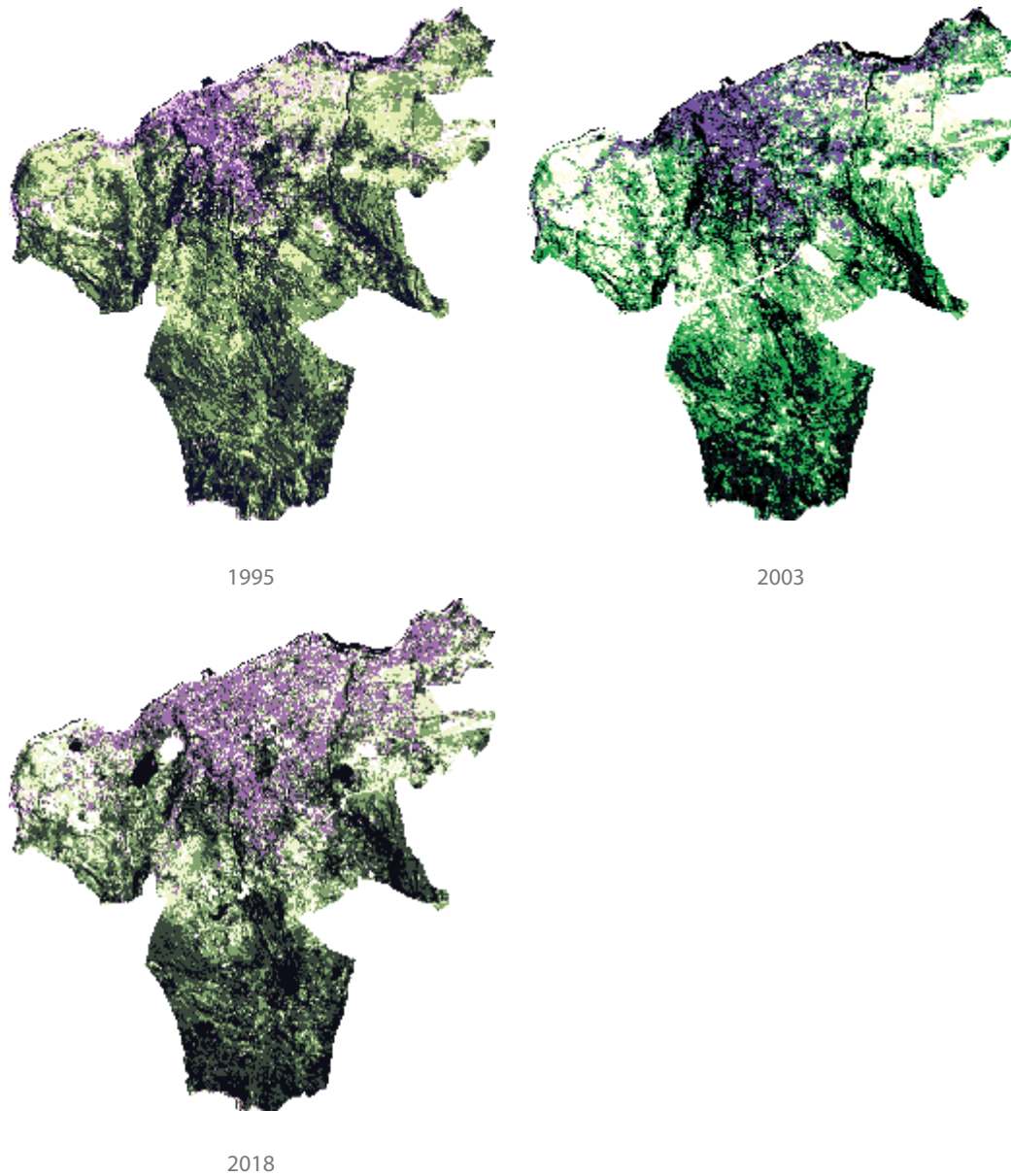
City of Kupang in Context of East Nusa Tenggara

Kota / Kabupaten	Open Unemployment Rate	Life Expectancy	Average Years of Schooling	Per capita income (Thousand Rupiah)	HDI	Poverty Rate	Economic Growth Rate
East Nusa Tenggara (Province)	3.3	66.1	7.2	7350.0	63.7	21.9	5.0
East Sumba	2.9	64.1	6.7	9093.0	64.2	31.0	5.1
West Sumba	3.8	66.2	6.5	6997.0	62.3	29.3	5.0
Alor	1.9	60.5	7.8	6553.0	59.6	21.7	4.9
Flores Timur	5.5	64.5	7.1	7442.0	62.9	10.8	5.2
Rote Ndao	2.5	63.4	7.0	6320.0	60.5	28.8	5.5
Malacca	1.1	64.3	6.3	5726.0	58.9	16.5	5.1
Kupang	3.5	63.5	7.1	7301.0	62.8	22.9	5.1
Kota Kupang	12.5	68.6	11.5	13028.0	78.3	9.8	6.8
Manggarai	4.1	65.8	7.0	7056.0	62.2	21.9	5.1
Sabu Raijua	2.8	59.0	6.0	5120.0	55.2	31.1	5.1
Belu	2.5	63.4	7.1	7251.0	61.4	16.0	5.8
Timor Tengah Selatan	1.7	65.7	6.4	6676.0	61.1	29.4	5.4
Timor Tengah Utara	0.6	66.2	7.1	6164.0	62.0	23.5	5.1

Source: Badan Pusat Statistik, 2017

Figure 7a

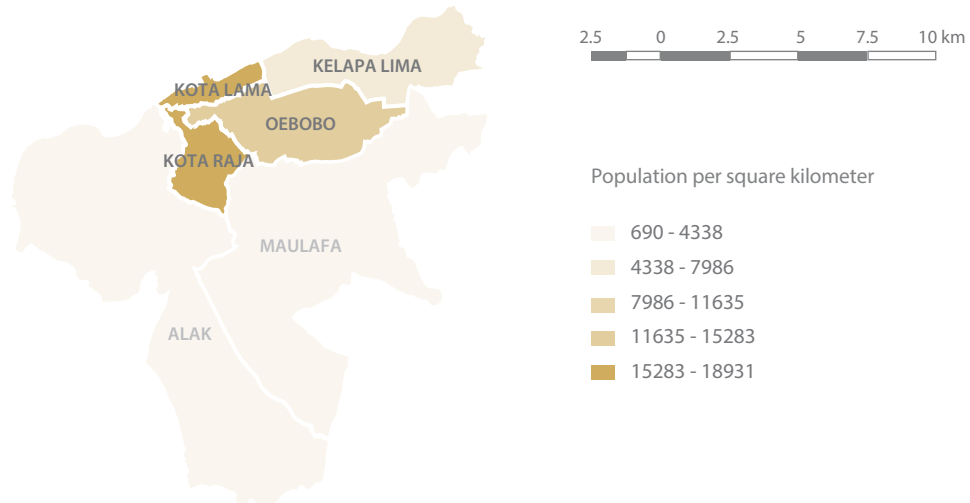
Kupang's Urban Expansion



Source: USGS EarthExplorer LANDSAT 5, LANDSAT, and LANDSAT 8, spectral analysis using SAGA-GIS.

Figure 7b

Kupang Population Density



Source: Geospatial data combined with Kupang city BPS data

country average of 9.4 percent.²⁵ As a result of major investment in new infrastructure, construction comprises the largest share of GDP (16 percent), followed by retail and vehicle repair (see **Figure 8**). Having never developed a large industrial sector (processing industries make up only 2 percent of the city's GDP), Kupang's net exports are consistently negative.

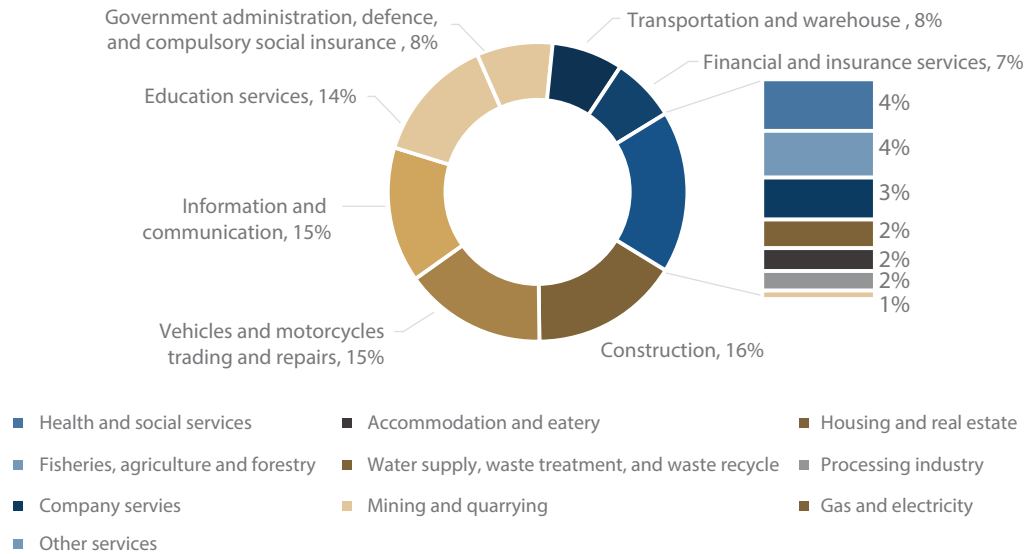
Employment is heavily concentrated in local services – especially informal, poorly compensated occupations. Construction, vehicle repair and trading, and hospitality employ large shares of workers. Despite a relatively well-educated workforce, its formal economy remains small and higher-value-added, tradable services have not performed well in recent years. Modern services – information and communication, finance and insurance, property services, and

arts, entertainment and recreation – grew at a compound annual growth rate of -1.4 percent between 2008 and 2016. Most workers, especially migrants and youth, are either engaged in micro- and small-scale enterprises or take up precarious daily wage work. Men wind up in a broader range of sectors – from finance and insurance to daily wage work at the port – than women, whose employment is concentrated in retail and hospitality.

Our primary data from Kupang suggests that migration flows are driven more by push than pull factors. Many youth migrants are first-time migrants from nearby poverty-stricken regencies within NTT, and belong to households engaged in subsistence agriculture with little opportunity for wage work. However, a third of respondents

Figure 8

Sectoral Contribution to GDP in Kota Kupang



Source: Badan Pusat Statistik, 2016

say their primary motivation in migrating was education.

Given that the labor market does not offer jobs on the scale that is demanded by youth, the NEET rate among migrants stands at 18 percent. Despite similar levels of education, migrants are more likely to end up in precarious jobs, without written contracts, occupational safety or overtime pay. Yet, differences in the types of jobs do not translate into major differences in income, indicating the paucity of high-quality and high-paying jobs.

Kupang also lacks strong labor market institutions. Workers' unions, for instance, are not only small but function more as non-profits, as opposed

to organizations advocating for better wages or working conditions. The minimum wage – an important and influential tool of labor policy in many parts of Indonesia – is not widely enforced in Kupang.

Even though Kupang draws most of its migrant population from within the province, high levels of ethno-linguistic diversity in NTT mean that the city is relatively cosmopolitan. Ethno-linguistic heritage becomes an important mediating factor for migrants in the labor market. They rely on these links to help them settle into the city and access jobs; but at the same time, migrants also find themselves boxed into certain kinds of occupations by virtue of their ethnic group. Nevertheless, a majority of migrant respondents

in our survey say that they think of Kupang as their home.

Governance

While Kupang scores relatively high on the Human Development Index (see **Table 2**), its governance indicators tell a different story. The city government received a score in the medium zone from the central government on compliance with public service standards, which means it has not improved public service delivery over the past three years.²⁶ In addition, the state of NTT ranks fourth-highest on corruption among all 30 provinces.²⁷

The government in Kupang, as elsewhere in the country, is a combination of vertical agencies, which are a part of the central government, and local government agencies. According to Kupang's *musrenbang* (neighborhood-level development plan), the local government's economic development strategy aims to boost tourism and transportation as growth sectors in the city.

SEMARANG REGENCY, CENTRAL JAVA [INDONESIA]

Geography

Of the four sites selected as case studies under this project, Semarang Regency is the only one that is not officially designated as a city. The regency is part of an area of Central Java that is characterized by high population density, a mixture of rural and urban economic activity, and a diversity of land uses – making it a classic example of a *desakota* region (see **Figure 9**). While the regency hosts about 1 million people

living in a land area 35 percent larger than Singapore, its urban population is approximately 400,000 – organized mostly along a dense highway corridor that stretches from Semarang city, the largest city of the province, to Surakarta (Solo) and Yogyakarta, other important cities of the region. Less than a kilometer from this major road corridor, population densities fall, though this is slowly changing as urbanization penetrates deeper into erstwhile rural parts of the regency.

Economy and Labor Market

The regency was originally agriculture-based and dependent upon Semarang City for much of its administrative and non-farm economic activities. However, over the last two decades, rapid growth of labor-intensive manufacturing has driven a more independent pattern of urbanization and expansion (see **Figure 10**). Though the port in Semarang City remains important for these export-oriented industries, Semarang Regency now has its own economic dynamism. The growth of the regency has led to an increase in urban services and commercial land use patterns. In turn, the labor market is transitioning out of agriculture and into industrial also been transformed—with more households or service-oriented occupations.

Between 2010 and 2014, the sub-districts of Tenganan, Bawen, Tuntang, and East Ungaran witnessed growth of over 200 percent in the number of enterprises operating, and 644 hectares of land (6.44 square kilometers) throughout the regency have been officially designated as industrial zones. While apparel and accessories dominate the manufacturing sector,

Figure 9

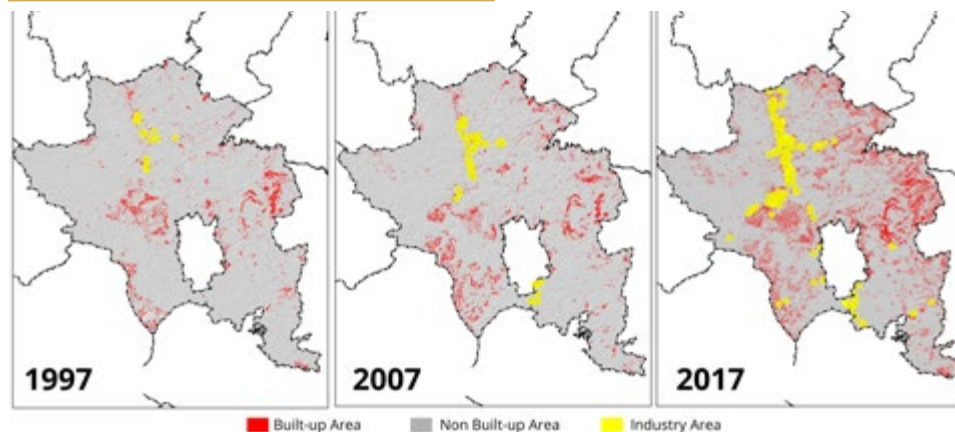
Central Java, Rural and Urban Areas



Source: Interior Ministry of Indonesia

Figure 10

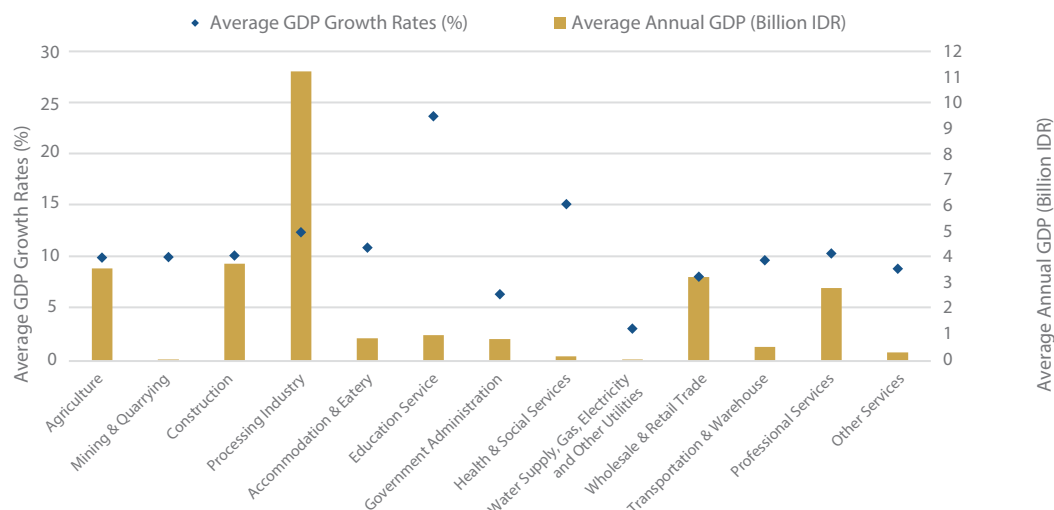
Growth of Industry in Semarang Regency



Source: Processed from Landsat Satellite Imagery 1997, 2007, and 2017.

Figure 11

Average Annual GDP (Billion IDR) and Average GDP Growth Rates (%) by Sector, Semarang Regency



Source: Semarang Regency Statistics, 2010-2015

food and beverage processors, furniture- making, and plastic manufacturers also have a strong presence in the regency. By 2015, manufacturing constituted 40 percent of economic output—making it the largest contributor to the local economy. Construction ranks second and agriculture a close third (see **Figure 11**).

The pattern of industrial growth in the regency is part of a broader economic restructuring in Indonesia, which we alluded to in the introduction. While export-oriented manufacturing activities once clustered predominantly around Greater Jakarta and a couple other large industrial cities, rising land and labor costs have led these firms to search elsewhere in order to keep their production costs low. Places like Semarang

Regency – with abundant labor, relatively low minimum wages, and low-cost land – have become top destinations for firms engaged in labor-intensive manufacturing. For example, as of 2018, the minimum wage in Tangerang Regency, an industrial area outside Jakarta, stands at IDR 3.56 million (US\$ 242) per month,²⁸ compared to 1.9 million IDR (US\$ 129) per month in Semarang Regency.²⁹ The spatial restructuring of the economy has been aided by large infrastructure investment by the central government in roads and ports, and by local officials in places like Semarang Regency promising a friendly business climate. Moreover, the strength of the labor movement in Jakarta and West Java has been a boon for growth and investment in Semarang Regency and elsewhere in Central Java.

Table 3

Semarang Regency in the Context of Central Java

Kota/ Kabupaten	Open Unemployment Rate	Life Expectancy	Average Years of Schooling	Per capita income (Thousand rupiah)	HDI	Poverty Rate	Economic Growth Rate
Magelang	2.44%	73.39	7.41	8,627	68.39	12.42%	5.06%
Boyolali	3.67%	75.72	7.44	12,262	72.64	11.96%	5.52%
Grobogan	3.02%	74.46	6.66	9,716	68.87	13.27%	5.65%
Semarang Regency	1.78%	75.57	7.87	11,389	73.2	7.78%	5.47%
Temanggung	2.97%	75.42	6.9	8,794	68.34	11.46%	4.68%
Kendal	4.93%	74.24	6.85	10,863	70.62	11.10%	5.57%
Magelang City	6.68%	76.66	10.3	11,525	77.84	8.75%	5.18%
Salatiga City	3.96%	76.98	10.15	14,921	81.68	5.07%	5.21%
Semarang City	6.61%	77.21	10.5	14,334	82.01	4.62%	5.64%
Central Java	4.57%	74.08	7.27	10,377	70.52	13.01%	5.27%

Source: Badan Pusat Statistik, 2017

While much of the regency is still rural, employment in the industrial sector has risen dramatically, spurring growth in other urban sectors like retail and hospitality. These shifts in economic activity are generating growth in household incomes, reducing poverty rates, and transforming the physical environment of the regency, as the urban footprint spreads.

Modest population growth of 1.4 percent in the regency between 2010 and 2016 conceals high levels of regional mobility. Significant volumes of migrant workers from nearby rural, urban and *desakota* regions have come to take up industrial jobs. Daily and weekly commuting is also a major feature of these mobility patterns. Formal economy work that pays the minimum

wage is relatively abundant for workers with basic education in Semarang Regency. This is particularly the case for women, since apparel manufacturing dominates industrial employment in the regency.

While factory work presents economic opportunity to migrants, it does not create an incentive to permanently migrate, as most youth workers who come for factory jobs exit this work in their early to mid-30s. With human development levels in Semarang Regency roughly equivalent to those in the geographies from which migrants originate, they have little reason to stay in the regency after leaving factory employment. Unless they develop more permanent roots in Semarang Regency – through, for instance, marriage – most

migrants return home to work in the informal economy or start their own businesses.

Governance

According to official metrics, governance in Semarang Regency is relatively strong: for example, in 2015, the government achieved 73 percent of its 1,253 development proposals and the attendance rate in planning meetings of community representatives was 85 percent. In 2018, Semarang Regency's government ranked 28th among over 500 regencies and cities in the country for good governance. Key priority areas for the regency include improving quality of human resources, providing equitable regional infrastructure and promoting social development based on gender equality and community participation.

However, governance in the regency must also be seen from the perspective of how local officials have sought to lure firms in labor-intensive manufacturing sectors. Local government has promoted the regency as a business climate where firms will not have to deal with strong labor unions or workers who advocate for higher wages and better working conditions, using euphemisms like "disciplined workforce" and "conducive environment." When local residents sought to raise the price of their land in order to benefit from increased demand for land amid economic growth, the local government introduced policies to hold down the price of land for investors. This represents a particular vision of "good governance," where economic growth and investment are prioritized. Moreover, rapid urbanization and industrialization demand a proactive and integrated approach to planning that the regency has yet to develop.

Endnotes

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²³ Klinken, G. Van. (2013). Decolonization and the Making of Middle Indonesia. *Taylor & Francis Online*, 135–155. <https://doi.org/https://doi.org/10.2747/0272-3638.30.8.879>

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²⁶ The city of Kupang enters the Public Service Yellow Zone. (2018). *Ombudsman Republik Indonesia*. Retrieved from <http://www.ombudsman.go.id/perwakilan/news/r/pwk-kota-kupang-masuk-zona-kuning-layanan-publik>

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Work, urbanization and mobility in small cities of India and Indonesia: Thematic findings

AT THE CUSP OF MULTIPLE MOBILITY PATHWAYS

Migration patterns in India and Indonesia are complex and diverse, resisting the simple conflation of structural transformation with rural-urban migration. Multiple mobilities and pathways exist simultaneously. Migration is not limited to one-time movements, but includes a range of mobilities like commuting, short-term and seasonal migration. In this context, several scholars in migration studies have argued against the older understanding of migration in dichotomous terms like internal and international, long-term and short-term, permanent and temporary, legal and illegal, origin and destination.^{30,31,32}

Within this landscape of movement, we find small cities in particular lie at the cusp of multiple mobilities, acting as migration junctions in several different ways. A rural young person might migrate to a small city, acquire skills and further migrate to another location for employment, in the manner of ‘step-migration’.³³ Or she might move to the small city for work and then return to her place of origin eventually. A small city might see young people leave for better opportunities elsewhere, perhaps in a metropolitan area, while another group of migrants come in to replace the labor deficit thus created.

We observe this variation in our case cities. In Semarang Regency and in Kishangarh, we largely observe that migrants plan to return to their communities of origin in the future, viewing the city primarily as a place to enhance their incomes as opposed to a place of broader social and cultural possibilities. Kupang is viewed by migrants more as a destination – with young migrants, especially men, describing it as “the city that has everything.” In Mangalore, we observe considerable out-migration among locals, while the city is an attractive destination for migrants from nearby rural and ‘rurban’ areas as well as far-away states like Uttar Pradesh and Odisha. While many low-skilled workers from rural backgrounds plan to return to agriculture in the future, Mangalore offers multiple employment prospects that enterprising young people can tap into. As young people negotiate the labor market, their migration decisions are influenced as much by household level decisions—it is not uncommon for young men and women to be ‘sent’ to the city to diversify the income of rural households—as by individual aspirations to economic opportunity.

Who comes to the small city? Local, regional and national migration pathways

In terms of the scale of the area from which they attract youth migrants, our case cities show considerable variation. While the Indonesian case cities draw workers primarily from within the

same province – and especially from neighboring cities and regencies – we find that the Indian case cities host internal migrants from distant locations.

For instance, Kupang's prominence as a provincial capital of a predominantly rural and impoverished province makes it a long-term destination for many rural migrants. While many youth come for education, the majority are attracted by the availability of wage work at a distance that is financially feasible. In our survey, we find that 93.9 percent of migrants to Kupang come from within the province of East Nusa Tenggara (NTT). Within this, the larger share of migrants are from areas in Timor Island, on which Kupang is located and from which road access is possible, rather than from other islands in the archipelago that are not well connected. A much smaller migration pattern in Kupang involves high-skilled Javanese migrants who work on short-term contracts for infrastructure companies or national retail and hospitality brands establishing locations in Kupang.

Kishangarh plays a similar role for youth moving off unproductive farms in rural parts of Rajasthan – which like East Nusa Tenggara suffers from a dry climate that makes for difficult conditions for farmers. While many migrate from within Ajmer district and from adjacent districts, high-quality road and rail infrastructure also encourages commuting rather than long-term migration into the low-paid industrial work available in marble, transport and related sectors. The proximity and

good connectivity of Kishangarh with Ajmer and Jaipur, larger cities nearby, make it possible for elite youth to move out of the city in pursuit of higher education and high-skilled jobs.

As in Kupang, in Kishangarh the development gap between source and destination areas drives migration. The zone from which the city draws migrants, however, is much larger. In contrast to Kupang, nearly about 60 percent migrants in our Kishangarh sample are inter-state migrants from a group of underdeveloped districts in Uttar Pradesh and Bihar and other north Indian states.^{viii} This migration is also part of a larger trend of caste-based occupational networks: most of those migrating from beyond Rajasthan come from caste groups that engage in semi-skilled industrial work and whose networks stretch across the country, enabling circular migration patterns.³⁴

Semarang Regency also draws commuters, especially given its location along an important highway connection and on the periphery of the province's largest city, Semarang. This interconnectedness and its consequent *desakota* settlement pattern also shapes the nature of migration to and from the regency. Migrants commute in daily from a mixture of rural, urban and 'rurban' locations. In fact, 80.4 percent of commuters in our survey are from Semarang city, and secondary data suggest that a large number commute in the reverse direction as well. Among migrants, over 40 percent are from urbanizing regencies^{ix} and 28.1 percent from rural regencies

^{viii} Our sample has a higher proportion of inter-state migrants compared to Census data, cited in the case city introductions. This is likely because the Census does not count short-term migrants who spend less than six months of the year at destination. Also, Census data available is for 2001 and inter-state migration might have increased since then.

^{ix} We classify an 'urbanizing regency' as a *kabupaten* which is at least 27 percent urban – half as urban as Indonesia as a whole.

within the province. It is not a major gap in development between source and destination—the ‘push’ factor—that drives migrants to Semarang Regency. We find that origins and destination do not differ significantly on key metrics of social and economic development, as measured by the Human Development Index (HDI) (see **Table 3**). Rather, it is the abundance of labor-intensive manufacturing firms – offering formal economy jobs that generally pay the mandated minimum wage – that attracts young workers here.

Mangalore, located in a region with historically networked small towns and productive agriculture, similarly attracts commuters and migrants from villages and smaller towns in the region – comprising about 14 percent of our sample. However our survey results indicate that its diverse economy, comprising industry, trade and services, attracts migrants from more diverse locations than in the case of Kishangarh. About half of the migrants in our sample come from districts in north and east India; these include not just Uttar Pradesh and Bihar, but also Rajasthan, Madhya Pradesh, West Bengal, Jharkhand, Assam and Odisha. Skilled workers, often educated in Mangalore’s robust higher education sector, do not find sufficiently exciting opportunities and migrate out to larger cities in India and abroad.

Small city mobility pathways reflect broader economic geographies

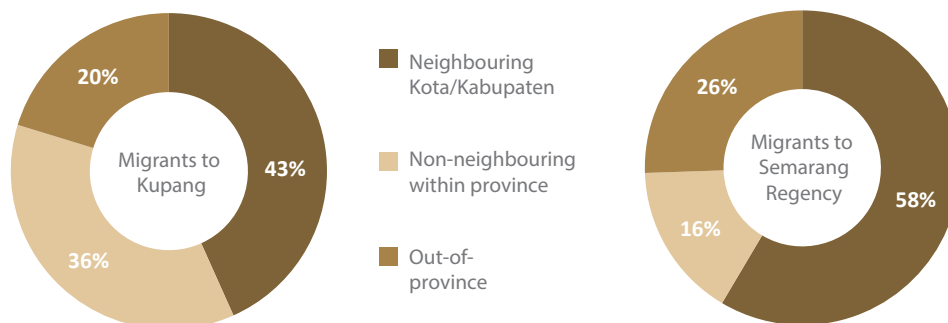
The differences we observe between India and Indonesia are partly born of national differences in the geography of development. In India, the largest labor pool resides in north and eastern

India, where economic development levels are low; as a result, large volumes of workers in these states search for economic opportunity elsewhere. Tumbe refers to out-migration from poor regions of north and east India as the Great Indian Migration Wave,³⁵ which comprises largely circulatory male migration from rural origins to destinations that have changed over time. Whereas British colonies across the world might have been destinations for indentured labor from these north Indian districts during colonial times, the present-day destinations include — but are not limited to — the Gulf countries for international emigrants and more prosperous states in western and southern India for internal migrants. Therefore, Kishangarh draws commuters from surrounding districts as well as migrants from Uttar Pradesh and Bihar, where the vast majority of India’s top “sending districts” are.³⁶ Mangalore, located in relatively prosperous southern India draws poor migrants from the region, but it is not unique among south and west Indian cities in drawing a large number of workers from north and eastern India, too.

On the contrary, in Indonesia, the relationship between population density and economic development is reversed: about six in 10 Indonesians live in Java, where industrialization has also been concentrated since colonial times. The least developed parts of Indonesia also tend to be the most sparsely populated, which has in the past prompted the Indonesian government to resettle people to these areas through ‘trans-migration’ programs. Migrants from poor provinces like East Nusa Tenggara have historically built pathways to Jakarta and Malaysia, but not

Figure 12a

Origins of Youth Migrants (15-29), Indonesian Case Cities



Source: SUPAS, 2015

in large enough volumes to be visible in newly developing secondary and tertiary cities of Java – in contrast to the high-volume out-migration from densely populated north Indian states. Especially in the context of decentralization in post-Suharto Indonesia and current efforts by the central government to “develop Indonesia from its peripheries,” cities like Kupang have received increased investment, offering a nearby migration destination for the rural youth of poorer outlying provinces. This means that smaller urban geographies in Java, such as Semarang Regency, host a primarily Javanese migrant population.

Migration patterns in small cities are also shaped by other factors, which we elaborate further below. The economy of a small city influences the types of jobs it offers, sectorally and in terms of the quality of work, thereby shaping the types of migrants who come. A city’s place within the regional and national economy has a bearing on the mobility pathways that intersect there – with

transportation infrastructure playing a major role. Finally, the ability of young people to leverage economic opportunities is mediated by the city’s governance capacities and the extent to which migrants can feel safe, and access housing and services.

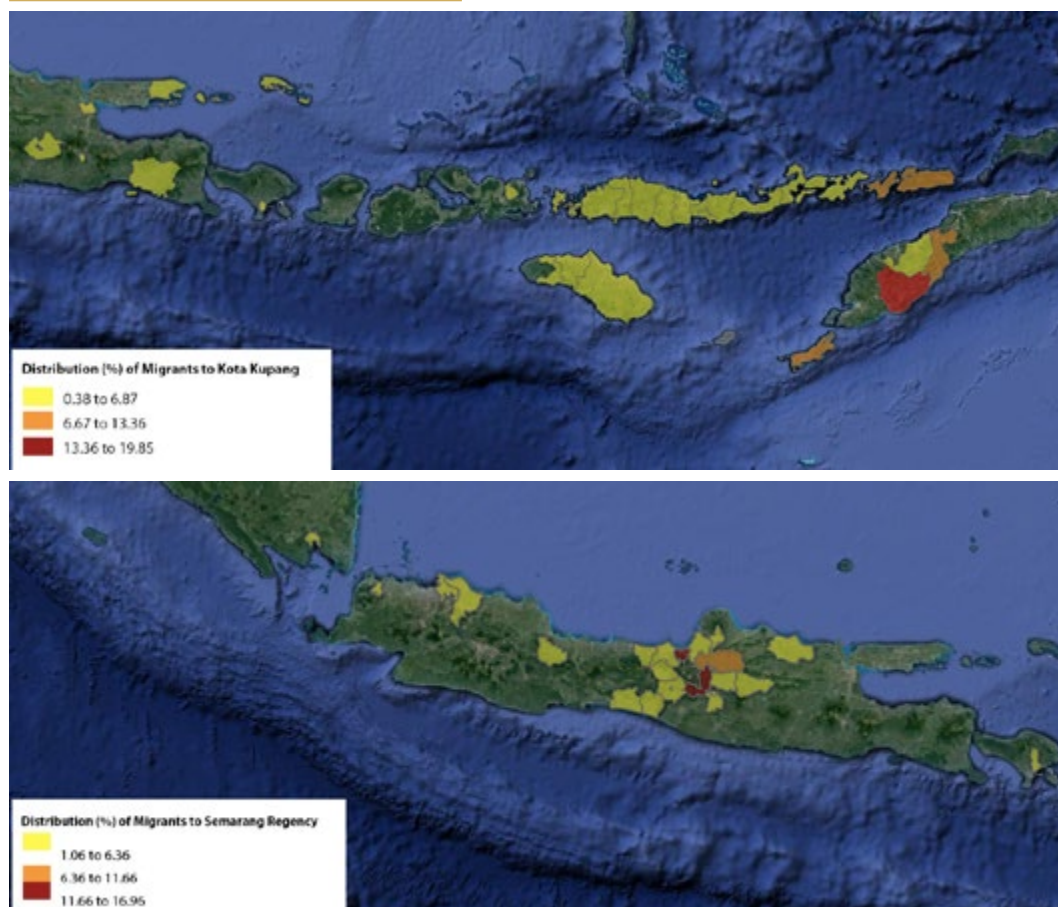
EMERGING SMALL CITY ECONOMIES: SPECIALIZED OR DIVERSE? RESILIENT OR VULNERABLE?

Specialized economies, diverse labor markets

Our case cities demonstrate the wide variety of employment opportunities available in small cities – even while their economies rely substantially on particular sectors, such as apparel manufacturing in Semarang Regency or marble processing in Kishangarh. In the former, while a high share of employed youth work in some form of industry (69.2 percent in our sample), the local economy also produces diverse kinds of informal work in retail, hospitality, and tourism. Many young people who take up a factory job eventually

Figure 12b

Migrant Origin, Indonesian Case Cities



Source: SUPAS, 2015

age out of industrial work, leaving to start their own businesses or take on additional care work at home. In Kishangarh, despite the dominance of the marble industry, only 27.2 percent of the youth workers in our sample are employed in a marble-related job. Again, jobs in retail and hospitality form the bulk on non-industrial and non-agricultural employment.

This paradox—that seemingly diverse labor markets depend on highly specialized economies—is not unique to small cities.

In both of these case cities, however, the employment options not directly tied to the leading sector—apparel manufacturing in Semarang Regency and marble processing in Kishangarh—tend to be indirectly connected. For example, in Semarang Regency, the high volume of factory workers has created demand for many other goods and services. Clusters of informal economic activity emerge around large factories—with small enterprises offering housing (*kosts*), laundry services, fast food (*warung*), secure parking lots, and motorbike repair. While workers in Kishangarh’s marble industry tend to have less purchasing power, due to their lower wages, the food and accommodation establishments that employ other workers in the city cater to the steady stream of businesspeople that circulate in Kishangarh due to its marble-processing hub: foreign and domestic buyers, factory owners, and salesmen supplying inputs and raw materials to processing units.

This paradox—that seemingly diverse labor markets depend on highly specialized

economies—is not unique to small cities. For example, the backbone of Bangalore’s economy is information technology, though the growth of this sector has generated a relatively diverse array of employment opportunities in professional services. In general terms, this pattern of diversification through specialization can lead to vulnerability for an urban economy: if the backbone sector leaves or sees its competitiveness erode, the ripple effects extend throughout the labor market.

“Footloose” versus “sticky” sectors

Nevertheless, the vulnerabilities created by this dynamic may be different between large and small cities in emerging economies like India and Indonesia. Evidenced by the cases of Kishangarh and Semarang Regency, small cities tend to specialize in lower-value-added sectors, where the vast majority of workers have basic education and are expected to perform a limited range of routine tasks. Only 6.8 percent of our sample of youth in Kishangarh and 1.8 percent in Semarang Regency have a university degree. This distinction could have significant consequences for specialized small-city economies. First of all, tradable lower-value-added sectors are often “footloose” – in the sense of being able to operate in a wide range of locations.³⁷ These industries are capable of moving locations quickly in response to changes in local costs of land and labor, with the garment sector being a classic example.³⁸ The kinds of workers these industries require can be found in a relatively large number of locations. In contrast, specialized sectors that cluster in large metropolitan areas, not only in the global North but increasingly in the global South, tend to be

rooted in the knowledge economy. They require highly educated workers who are more difficult to replace. As a result, these higher-value-added sectors are more likely to be “sticky” – i.e. relatively difficult to relocate. If the local costs of doing business rise, technology companies in Bangalore would find it relatively more difficult to relocate than would the apparel manufacturing firms in Semarang Regency.

Beyond the contrast between the “stickiness” of large-city specializations and the “footloose” nature of small-city specializations, the latter are also threatened increasingly by the specter of automation. While research exploring the potential impacts of automation in labor-intensive sectors of the global South remains fairly limited, general predictions suggest that routine-intensive tasks such as those performed by many workers in Kishangarh’s marble industry face a high probability of automation.³⁹

The future economic landscape

Taken together, these trends suggest that the vulnerabilities created by specialization are more threatening for small cities than large ones in 21st-century emerging economies. Structural transformation and urbanization are producing different kinds of opportunities and vulnerabilities for different kinds of urban economies. Until recently, the industries now attracted to locations like Kishangarh and Semarang Regency were located on the peripheries of large metropolitan areas in developing economies. As the cost of operating in cities like Jakarta has increased, and as these metropolitan economies have moved up the value chain – increasingly specializing

in higher-value-added manufacturing and professional services – firms in lower-value-added sectors have sought out new production locations in small cities and erstwhile rural regions. For example, in India, almost half of manufacturing jobs are now located in rural areas.⁴⁰

These trends have been further reinforced by decentralization and the deeper penetration of neoliberal modes of governance – where state and local governments in both India and Indonesia now see attracting investment and generating growth as an economic imperative.⁴¹ What emerges in countries like India and Indonesia may be a pattern of within-country inequality – of wealth, risk and vulnerability – that parallels the structural shifts in advanced economies over the last three decades.⁴²

Trends suggest that the vulnerabilities created by specialization are more threatening for small cities than large ones in the 21st century emerging economies. Structural transformation and urbanization are producing different kinds of opportunities and vulnerabilities for different kinds of urban economies.

The uniformity of these trends must not be overstated, and our case cities point to the diverse ways in which these differences in small-city and large-city economies may unfold over time. One dimension that could shape the future of small-city economies is the source of investment that sustains them. While the apparel sector in Semarang Regency is fueled by foreign capital,

the marble processing industry in Kishangarh is primarily financed by domestic investors, many of whom have historic links to the city. This difference could influence the degree to which firms see their future wedded to the place in which they currently operate.

Another important variable is the nature and proximity of other inputs beyond land and labor; in contrast to the notoriously footloose apparel industry, the marble industry locates partly in response to the proximity of marble quarries. For both these reasons, Kishangarh's marble sector could prove more resilient to economic shifts or rising input costs. There are already early indications that the marble sector might outlive the finite supply of nearby marble: processing units in Kishangarh are importing raw marble from elsewhere in India and even abroad. Contextual factors suggest, therefore, that marble in Kishangarh may be "stickier" than apparel in Semarang Regency.

ECONOMIC MOBILITY, CIRCUMSCRIBED: THE PARADOX OF SMALL CITY EMPLOYMENT LANDSCAPES

One consequence of economic restructuring in the large cities of India and Indonesia is their increasing inaccessibility for rural youth seeking employment opportunities. As Mukhopadhyay and Naik show, the wage premium available to a rural-urban migrant in India is minimal in most sectors unless she or he has obtained higher education.⁴³ Moreover, persistent challenges with providing basic services, portability issues with social protection,⁴⁴ threats of eviction and demolition in informal settlements, and an anti-

migrant undertone in the policy environment of large cities like Delhi and Mumbai, have produced what Kundu and Saraswati call 'exclusionary urbanization' – disincentivizing permanent migration to big cities.⁴⁵ Alongside the diffusion of labor-intensive, non-agricultural sectors described above, these trends are making small cities increasingly important destinations for rural-urban migrants. To borrow a term from migration scholars studying rural youth in Tanzania, migration to small cities is more likely to fall within rural youth's "action space" in India and Indonesia.⁴⁶

Is it the expansion of economic opportunity in small cities or the high barriers to entry in large cities that is more responsible for increased migration to small urban centers? While our project was not designed to measure the relative importance of push and pull factors, we offer some insights on the nature of economic opportunity for youth in small cities, and how factors like gender, education and social background influence and mediate access to those opportunities.

Moving one rung up the economic ladder

The case cities we studied in India and Indonesia are unlocking economic opportunities that would have previously been difficult for rural youth to access close to home. The nature of these opportunities depends on the city's economic character, the geographic setting in which it is located, and the socio-economic background of the migrant. Taken together, these opportunities suggest that small cities are crucial to lifting people out of poverty in India and Indonesia,

and to meet the larger 21st century challenge of expanding these countries' middle classes.

Wage work

For rural youth with little education and from families engaged in subsistence agriculture, the nearby small city often represents a chance to escape poverty. In a remote, impoverished province like East Nusa Tenggara, for example, Kupang offers a very basic opportunity: earning cash. In qualitative research, many young migrants consistently cited “cash” as the major reason for their migration. These youth claimed that there is always work in Kupang for anyone who is not ashamed of doing manual labor. In such situations, receiving a wage – as opposed to working on a family farm or otherwise earning in-kind – may make the difference between living below and just above the poverty line. Similarly, for many of the youth performing manual labor in the marble industry in Kishangarh – carrying large marble slabs in factories, for example – the agriculture sector in their nearby community of origin does not enable an escape from poverty.

Depending on a variety of factors, such as the accessibility of a small city to its surrounding hinterland, the wage work it offers may or may not induce permanent migration. While in Kupang, even the lowest-paid youth migrants live in the city, Kishangarh witnesses a mixture of permanent migration and commuter migration from nearby villages, where workers travel back to their villages every evening. In Mangalore, migrants from impoverished regions of northern Karnataka are confident of finding work as manual laborers, in the port and on construction

sites. These daily wage workers, as well as migrant workers from north and eastern India circulate across various destinations. In focus groups, they reported that Mangalore offers them higher wages with lower chances of employers reneging on wage payments, as compared to other potential destinations.

Kupang offers a very basic opportunity: earning cash. In qualitative research, many young migrants consistently cited “cash” as the major reason for their migration.

Regular work in formal firms

For young people who come from relatively more advantaged economic backgrounds and/or whose origin communities already offer opportunities for wage work, migration to a small city represents upward mobility of a different kind. For example, the areas that surround Semarang Regency are a mixture of rural, urban and “rurban” geographies; human development levels across these areas are both similar and relatively high (see **Table 3**). Moving to Semarang Regency does not represent a major leap in the quality of social and educational opportunities or public service provision. However, what distinguishes the origin and destination is the abundance of formal economy employment in Semarang Regency—jobs that pay the locally mandated minimum wage. The vast majority (79.5 percent) of the young people in our survey in Semarang Regency earn between IDR 1 million and 2 million per month (US\$ 67-134), with most of these earning the official minimum wage of 1.745 million (US\$

117).^x Notwithstanding the hardships they face in their work, which will be discussed in detail below, these young people have reached lower-middle-class status through working in the industrial sector of Semarang Regency. According to our survey, about 53 percent of youth engaged in factory work come from families where one or both parents worked primarily in agriculture.

In Mangalore, where industry employs 10 percent of our sample, formal industrial jobs in the petrochemicals sector and agro-processing industries like cashew processing, fish processing and *beedi* rolling, have been available to locals until recently. However, in recent years, increasing casualization in industrial employment has brought in more migrants into industrial work. Our survey reflects this, with the 16 percent of migrants in our sample working in industrial jobs compared to 6 percent of non-migrants. Moreover, relatively secure jobs in industry are in decline also because of automation or because they are moving elsewhere. Qualitative interviews indicate that local employees have relatively more secure jobs in terms of wage protections through negotiations with unions and social security benefits like pensions, while migrants find less permanent work and are dominant in non-agricultural industries related to petrochemicals, industrial sand, iron and steel processing, machine manufacturing and fabrication, among others.

Entrepreneurship and service sector work

While these incremental movements up the economic ladder are most common among

our respondents, some youth manage to earn middle-class incomes by working in small cities. In the Indonesian case cities, 16.1 percent of the sample respondents earn more than 2 million IDR per month (US\$ 267) – placing them in the Indonesian middle class. In terms of purchasing power (PPP), these young people earn close to US\$ 500 per month. The Indian case cities perform considerably better; 41.2 percent of the sample earns more than 10,000 INR per month (US\$ 137), which is roughly equivalent (over US\$ 500) in PPP terms.

The two common pathways to higher wages appear to be entrepreneurship, often in the informal economy, or formal jobs in the professional services sectors. However, our case cities offer significant variations in this regard. In industrial cities like Kishangarh and Semarang, entrepreneurship in the informal services sector – especially in transportation, food and hospitality – is a possibility that some youth are able to leverage. In Kupang and to a lesser extent Kishangarh, those working in public and quasi-public sector jobs in education, administration and healthcare are better off.

In Mangalore, wholesale and retail trade offer opportunities for employment and entrepreneurship, in which certain communities have been dominant. Salaried service sector work is also available in the city's numerous hospitals, colleges, hotels and professional firms (17 percent of those surveyed), as well as in knowledge economy jobs in finance, software services,

^x The official minimum wage was raised to 1.9 million IDR in the beginning of 2018. However, our data collection took place in 2017.

Figure 13

Opportunities for Young Migrants in Small Cities



business process outsourcing and real estate (about 15 percent of our survey respondents).

Education is not necessarily a prerequisite for earning these higher wages. Of those earning in the income categories defined above, 27.3 percent and 37 percent in the Indonesian and Indian case cities, respectively, have less than a high school education.

Education

In some small cities, particularly in Indonesia where the state has invested heavily in building universities in provincial capitals beyond Java, educational opportunities drive migration to smaller cities. About one-third of the youth migrants in our survey in Kupang stated that education was the primary reason they came to the city. In Indonesia overall, half of rural-urban youth migrants moving to non-metropolitan cities are in search of educational opportunity.⁴⁷

In India, large private sector investments in education are turning small cities like Mangalore into education hubs that attract students from small towns and rural areas. Mangalore especially is known for pre-university colleges that prepare students to break into highly competitive professional colleges especially in engineering and medicine, the coveted occupations of the Indian middle class. Therefore, Mangalore does not retain the youth who come to study; they move on to higher education and job opportunities elsewhere.

As educational aspirations penetrate deeper into once-remote regions of these two countries, small cities are likely to become increasingly important destinations for education migrants, especially given the costs and exclusions often involved in seeking education in large metropolitan areas.

Getting stuck: Threats to economic mobility

Despite the opportunities for young people in small cities in the form of wage work, formal economy jobs, entrepreneurship and education, evidence from our case cities also suggests that these pathways are limited in important ways. Small cities offer scope for moving one rung up the economic ladder, but do they offer any mobility beyond this? And what quality of work issues do young people accept by working in small city labor markets?

Work without career pathways

One of the primary concerns among youth workers in small cities is the probability of winding up in a “dead-end job.” This is particularly the case in small cities whose economies are built around industry. For example, in the apparel sector in Semarang Regency, young people perceive that there is “no future in factories,” as one focus group participant put it. Youth in these jobs feel frustrated that their work comes with so few opportunities for advancement.

The production model in these manufacturing firms requires a large volume of semi-skilled workers—those with basic education and training—and relatively few supervisors and managers. Very few of the young people who enter factory work at these entry-level positions ever receive a promotion to a supervisory role, and according to our respondents, those that do often labor for five to 10 years before being promoted. For those waiting for a promotion, the minimum wage acts as both a floor and a ceiling.

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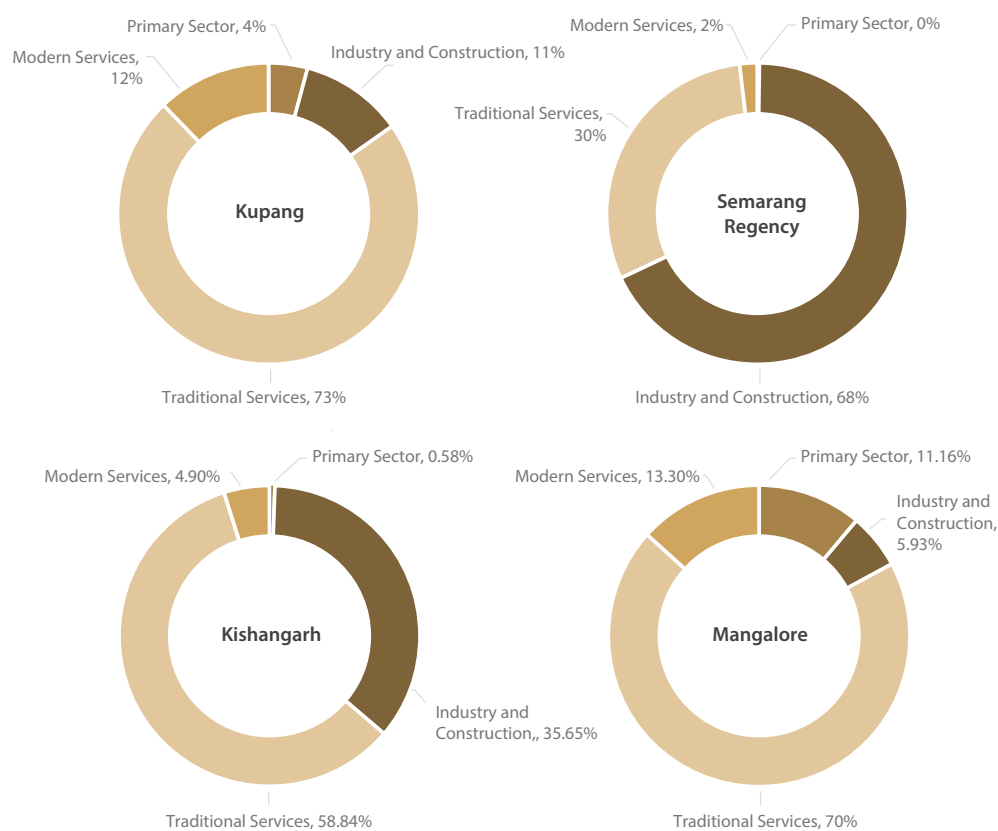
Young people also lament the drudgery and boredom that comes with factory life, and it is little secret that the business model of labor-intensive manufacturing in the form found in Semarang Regency is designed to extract value from young workers who are physically capable of enduring long, difficult working days, with the expectation that they will leave the factory once they reach their early to mid-30s or before.⁴⁸ In our qualitative research, government officials in Semarang Regency acknowledged that the jobs being created through large-scale industrialization are not meant to provide lifelong careers.

In Kishangarh, where industrial jobs are largely informal and wages are lower than in Semarang Regency’s apparel sector, young workers find themselves unable to plan for the future or envision a career pathway outside of the manual, routine tasks they perform in marble processing units. Industrial workers, mostly from rural backgrounds, do not articulate aspirations beyond the wage work they are already doing. Social capital, in which caste plays a significant role, is key to economic mobility via entrepreneurship or a break into the few better-paid, usually supervisory, jobs available.

While not a manufacturing-based economy, Kupang faces similar issues when it comes to generating career pathways for young people. Neither the impoverished rural migrants working as daily wage laborers, nor the educated young

people who have earned their Bachelor’s degree from one of Kupang’s universities and now work in a formal retail or hospitality job, have a clear sense of their future employment prospects (in the Indonesian cities overall, 81.9 percent of

Figure 14
Composition of Employment by Sector Across the Four Cities (Ages 15-29)



Note: **Primary Sector:** Agriculture, forestry and fishery; Mining | **Industry and Construction:** Industry; Construction | **Traditional Services:** Supply of electricity, gas, steam and air conditioning; Water supply, disposal, waste and recovery environment; Wholesale and trade retail, vehicle repairs; Transportation and warehousing; Lodging and Food services (Hotels and restaurants); Professional services, scientific and technical activities; Administration and services (Including rentals, Employment agencies, Security service agencies, Building service agencies, Travel agents; Civil servants and military; Education, health and social activities; Household services (cleaning/security); Automotive/electronic repairshop / garage | **Modern Services:** Information and communication; Finance and insurance; Real estate / home supply

Source: Primary Data

respondents said they do not know when they might move to a different job). And while the city aims to promote entrepreneurship, its strategy for doing so primarily emphasizes the creation of micro-enterprises run by self-employed individuals, as opposed to focusing on the growth of viable small and medium-sized enterprises, which may create more and better jobs.

As mentioned before, Mangalore is unable to provide appropriate jobs for the young people who get educated in the city. Besides those stuck in low-skilled work in construction and as daily wage laborers, many educated young people are stuck in the retail sector as shop assistants, or in similar entry-level work in hotels, colleges and hospitals. However, as the city's economy restructures, a mismatch is emerging between the skills needed and those that youth have acquired. Youth are not able to take advantage of new kinds of opportunities arising as industries pursue automation and service sector jobs grow, albeit slowly. Despite the paucity of good jobs for which young people have the right skills, employers struggle to retain workers – since salary expectations are high in Mangalore, a prosperous city.

The limited return on education

Surprisingly, regression analysis demonstrates that—after controlling for other relevant factors—education has no significant impact on earnings in both Semarang Regency and Kishangarh, the two industrial economies among our four case cities. The industrial economy in these two cities appears to have a “flattening”

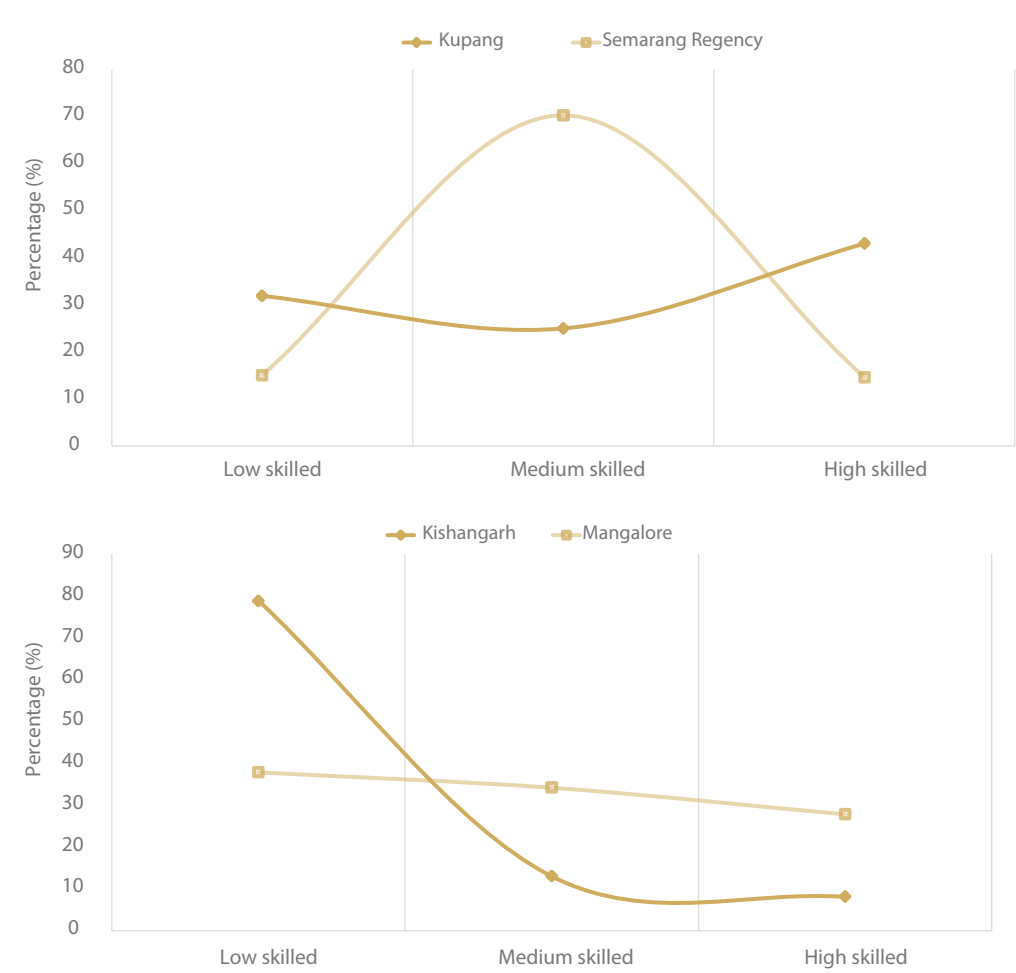
effect on the labor market, where factories absorb large volumes of young people with both low and medium levels of education and the wage distribution is narrow. In Semarang Regency, however, one outcome for which education level does matter is income growth. Those with higher levels of education are more likely to experience faster growth in their incomes—suggesting that they have more scope for growth either within the manufacturing sector or once they have exited factory work. Nevertheless, the impact is small enough that overall income levels are not significantly different across groups with differing levels of education. In Kishangarh, education is not a significant factor in determining income or income growth.

The picture is more nuanced in the service-oriented economy of Kupang. On the one hand, regression analysis shows that youth workers with higher levels of education tend to earn more, holding other factors equal. Education also predicts the skill level of the job in which a young person is employed, with more highly educated people obtaining higher-skilled occupations. On the other hand, however, youth with higher levels of education experience a slower pace of income growth. All other factors held constant, those with university degrees experience the slowest income growth. Those with less education are more likely to experience faster income growth, but only if they can break out of the cycle of daily wage labor or subsistence entrepreneurship (e.g. street vending), which few are able to do. These findings suggest that highly educated youth are likely to get stuck in jobs that offer them decent wages but little scope for growth.

In Mangalore, education positively influences income, but this impact is most significant for those with a university degree or above (nearly 40 percent of our sample). Some of the

jobs that employ these highly educated youth include banking and professional services, business process outsourcing, nursing, retail and hospitality.

Figure 15
Density of Workers (Ages 15-29) in High-, Medium- and Low-skilled Occupations Across the Four Cities



Source: Primary Data

Precarious work

Aside from the threats to economic mobility that come from dead-end jobs and the limited return to education, labor market conditions for most of the youth across our four case cities are precarious—though in differing ways. In the industrial economies of Semarang Regency and Kishangarh, workplace accidents are commonplace. In our survey, 52.9 percent of industrial workers in Semarang Regency reported that they had faced problems with their work environment, with 66.9 percent of these experiencing hostility from co-workers or a supervisor and 46.6 percent facing a physical injury or health hazard. In Kishangarh, 11.6 percent of youth workers in our sample reported problems at work, of which 90 percent report workplace injuries or health hazards.

The fact that the apparel sector jobs in Indonesia are in the formal economy does not necessarily mean they come with greater security. Most of the workers are on short-term contracts, effectively giving the employer flexibility to easily hire and fire, and only 49.7 percent actually have a written contract. And while the vast majority of workers in these formal enterprises do earn the legally mandated minimum wage, they work on a target-based production model. Workers must meet a certain target in the course of their workdays, and if they fail to meet this target, they must stay longer – i.e. work overtime without additional compensation. In qualitative research, most apparel sector workers reported frequently staying past their regular working hours in order

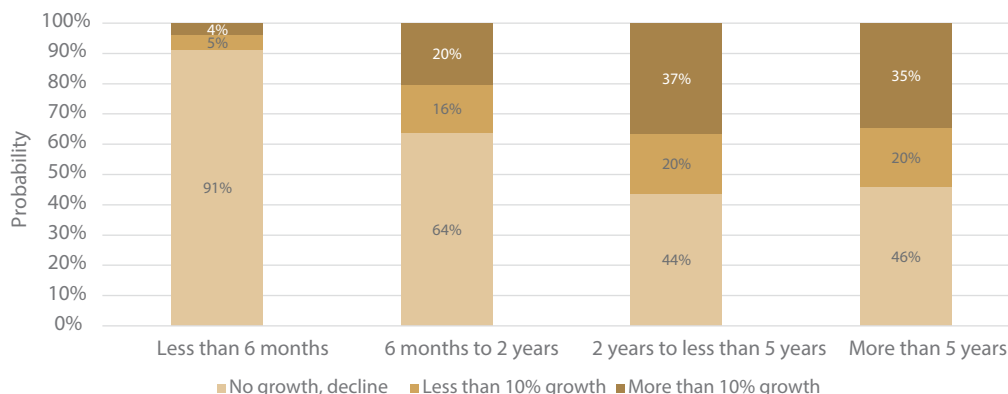
to complete the daily target. About 9.7 percent of the industrial workers surveyed in Semarang Regency worked an average of 10 or more hours per day.

In Kishangarh, the working conditions of marble industry laborers are worse. In the marble industry, workers labor for long hours in extremely difficult conditions with low levels of mechanization. Less than 2 percent of the workers in Kishangarh have a written contract, and 37.3 percent work an average of 10 or more hours per day. High levels of manual labour are observed among loaders and unloaders—who carry cut slabs of marble on their shoulders with only a cement bag as back support and a cloth piece as head support. The marble industry's sole holiday in the month is on *amavasya*, or new moon day.

In both Semarang Regency and Kishangarh, it is important to note that the poor enforcement of labor laws is only partly a result of low capacity on the part of local government. In both of these locations, strategies to attract investment rely heavily on subtle promises by local authorities to turn a blind eye to exploitative business practices. In Semarang Regency, for example, this takes the form of euphemistic descriptions of the “friendly” business climate where workers are “disciplined.” Part of the reason why labor costs have risen in the larger metropolitan areas of Indonesia is because of strong labor movements, and erstwhile rural regions like Semarang Regency see an opportunity in promising a business climate where labor unrest will not be a problem for employers.

Figure 16

Probability of Different Levels of Income Growth in Current Job for Graduates (Ages 15-29) in Kupang, Based on Years of Experience (Predictions from Regression Analysis)



Dependent Variable: Income Growth; **Independent Variables:** Migrant status, Education, Current Job Experience, Gender, Work Agreement, Organisation Membership Status, Average Monthly Income.

Source: Primary Data

The forms of precariousness found in a labor market like Kupang's are different – related less to exploitation at the hands a large employer and more to the insecurity that comes with self-employment or daily wage work.

The forms of precariousness found in a labor market like Kupang's are different – related less to exploitation at the hands a large employer and more to the insecurity that comes with self-employment or daily wage work. Some respondents during qualitative research reported skipping meals on days when they were not able to get enough work, and others reported sleeping on the street, in semi-permanent housing or in over-crowded shared rooms because of their extremely low and unpredictable incomes.

Others, especially young women, find themselves in arrangements where their employers provide food and accommodation but then expect them to work long hours and place restrictions on their movement. Some of these young women are even engaged in unpaid work, compensated in-kind through food and accommodation. Of the women in our survey, 11.5 percent reported working without pay, with over half of these being women under 20 years of age.

Of all the case cities, working conditions in Mangalore are marginally better. Many migrants working in the city report having tried out several different destinations before settling on Mangalore for its relatively high wages, fair treatment by employers and safe working conditions. Even occupational groups that tend to be the most exploited in other parts of India,

such as domestic workers, have achieved some degree of empowerment in Mangalore's labor market. For instance, 12.5 percent of the women in our sample who are in domestic work are part of formal worker unions.

THE SMALL CITY AS A SITE OF NEGOTIATED OPPORTUNITIES FOR WOMEN

Small cities hold considerable promise for young women seeking work. About 69 percent of Indian women in regular full-time salaried jobs in urban areas are in non-metropolitan locations, as per the India Human Development Survey. This fact should be of interest to the policymakers concerned about falling female labor force participation (FLFP): FLFP has fallen substantially from 34 percent to 25 percent in rural areas and stagnated at about 15-16 percent in urban areas between 1983 and 2011, as per the National Sample Survey. In Indonesia, 38.3 percent of women in non-farm employment live in non-metropolitan urban areas.

Our research demonstrates how education infrastructure located in small cities enables young women to study—Kishangarh, Kupang and Mangalore are all in varying degrees hubs for education—and how the emergence of manufacturing clusters in small cities has created jobs for women in peri-urban spaces like Semarang Regency. These cities provide the opportunity for non-metropolitan women, some from rural backgrounds, to work in diverse non-farm wage employment as well as tap into entrepreneurial opportunities closer to their places of origin – in turn enabling women to boost household income and aspire for greater autonomy and economic

mobility. A few prominent trends in women's employment are outlined in this section.

Small cities hold considerable promise for young women seeking work. Our research demonstrates how education infrastructure located in small cities enables young women to study—Kishangarh, Kupang and Mangalore are all in varying degrees hubs for education—and how the emergence of manufacturing clusters in small cities has created jobs for women in peri-urban spaces like Semarang Regency.

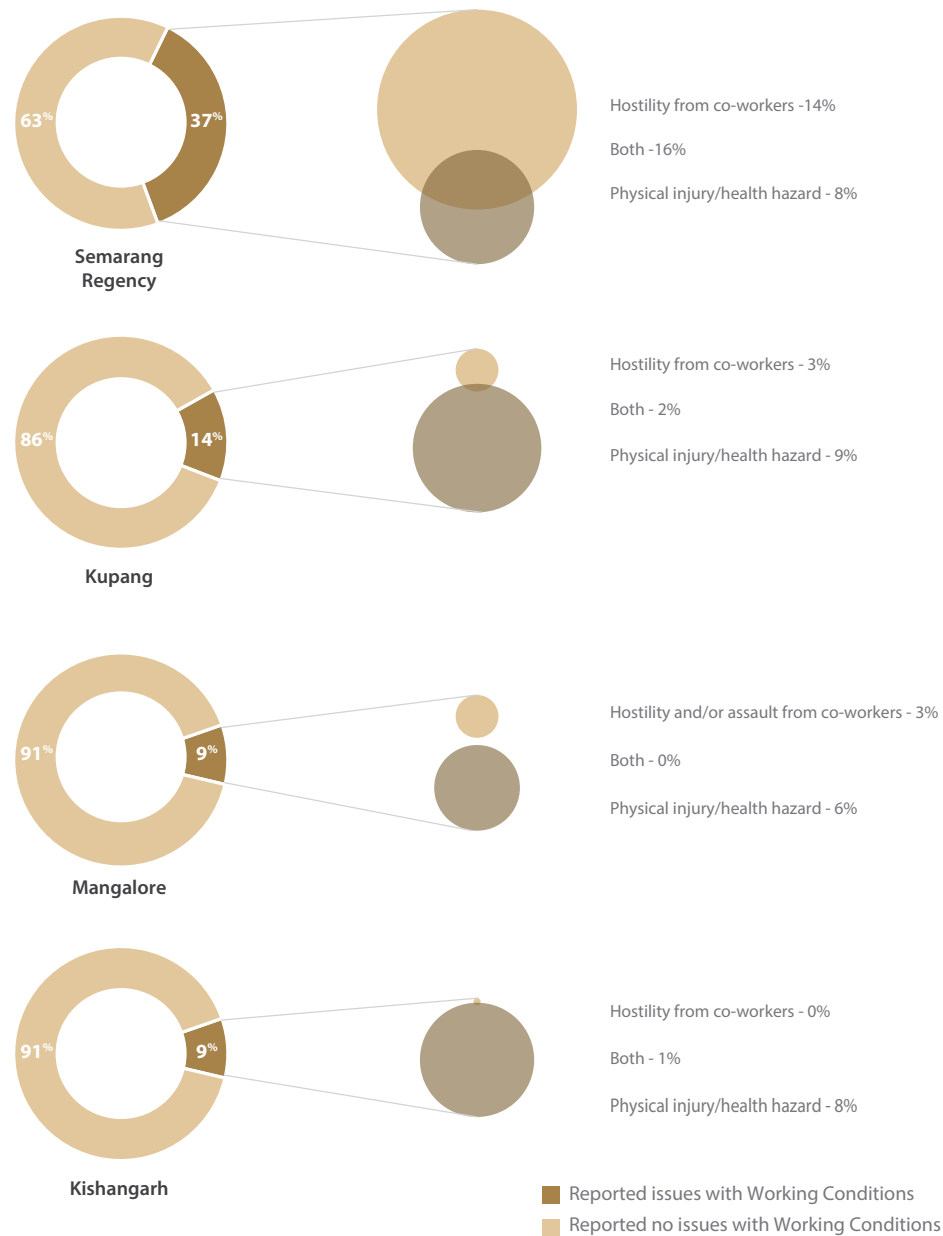
Feminization of work and migration

The predominantly female workforce in the industrial cluster of Semarang Regency exemplifies the feminization of work and migration that many scholars have described, which is linked with the functioning of global value chains in sectors such as garments.^{49,50,51} In our survey, 76 percent of women workers in Semarang Regency work in the industrial sector. Female migrants and commuters comprise a dominant share of this workforce. Women migrants in our sample are also more likely to contribute to family income back home as compared to male migrants (57.2 percent versus 53.6 percent).

Even though identities like ethnicity and caste are common channels through which young people find jobs, families appear at the center of young women's working lives, more so than for men. In Kupang, our survey results suggest that women migrate into the city from parts of the province

Figure 17

Share of Workers Reporting Workplace Hazards Across Case Cities (%)



Source: Primary Data

where women's claims to land are limited and their incentives to farm fewer. Though part of women's motivation to move may be the lack of opportunity afforded by conventions around land inheritance, they still report asking their parents for permission to migrate. One local practice involves rural families sending young women to live with relatives in the city – for whom they do household work in exchange for accommodation, meals and sometimes tuition fees to attend school.

In Mangalore, growing sectors like education, hospitality and healthcare have created specific work opportunities for women in teaching, front desk jobs at hotels and lodges and retail sales. In Kupang too, the retail sector is the major employer of women.

In India, owing to the practice of brides relocating to their marital home after marriage, about two-thirds of migrant women in the 2001 census cited marriage as their reason for migration. This often masks the fact that migrant women are more likely to work after marriage than non-migrant women. In 2001, migrants constituted 69 percent of the rural female work force, while 50 percent of female workers in cities were migrants.⁵² The trend of marriage migration is well reflected in Kishangarh, where nearly all the migrant women in our sample are married in comparison to 56 percent of migrant men.

Beyond the sphere of 'women's work'

Since the 1970s, feminist researchers have emphasized that work and employment are

gendered and that notions of 'women's work' – i.e. work that is 'natural' for women to do – reflect the social construction of gender.⁵³ Jobs seen as *appropriate* for women are often associated with care work, like child and elderly care, domestic work, healthcare and education, work associated with domesticity, like housekeeping, design and décor, or with occupations considered feminine, like beauty and fashion.

In our case cities, we see these work roles prominently: industrial work in the garments sector in Semarang Regency, where 'nimble fingers' are a prerequisite, care work in nursing in Mangalore, and cleaning, home-based crafts and tailoring work in Kishangarh. However, the growth of the services sector has created new work opportunities for young women in less gendered occupations. In Mangalore, growing sectors like education, hospitality and healthcare have created specific work opportunities for women in teaching, front desk jobs at hotels and lodges and retail sales. In Kupang too, the retail sector is the major employer of women. Young women in Mangalore are also opting for jobs in the knowledge economy, working in the few IT software and business process outsourcing (BPO) companies that have recently started operations in the city. There are indications, therefore, that work opportunities for women with higher education and skills do exist outside of the gendered occupations.

In a city like Kupang, these openings for women in sectors like retail afford them greater social and economic mobility than is available to men from poor backgrounds. Of the migrants in Kupang

who report plans to return home in our survey, no female respondent plans to work in agriculture after returning, while 34 percent of men do. While this might be related to women's limited land ownership, it also reflects the fact that women's employment in Kupang is in relatively higher-status jobs, like retail and hospitality, whereas men from poor backgrounds are more often confined to manual labor in construction, transportation and warehousing.

In Kupang and Mangalore, we find that many more men work in insecure jobs compared with women, often in low-wage, casual work, with frequent changes in employer.

Barriers and levers for women in small city labor markets

Work precarity within patriarchal structures

In Kupang and Mangalore, we find that many more men work in insecure jobs compared with women, often in low-wage, casual work, with frequent changes in employer. For example, 30 percent of the men in our sample in Mangalore are engaged in casual work, compared to only 5 percent of women. In Kupang, over 70 percent of the youth workers surveyed working in low-skilled occupations – such as manual labor or street vending – were men. Underemployment is also a key feature in male employment. In Mangalore, interactions with male workers at the labor *naka*^{xi} reveal that finding work everyday is not certain at all. However, the relative stability women find in their employment often comes

at a cost; their experiences of precariousness stem from their work being circumscribed within powerful patriarchal structures.

In Kupang, many young migrant women work in retail shops where their employer provides a higher degree of security. According to our survey, migrant women are the group most likely to be given meals (50 percent) and lodging (20 percent) by their employer. But these employers also place restrictions on the mobility of these women workers and expect them to work long hours without additional compensation. In fact, during qualitative research, it was difficult to find young female migrants whose employers would *allow* them to be interviewed. As per our survey, these women are the least likely to receive overtime pay, as compared to non-migrants and male migrants. Where female migrants are provided food and housing, some do not receive a wage at all; in fact, nearly 12 percent of women in the sample reported that they were not being paid for their work.

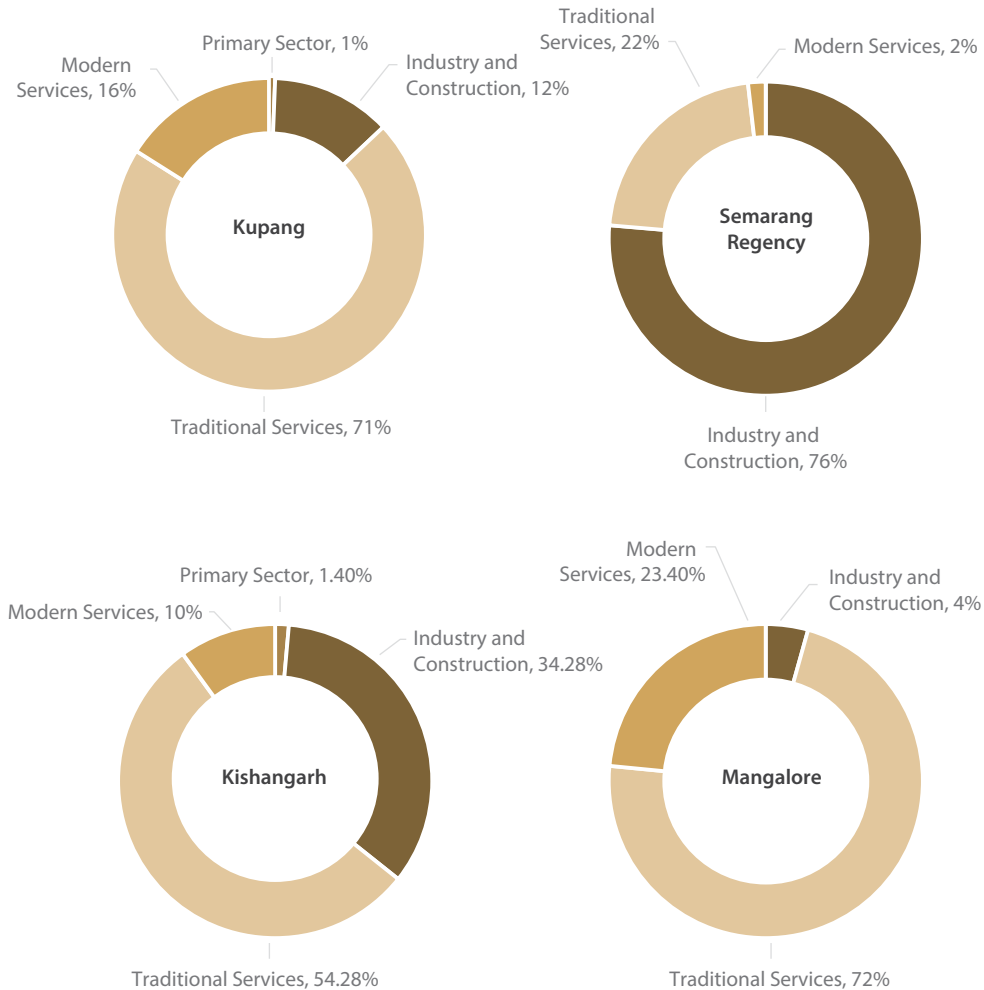
In Mangalore, where unions of female domestic workers are active in negotiating wages and working conditions, women still reported limited financial autonomy within the home, with many of them handing their pay over to their husbands at the end of each month.

In Semarang Regency, labor practices like performance-based remuneration reduce the income potential of women and compel them to work long hours. In focus groups in Semarang Regency, women articulate the need for improved minimum wages and social protection to deal

^{xi} A public space in the city where employers and contractors recruit daily-wage manual laborers.

Figure 18

Sectoral Composition of Women's Work in Four Case Cities



Note: **Primary Sector:** Agriculture, forestry and fishery; Mining | **Industry and Construction:** Industry; Construction | **Traditional Services:** Supply of electricity, gas, steam and air conditioning; Water supply, disposal, waste and recovery environment; Wholesale and trade retail, vehicle repairs; Transportation and warehousing; Lodging and Food services (Hotels and restaurants); Professional services, scientific and technical activities; Administration and services (Including rentals, Employment agencies, Security service agencies, Building service agencies, Travel agents; Civil servants and military; Education, health and social activities; Household services (cleaning/security); Automotive/electronic repairshop / garage | **Modern Services:** Information and communication; Finance and insurance; Real estate / home supply

Source: Primary Data

with the combination of long working hours and care responsibilities at home.

Another form of precariousness for women workers is the specter of job loss due to automation. In our case cities, women occupy the type of routine-intensive jobs that have the highest probability of being lost to computerization and automation.⁵⁴ Labor officials in Mangalore expressed concern over increasing automation in agro-processing industries like cashew and fish processing, where workers are disproportionately women. In the Indonesian case cities, 48 percent of female respondents work as plant and machinery operators/assemblers in the industrial sector – routine-intensive jobs likely to be automated in the near future – against a much lower 31 percent for males.

The triple burden on migrant women

While women's opportunity has been expanded by the growth of labor-intensive manufacturing in places like Semarang Regency, the women who power these industries face repetitive work with limited options for skill development. In the manner of Wolf's 'Factory Daughters,'⁵⁵ these women have limited scope for individual agency despite their employment – given that their incomes are more likely to be remitted to parents at home. In this way, migrant women in Semarang Regency experience a triple burden. In addition to the pressure of supporting households 'back home,' migrant women work difficult industrial jobs and also shoulder substantial responsibilities to family, both financially and in terms of care work. Despite working in the formal economy, short-term contracts, shrinking social protection,

lack of maternity benefits and rising costs of living add to women's problems.

Another form of precariousness for women workers is the specter of job loss due to automation. In our case cities, women occupy the type of routine-intensive jobs that have the highest probability of being lost to computerization and automation.

In Kishangarh, this triple burden works differently. First, in Rajasthan's rigidly patriarchal and caste-based social structure, they have to negotiate restrictions on mobility and stigma against women's work. Additionally, young women have to adjust to the city as 'marriage migrants,' often coming from rural backgrounds where they might have acquired skills that are not a good fit for work in the city. The few women in our sample who work do so in very low-paid, exploitative work – including sorting and cleaning jobs in the marble sector, domestic work, home-based work like tutoring, and small-scale retail, tailoring and craft. Most of these women are from the low-income households that cannot afford for them to exit the labor market. Women report that the additional income helps them support expenditure that is not prioritized by men in the household, like educating daughters. Additionally, social practices like *purdah* (veiling) and the control of young women's mobility by husbands and mothers-in-law restricts interactions with the world outside of the family. Without this exposure, women have little access to new information and skills, adding to their difficulty in accessing and performing remunerative work.

Limited career pathways

In some of our case cities, the issue of limited career pathways is especially pronounced for women. The problem of 'dead-end' jobs for industrial workers in Semarang Regency, for example, is particularly acute for women since they disproportionately work in these sectors. For those women who might seek to start their own businesses after exiting factory work, finding start-up capital may be an issue. Female entrepreneurs in our survey were less likely than male entrepreneurs to get their initial capital from financial institutions or relatives and more likely to rely on their own personal savings. The absence of career pathways makes them vulnerable once their productivity falls or they become pregnant, many women end up in unpaid family work or low-productivity micro-enterprises.

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Similarly, in Mangalore, women's unions and the local government's employment department expressed concern in interviews over the lack of skill development opportunities and capital for middle-aged women who are seeking to re-enter the workforce after having taken a break to raise their children.

Supportive institutions, formal and informal

Despite the challenges faced by women in employment, we do find some supportive institutions and practices that make it easier for women to manage precarious jobs or navigate patriarchal structures. Some of these institutions are market-led, others come through self-organisation and social welfare mechanisms by national governments, but planning norms and urban design practices also have a significant influence. In that sense, we find that small cities might have particular opportunities to create conducive environments for people to work and be productive. In our case cities, we find such factors are relevant for women's work.

In Semarang Regency, migrant women rely on a system of boarding houses, locally known as *kosts*, which offer accommodation that is decent, safe, affordable, and in most cases proximate to their place of work. Over 70 percent of migrants live within five kilometers of their workplace and 23.5 percent walk to work. Due to the prevalence of *kosts*, 63.6 percent of female migrant workers aged 15-19 live with colleagues. The communities that form around *kosts* act as a support network for young women to navigate a new environment and labor market, especially given that only 55.7 percent feels safe leaving home at night – in contrast to nearly all migrant men. Similarly, in Mangalore, employers organize rental accommodation in the form of 'paying guest' hostels to attract young female workers and assure families of the safety of their daughters – though the significance of this housing system in India is far less, with only

about 5 percent of the women in our Mangalore sample living in shared accommodation.

In Semarang Regency, the formal banking system is also highly accessible to women; a greater share of female migrants in our sample have bank accounts than male migrants (87.4 percent as compared to 57.5 percent).

Efficient and safe para transit and bus services, including motorcycle taxis, enable female commuters to move between home and places of work. In Semarang Regency, the share of migrant women using public transportation, while still low (12.3 percent), is twice as high as the share of non-migrant women and four times as high as the share of migrant men. Additionally, good road networks and cheap credit for motor scooters means that they have become affordable for the vast majority of young women, who can now commute independently and at little financial cost.

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Mangalore has for decades had a robust regional bus system that is managed by the government but run by private operators. This public transport system is important for women's mobility: 78.2 percent of our female respondents use it regularly. Interviews with transport authorities and the police revealed that safety and sexual harassment,

prominent issues with women's mobility in urban India, are far less acute in Mangalore.

In Kishangarh, where women commute on foot, they report neighborhoods to be safe because of the smallness of the city, where people know each other. The *purana sheher*, the old city, where people have lived as neighbors over generations was often referred to in this context. But these conventions go both ways in terms of women's agency. Female respondents also discussed their over-dependence on extended family for childcare, pointing to the lack of public childcare services and high costs of private childcare.

In Kishangarh and Mangalore, self-help groups are instrumental in helping poor women operate savings and credit schemes to meet emergency expenses and even start new businesses. Local governments in both cities were supportive of such efforts, and enabled these entrepreneurs to reach out to appropriate markets where possible.

The role of unions and workers' organizations in supporting women is mixed. In Semarang Regency, women are more likely to be part of a workers' organization or union than men (37.8 percent of migrant women versus 8.5 percent of migrant men). Although unions in the regency are not generally considered effective advocates on issues of working conditions and wages – part of why the local government advertises a “conducive” business climate – the participation of women in these organizations still shows a degree of collective agency. Unions in Mangalore have been effective in articulating the demands of contract workers in the government's childcare program for regularization of their work, and

in protecting domestic workers from wage irregularities.

In Kupang and Kishangarh, however, kinship networks based on caste, religion and ethnicity play a stronger role in facilitating both men and women's access to jobs and navigation of the city. The fact that these informal institutions are embedded in patriarchal social structures makes it unlikely that they would facilitate women's empowerment.

Despite the opportunities available, small cities can also be restrictive, only different in degree from the social norms of the village. Whether it is young women pushed into precarious work in Kishangarh because of social stigma against working women or girls working under family-appointed patrons in Kupang, women's work in small cities remains circumscribed within strong patriarchal structures.

Carving out space: women's relationship with the small city

Despite the opportunities available, small cities can also be restrictive, only different in degree from the social norms of the village. Whether it is young women pushed into precarious work in Kishangarh because of social stigma against working women or girls working under family-appointed patrons in Kupang, women's work in small cities remains circumscribed within strong patriarchal structures. We find that, much like Kandiyoti⁵⁶ suggests in her thesis on 'bargaining with patriarchy', women negotiate within their

households and communities in order to tap into the opportunities being offered by the small city.

Intra-household negotiations

In patriarchal societies like India and Indonesia, women's future prospects are closely tied to marriage. Therefore, it is not surprising that young women negotiate and strategize around marriage in order to improve their prospects for work.

In Kishangarh, where north Indian patriarchal norms severely stigmatize women's work outside of the home and restrict the mobility and agency of women as well, young women are under considerable parental pressure to marry, sometimes very early, even in their teens. Despite the city's conservative social context, young women across social class are preoccupied with delaying and negotiating marriage. Their first strategy is to place pressure on themselves to perform well at school and college in a bid to delay marriage, a strategy that parents often support in the hope that educated girls will get better husbands. Their second strategy is to appease parents and bargain for time. One respondent in our focus group succeeded in studying away from the city, in a metropolis where she experienced less parental interference: her bargaining tactic was a promise to immediately acquiesce to any suitable match her family made during her time away.

A similar strategy in small cities is to seek work within family enterprises, like managing retail shops or starting new home-based businesses like tuition classes, using capital that parents or parents-in-law provide. For example, the same

respondent used her education to make a soft entry into the workforce by first volunteering for an NGO, and later setting up a hospitality business with her father. Finally, a third strategy is to negotiate for marriage into what they perceive as a more progressive household, looking for educated spouses in desirable locations; for instance for rural girls, this could be a small town. From these 'better' marriages, they expect more exposure and the possibility of work outside the family.

In Semarang, Kupang and even in Mangalore, it is common for women to continue working after marriage. But marriage is still prominent in women's decisions about work. In Semarang, where rural industrialization is not a new phenomenon, women's work in manufacturing declines when they are older. In general, women who get married in the city and continue to work, while those who do not find a husband return to rural homes once they stop working in the factory. In Kupang, where women marry later, being in the city away from the influence of the family gives them the freedom to delay marriage.

In Semarang, Kupang and even in Mangalore, it is common for women to continue working after marriage. But marriage is still prominent in women's decisions about work.

Finally, across case cities, young women's work is impacted by care responsibilities, which fall squarely in their domain with very little responsibility being taken by spouses. This creates over-dependence on extended family

networks for women who continue to work. In Mangalore, women often leave the workforce when they have children, and struggle to re-enter afterward. Overall, the absence or inadequacy of affordable public childcare systems added to women's burden.

Exposure, risk taking to seize opportunities

The opportunities that small cities offer women depend not only on the nature of the local labor market, but also on the patriarchal context of the region where the city is located. In all four case cities, economic opportunity is influenced by the intersection of gender with economic class, religion, and caste or ethnicity.

In Semarang Regency, the homogeneity of religion and the minimal differences between the development levels of rural and urban areas allow women greater agency in spousal selection. However, migrant women maintain close ties to home (visiting 8 times on average per year) and are likely to plan to return home (59.5 percent), suggesting limited scope for establishing an independent personal and professional identity.

Rajasthan's restrictive patriarchal norms disallow freedom of spousal selection in Kishangarh. The control over women's bodies means that women hardly find themselves meeting new people or having new experiences. And while Kupang's diversity makes it a place of novel experiences and interactions, women are less likely than men to see the city as a place of social and cultural exposure; the notion of Kupang as "the city that has everything" among migrants is therefore a gendered perception.

In Mangalore, high human development indicators, sustained economic growth and emphasis on education have meant that young women are pushing the envelope, moving into new areas of work. Yet, the majority of youth migrating abroad in pursuit of well-paying jobs are male, while young women often get parental consent to work in locations nearer home.

Overall, in order to succeed, young women have to exhibit risk-taking behavior and push back on patriarchal norms, whether the outcomes are the ability to participate in the labor market, as in Kishangarh, or find new opportunities in the other three cities.

PLANNING THE SMALL CITY

In the experience of most advanced economies, urbanization and prosperity have gone hand-in-hand because, in addition to productive jobs, cities have offered higher quality services and infrastructure – sustaining prosperous and innovative economies. The extent to which small cities in India and Indonesia are thriving as urban centers is a matter of debate, but it is clear that the success of young people in these places depends on a wider set of factors than their employment prospects. Moreover, the quality of employment available to them will depend in part on the sort of services, infrastructure, and quality of life these cities offer.

In this sense, the structure, processes and capacities of government are key. In addition to these concerns, another vital question looms: Do small cities have a vision for their social and economic future? Can they articulate these goals

and chart pathways to a future that balances concerns around employment, economic mobility, and equity? In other words, do small cities plan – and if they do, how well?

The extent to which small cities in India and Indonesia are thriving as urban centers is a matter of debate, but it is clear that the success of young people in these places depends on a wider set of factors than their employment prospects.

Agency a pre-condition for capacity

Before considering whether and how small cities plan, we must consider whether small cities have the agency to govern themselves. Both India and Indonesia have embarked on ambitious decentralization programs, but with different aims and different effects.

Both countries initiated decentralization around the same time. In 1992, India passed the 73rd Amendment to the constitution – which enhanced the authority of a traditional rural governance institution, the *panchayat* – and the 74th Amendment – which created urban local bodies (ULBs) in cities. Indonesia introduced Laws No. 22/1999 and No. 25/1999 after the fall of Suharto in 1998, transferring major political authority and financial resources to the third level of government, *kotas* (city) and *kabupatens* (regency) – which are co-equal administrative units one tier beneath the province.

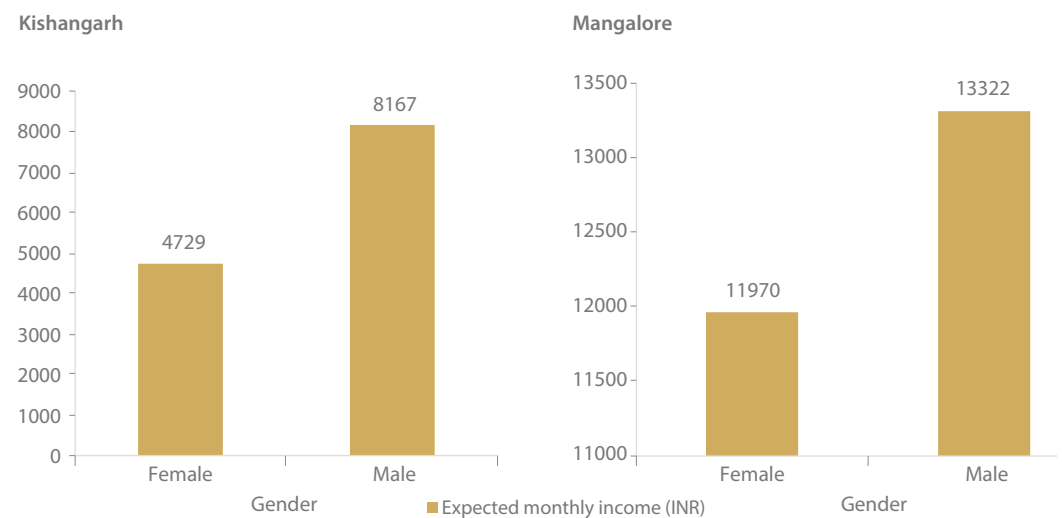
A key difference in these decentralization processes is that Indian states retained

importance as the tier of government that receives and disburses central government grants and loans. In Indonesia, meanwhile, *kotas* and *kabupatens* receive large fiscal transfer directly from the center. As a result, Indonesian urban areas – especially *kotas* – have much more control over their affairs than do Indian cities. According to law, local governments in Indonesia have been given several key governance functions – including health, education, public works, infrastructure, services, environment, transport, agriculture, manufacturing, industry and trade, land, labor and capital investment. In reality too, they do perform many of these functions, and they remain in charge of their budgets with significant

authority over expenditure. As described above, much of the drive to build a manufacturing sector in Semarang Regency has come from local initiative in *kabupaten*-level agencies.

However, in the sudden transition away from centralized government, local governments in Indonesia lacked economic planning capacities.⁵⁷ In India, the constitutional promise made to localities – authority over land use, urban planning, economic and development planning, water, health, and sanitation, among others – has not been delivered. Municipalities are effectively reduced to managing solid waste and providing sanitation and have neither the agency nor

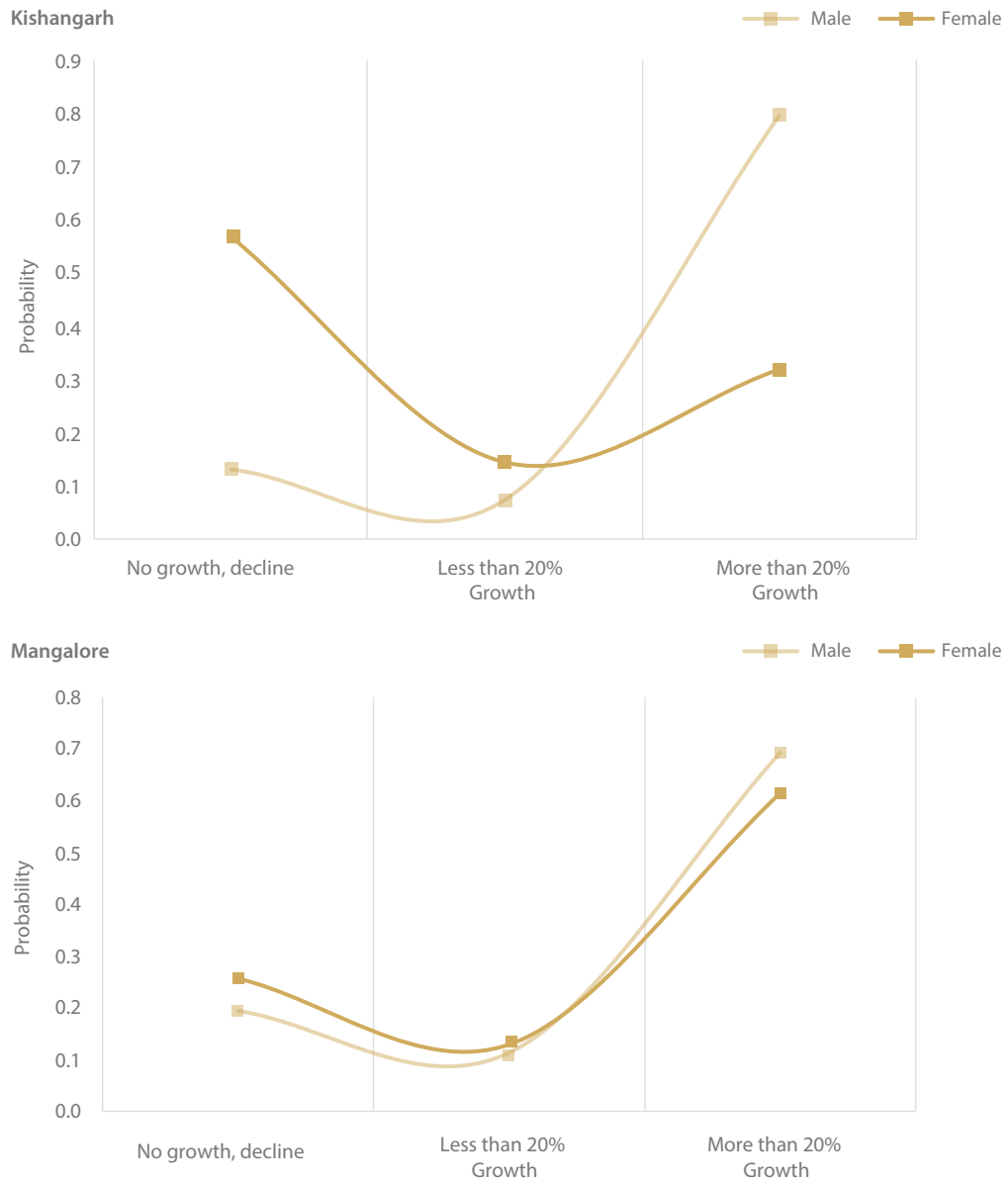
Figure 19a & 19b
Expected Monthly Income for Kishangarh and Mangalore
(Predictions from Regression Analysis)



⁵⁷ Regression technique - The ordered logit model is a regression model for an ordinal response variable. In an ordinal logistic regression model, the outcome variable is ordered rather than continuous and has more than two levels. The model is based on the cumulative probabilities of the response variable: in particular, the logit of each cumulative probability is assumed to be a linear function of the covariates with regression coefficients constant across response categories.

Figure 19c, 19d, 19e & 19f

Income Growth Probability by Gender



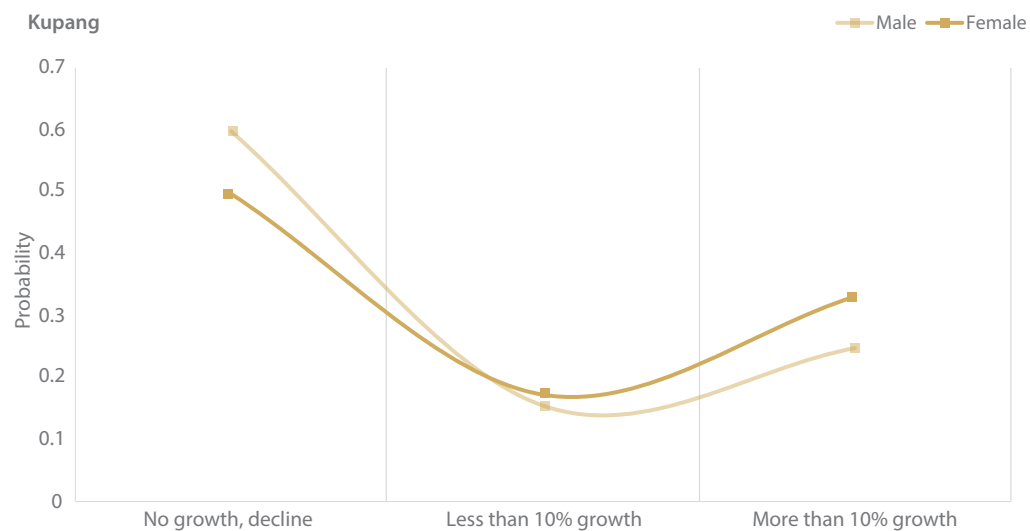
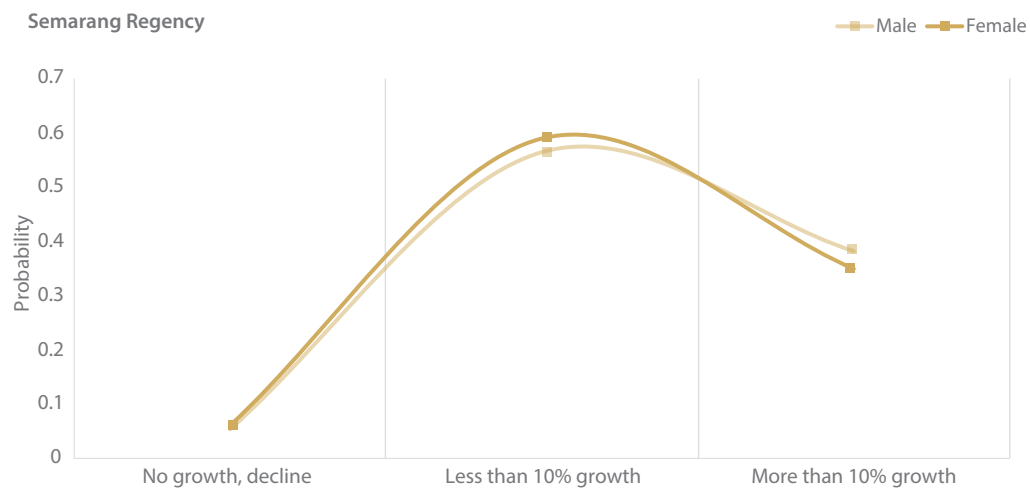
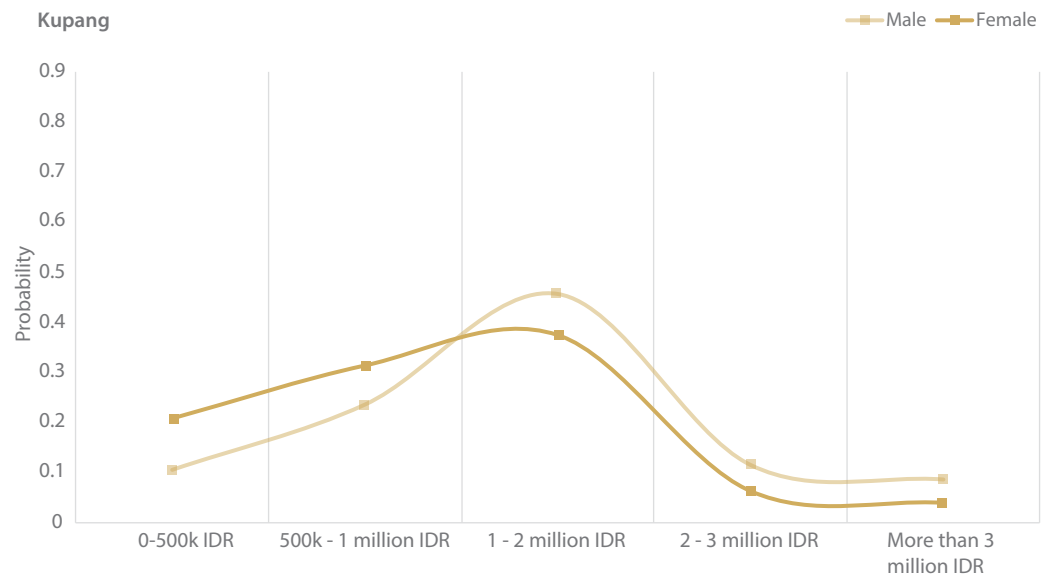
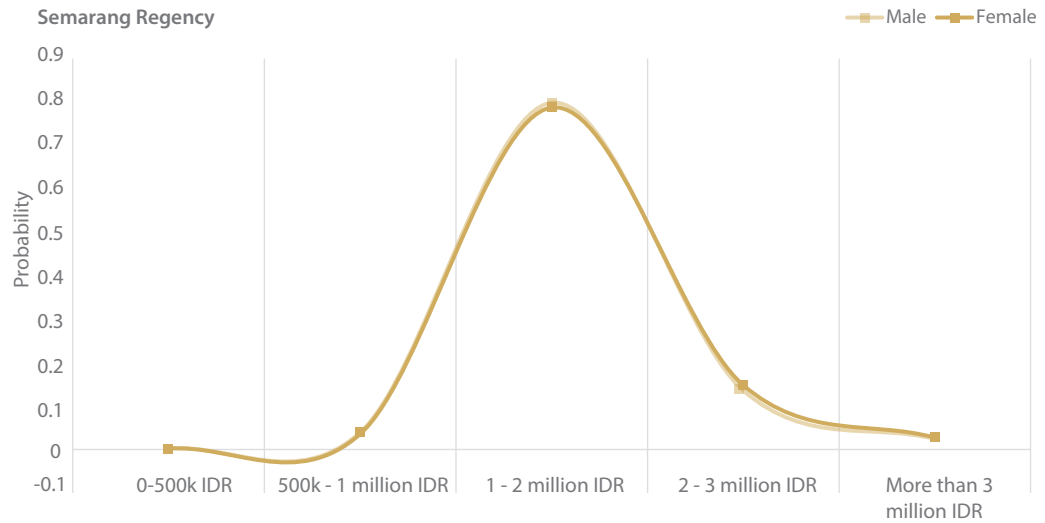


Figure 19g & 19h

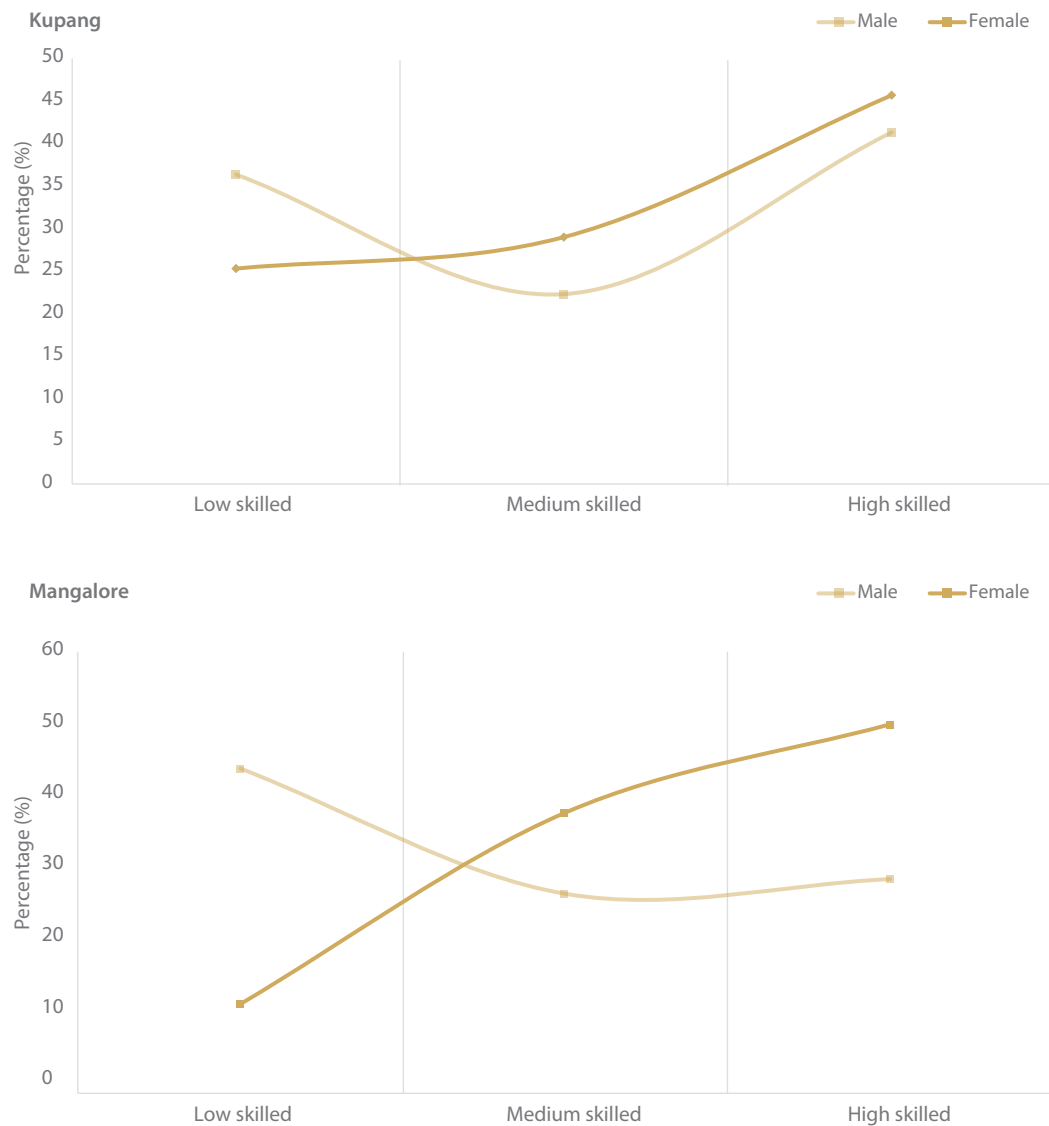
Monthly Income Probability by Gender



Source: Primary Data

Figure 20

Women's Work as Compared to Men's Work in Terms of Occupational Skill, Kupang and Mangalore



Source: Primary Data

the capacity for effective local governance. In Kishangarh and Mangalore, industrial and infrastructure development is driven entirely by state and national government.

In both countries, however, the ability for local governments to collect taxes is limited. Cities, regardless of size, have been by and large unable to tap the potential of land and property taxes, though leasing and auctioning land to private developers is a common form of revenue.



Kishangarh's new railway station, built because the Dedicated Freight Corridor, a mega infrastructure project, now passes through it. (photo credit: Amit Mahanti)



Worker from a neighbouring village operating a marble polishing machine in Kishangarh
(photo credit: Amit Mahanti)

Box 1

The State of Service Delivery in Small Cities

While decentralization appears to have met its key goal of improved local service delivery in Indonesia, this remains a major concern in Indian cities. However, given the neoliberal context in which our case cities function, there is pressure to think beyond public sector models for service delivery and to develop frameworks to manage private sector participation in the provision and improvement of services.

Housing

In Indonesia, residents of *kabupatens* (regencies) are less likely to live in high-quality housing^{xiii} as compared to residents of *kotas* (cities). In peri-urban and rural areas,^{xiv} 64.4 percent and 70.4 percent of the population, respectively, live in housing with plastered or concrete walls – the Indonesian government’s definition of decent housing. There is not a substantial difference, however, in quality of housing between non-metropolitan *kotas* and metropolitan *kotas* – 83.7 percent versus 91.2 percent, respectively.⁵⁸

The relatively high quality of housing in non-metropolitan Indonesia is reflected in our case cities; 95 percent of respondents in Semarang Regency and 94 percent of respondents in Kupang live in housing they consider to be high-quality.

Kishangarh fares relatively well on housing: only 7.1 percent of non-migrants and 13.2 percent of migrants live in housing with non-permanent

materials. Differences are stark between migrants and non-migrants in terms of housing quality in Mangalore, and migrants are more likely to live in dilapidated homes (11.7 percent of the migrants in our survey) as compared to migrants (only 2.5 percent).

Sharing arrangements, usually enforced through oral contracts, are common for youth across our case cities and are particularly vital for migrants. Among our survey respondents, over half the migrant renters in Kishangarh and 71 percent in Mangalore shared their space with other migrants. The boarding-house system (*kost*) – with private rooms and shared toilets and kitchens – provides a large share of migrant housing in both Indonesian cities: 59 percent in Semarang Regency and 48 percent in Kupang. Some migrants across both countries also live in employer-provided rental accommodation – 5.8 and 12.8 percent, respectively, in Mangalore and Kishangarh, and 4 and 10 percent in Semarang Regency and Kupang.

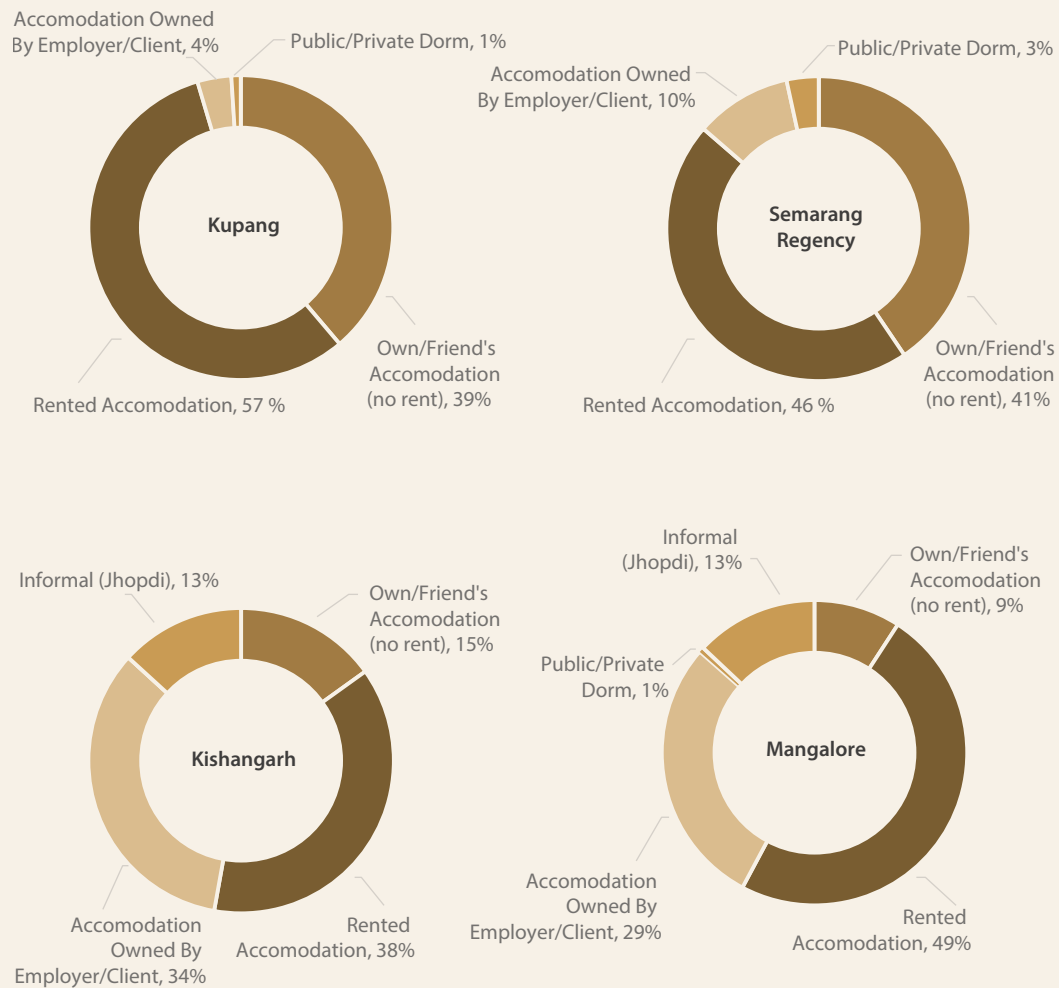
While decentralization appears to have met its key goal of improved local service delivery in Indonesia, this remains a major concern in Indian cities. However, given the neoliberal context in which our case cities function, there is pressure to think beyond public sector models for service delivery.

^{xiii} Housing is considered high-quality if it has plastered or concrete walls.

^{xiv} Peri-urban refers to *kabupatens* (regencies) that are urbanizing (at least 27 percent urban, half as urban as Indonesia) and lie within major metropolitan areas. Rural refers to *kabupatens* that are urbanizing (at least 27 percent urban) and do not lie within major metropolitan areas.

Figure 21

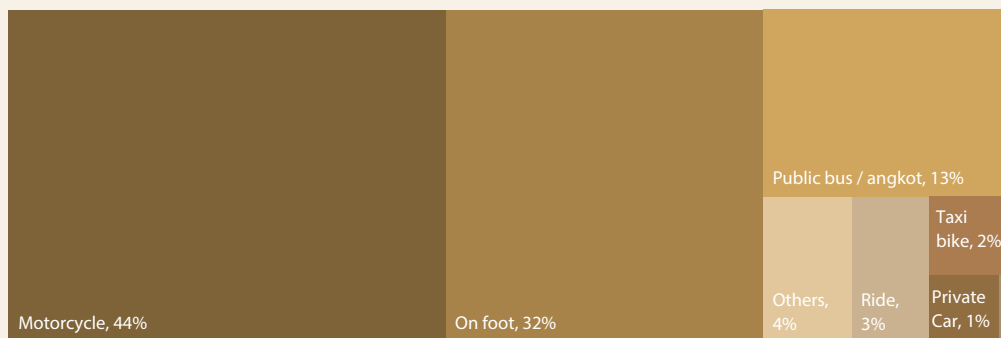
Housing Arrangements of Migrants



Source: Primary Data

Figure 22
Mode of Transport to Work

Kupang



Semarang Regency

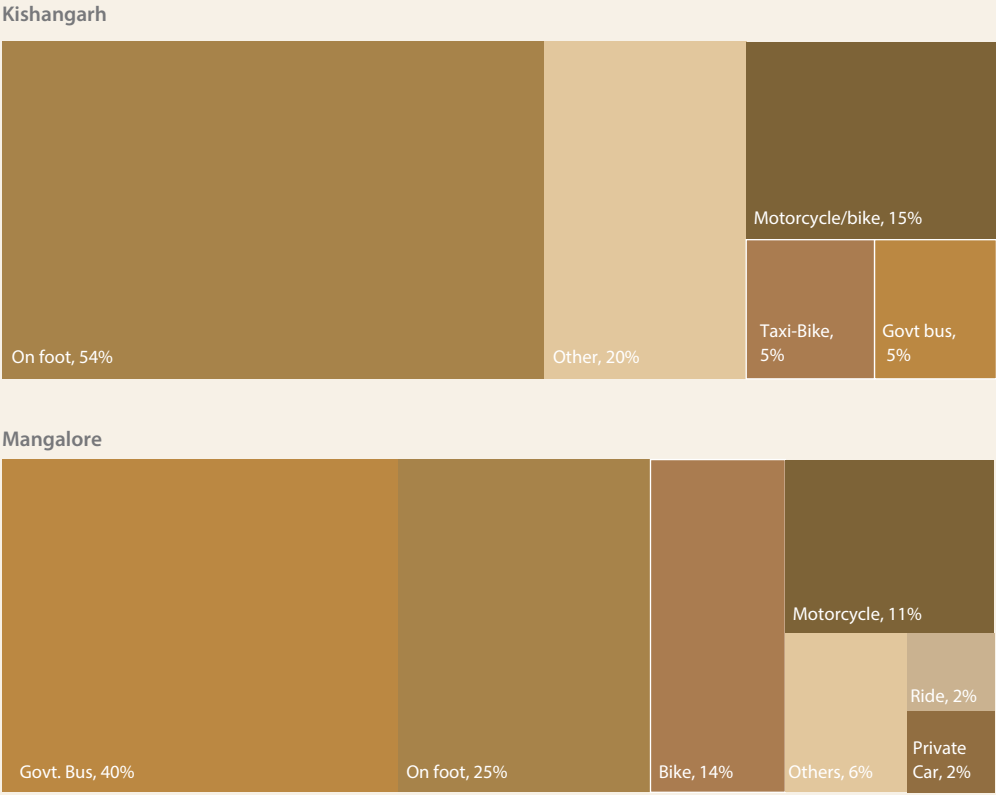


Transportation

The multiple forms of mobility that small cities experience not only impact the kind of housing they require, but also influence their transportation needs. In Kishangarh, the majority of workers — about 53.6 percent of our sample— walk to work because they live in close proximity to their places of work, or work and live in the same premises (10.3 percent). Both Kishangarh and Mangalore are important destinations

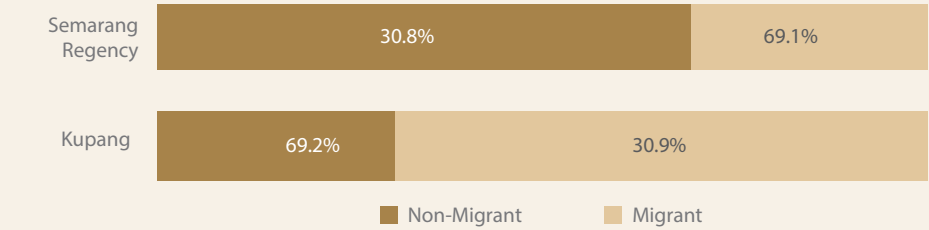
for commuters, however, who tend to travel significant distances to their place of employment by motorcycle (11.3 percent) and public bus (4.8 percent). In Mangalore, 35.6 percent of respondents live 5-10 kilometers away from work, while 1 in 5 lives 10-29 kilometers away, and 5.2 percent live 30 or more kilometers away.

In Semarang Regency too, motorcycles are the ubiquitous mode of transport among workers (81 percent), though some use shared mini-buses



Source: Primary Data

Figure 23
Shared Transport, by Migrant Status



Source: Primary Data

and vans, which are usually privately operated. In both Semarang Regency and Kupang, migrants are more likely than non-migrants to use shared transport options.

Water and sanitation

While in India, there are dramatic differences between metropolitan and non-metropolitan urban settlements when it comes to water and sanitation, virtually no differences are observed in Indonesia. For example, when it comes to improved drinking water, non-metropolitan urban areas actually fare better in Indonesia; while only 40 percent of households in metropolitan cores have access, the figure is 55.7 percent in small cities.

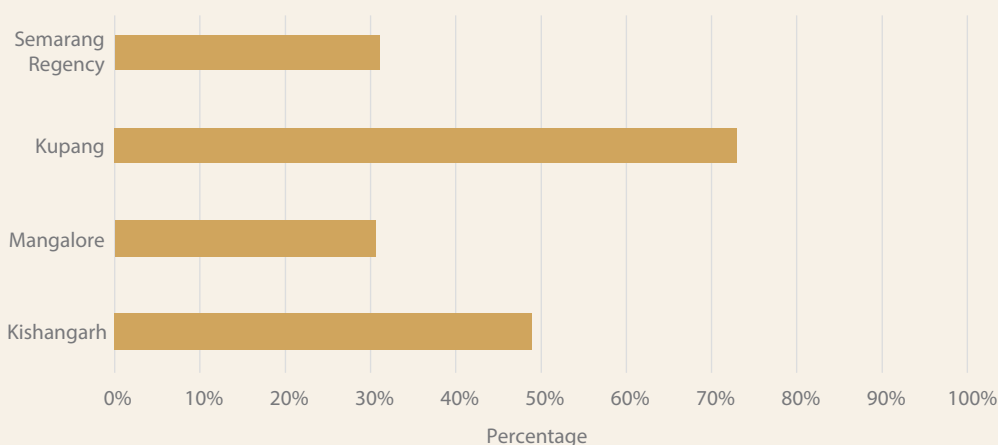
In Indonesia, in both metropolitan and non-metropolitan urban areas, the share of households with an in-house toilet is above 80 percent, and over 90 percent in both metropolitan and small

kotas. In both our Indian case cities, by contrast, the problem of open defecation is significant: about 20 percent of respondents in our survey in Kishangarh and 7.6 percent in Mangalore. Only 4 percent of metropolitan households in India rely on open defecation.

But even in cases when households have access to toilets, those facilities may be creating a hidden sanitation crisis. In small cities like Kishangarh, private investment in toilets and non-networked sewer systems is growing rapidly – alongside (often illegal) borewells for underground water. In Kishangarh, 70 percent of our survey respondents depend on septic tanks, and of these, 80 percent reported that their septic tanks were not regularly cleaned. This lines up with the situation in Indonesian cities. A startling 83 percent of respondents across the Indonesian case cities have a septic tank that is rarely or never emptied. The ecological consequences of such

Figure 24

Access to Public Health Facilities



Source: Primary Data

poor sanitation infrastructure could be disastrous in the long run.

The situation is relatively better in Mangalore, where the Karnataka Urban Development and Coastal Environmental Management Corporation project availed a loan from the Asian Development Bank in 2003 to improve the city's water and sewer infrastructure. About INR 36 million (US\$ 500,000) was spent on the city at the time, and in our survey 46 percent of respondents had access to sewered sanitation. Now a second tranche of money from the ADB of US\$ 75 million is being invested in 24-hour water supply in four coastal towns, including Mangalore.⁵⁹

Healthcare

In Indonesia, peri-urban and rural areas are least served by hospital facilities, but metropolitan

and small *kotas* are on par in this regard. We see this reflected in peri-urban Semarang Regency, where only 31 percent of our respondents turn to government-run centers – either hospitals or clinics (*puskesmas*) – to access health care. With women and non-migrants least likely to use public health facilities, there is still much room for improvement in improving access among these groups. This stands in contrast to Kupang, where 73 percent of our respondents access public health facilities and access among women and migrants is highest.

Access to public healthcare is low in Kishangarh, where the only functional hospital is a charitable one run by the Kishangarh Marble Association. In Mangalore, 68.6 percent respondents use a private clinic or hospital as compared to 30.8 percent who go to a government hospital.



The coastal region in which Mangalore is located exhibits an integrated rural-urban landscape, reminiscent of the *desakota* in Java (photo credit: Pranav Kuttaiah)

Planning within a multi-level governance framework

Our case cities reflect the differences in the agency of local governments in India and Indonesia, but they also demonstrate the varying ways in which local and higher levels of governments interact, with specific consequences for employment and migration.

In Kishangarh and Mangalore, urban local bodies are understaffed and overworked. Their key function is limited to organizing sanitation and waste disposal services, while important functions like planning and infrastructure development are executed by district- and state-level government. Local governments are not generally consulted before top-down investments are made, though they are expected to deal with the problems that result from poorly planned development. For example, recent infrastructure projects including industrial parks, a new rail freight corridor, a private sector logistics park and a new airport have positioned Kishangarh to become a transportation and logistics hub, but the municipality was not involved in planning these projects nor does it have the capacity to estimate the impact of these new developments on land prices, housing demand or demographics.

Since the planning department of the Rajasthan state government drafts the master plan for Kishangarh, the municipality has no instrument for articulating future visions for growth and development. These top-down processes appear efficient, but are vulnerable to the influence of powerful factions among local and regional elites. This is evident in the lack of implementation of

labor laws by the district labor department and the ceding of control over labor issues to the Kishangarh Marble Association, which represents the interests of employers. In Mangalore too, the municipal corporation's work is embedded within the district's functioning and overseen by the district commissioner, who manages even city-focused projects under the Smart Cities Mission, with a smaller role for the municipality.

In Kishangarh and Mangalore, urban local bodies are understaffed and overworked. Their key function is limited to organizing sanitation and waste disposal services, while important functions like planning and infrastructure development are executed by district- and state-level government.

The top-down governance model plays out differently in Kupang, where economic development is powered by central government infrastructure investments and the powerful influence over urbanization and development trajectories that accompanies them. Local government is not disconnected, like in Kishangarh, but as in Mangalore, higher levels of government set the tone. For example, Kupang's vision of itself as a 'transit' city for the tourism sector is mostly a local echo of provincial and central government policies aimed at enhancing the tourism potential of East Nusa Tenggara.

In Central Java, where Semarang Regency is located, local governments are actively involved in attracting investment to set up manufacturing

firms in urbanizing regencies. The local government's main goal, therefore, is to achieve an investor-friendly business climate, which underlies a focus on keeping labor affordable and compliant and land costs low. In this context, regencies compete with each other for the same pool of investors, a competitive scenario encouraged by provincial governments who benefit from the taxation of enterprises.

In peri-urban locations like Semarang Regency as well as in rural locations – i.e. urbanizing regencies further from metropolitan areas – local governments also struggle to balance the needs of rural and urban development, especially since their capacities for planning and management are less robust as compared to *kotas*. Here too, national schemes shape the power of local governments to strategize and plan. The *Dana Desa* program, which provides block grants for rural development through direct transfers from central government to villages – many of which are within urbanizing regencies – bypasses *kabupaten* governments and places extra power in the hands of village authorities who may or may not be interested in an integrated, regional approach to urban planning. Such programs, which affect the ability of urbanizing regencies to adopt appropriate urban governance frameworks, are reminiscent of India's lucrative rural development schemes that effectively encourage state governments to retain rural *panchayat* government in settlements that have already urbanized in order to obtain more central government funding.

The struggle with envisioning economic futures

How do these governance arrangements impact the ability of small cities to set mid- and long-range goals for youth employment and the complex forms of labor mobility they experience?

A combination of weak state capacity at local levels and top-down governance results in the inability of schemes to respond to local needs, as we discovered during interactions with officers in charge of the National Urban Livelihoods Mission in both Indian case cities. Interventions were limited to the guidelines of the scheme, stymieing innovative localized approaches to provide targeted skills development, entrepreneurship assistance or scaling up of small enterprises. In this regard, the efforts of the district commissioner and local chambers of commerce to set up incubation centers for IT entrepreneurs and skills centers for industry in Mangalore are a good start, but these too have been implemented without the involvement of local government.

A combination of weak state capacity at local levels and top-down governance results in the inability of schemes to respond to local needs.

In Kupang, top-down governance with low levels of coordination between tiers of government and among government departments has led to a number of disconnected programs related to jobs – each one too small and siloed to have a real impact on the local labor market. In Semarang Regency, local government does not appear to

Box 2

How is “the city” imagined beyond the metropolis?

While housing, transportation, basic services and social amenities considerably influence quality of life, young workers also frame the livability of a city in terms of the access to entertainment, public spaces, social relations and a host of other experiential factors. The case cities chosen for this research prompt us to consider what kinds of belonging are found in urban places beyond the metropolis.

Small cities are sometimes imagined in the ways that big cities are described, in terms of both the economic opportunity and excitement they offer – the latter a more intangible but important driver of migration (the “bright lights theory”).⁶⁵ Kupang was described in qualitative interviews as “the city that has everything.” Exposure to different languages, cuisines and cultures is part of the migration experience, though this sort of cosmopolitanism is more accessible to men than women. Community leaders suggested that Kupang is a place where young people come to perform the urban – as they know it from images of places like Jakarta.

On the other hand, the “bright lights” of the small city are not evident in all non-metropolitan towns. In Semarang Regency, we find that most migrants do not imagine their migration destination as a city at all – but rather a place much like their home. What distinguishes Semarang Regency for these migrants is not its overall quality of life or level of excitement, but rather the availability of minimum wage, formal economy jobs. In terms of level of development, the regency is not very different from many of the rural and peri-urban places from which migrants originate.

have a strategy for economic development that grapples with the risk of losing the ‘footloose’ garments sector currently located there.

Local governments in small cities also struggle with understanding the complex mobilities they experience. While anti-migration viewpoints that advocate the protection of local jobs are sometimes expressed, the depth of anti-migrant sentiment is not as great as in the political cultures

of metropolitan cities. For example, regional political parties in India frequently campaign on anti-migrant platforms in cities like Mumbai and Bangalore, and Jakarta’s government recently revived its *Gerakan Kembali ke Desa* (Return to the Village Movement). Sentiments have not reached this point in small cities; nevertheless, as with long-term economic futures, local governments have little vision for what it may mean to integrate or cater to migrant populations.

This sort of relationship between migrants and the city – in which the economic motivation to migrate greatly outweighs any other motivation – emerges in our findings on Kishangarh as well. Migrants there exhibit an intense nostalgia for the village and high comfort levels with rural society. Kishangarh offers little by way of a city lifestyle – no movie theatres, no parks or public spaces. Even Internet access via affordable 4G connections on personal mobile phones is a recent phenomenon. For migrants, the city, where relationships are strongly circumscribed by caste, and to lesser degree by class, is not dramatically different from the village on non-economic parameters.

Mangalore, on the other hand, is neither like Kupang – imagined as a “city with everything” – nor is it like Kishangarh or Semarang Regency, where migrants tend to describe their experience in mostly economic terms. Instead, young workers in Mangalore describe it as a destination whose advantages are distinct from those of a metropolitan area. They perceive that the city, in contrast to deteriorating conditions in large cities like Bangalore, offers a higher quality of life at lower costs of living. In our focus group discussions, young IT entrepreneurs talked about the convenience of “going home for lunch” and migrant workers spoke about the pleasures of “eating ice cream at the beach” and spending time with friends from diverse backgrounds and gender, something they could not imagine happening back home.

These cases highlight the diversity of the rural-urban migration experience in small cities and the range of social, economic and geographic factors that shape the perceptions of migrants about their new environments.

CHALLENGES AND POTENTIAL IN SMALL CITIES: A SYNTHESIS

The growth of small cities represents an important turning point in the development trajectories of India and Indonesia – pointing toward a future where prosperity spreads wider, in geographical terms, in these countries. Nevertheless, as the themes outlined in this report make evident, the story of small cities in India and Indonesia is mixed and much is yet to be written. Signs of great potential are tempered by evidence

that is more foreboding. In this section, we synthesize these opportunities and challenges before offering policy recommendations toward strengthening the role of small cities in realizing the demographic dividend and forging the creation of inclusive economies in India and Indonesia.

The Potential

The four cases selected for this research illustrate in different ways the potential of small cities to

serve as agents of structural transformation in contemporary emerging economies.

First, as we began this report by emphasizing, a large share of the youth who make up the demographic dividend live and work in small cities. The workforce of all four of the cities we examined is characterized by its youth and aspiration. In Kupang, for example, about one-third of the youth workers we surveyed migrated with education as their primary motivation. In Mangalore, many migrants have gathered work experiences from across the country before deciding to make this relatively prosperous small city their home. Beyond the economic growth and migration figures we introduced earlier, these are further indications that much of the economic potential and aspiration of India and Indonesia lies in their smaller towns and cities.

The aspirational quality of these places is partly a reflection of the fact that they offer an “action space” for rural and non-metropolitan youth.⁶⁰ The barriers to entry – in terms of labor market requirements, living costs, and access to services – are lower in our case cities than in the large metropolitan areas of India and Indonesia. That makes them attractive to a broad swathe of young people who are searching for a route out of poverty or into the lower-middle-class. An anti-migrant narrative has become so embedded in the political cultures of big cities in both these countries that these smaller towns function as vital spaces for youth who lack a pathway to employment in big cities.

Our case cities suggest that small cities may play a particularly important role for young women,

whose “action space” in both countries is far more limited than young men’s. For one, young women in places like Semarang Regency can work in formal economy jobs while maintaining close linkages to home; the migrant women we surveyed there travel home an average of 8 times per year, and 59.5 percent say that they plan to eventually return home. Maintaining these links is a function of both proximity – most of the migrants in Semarang Regency come from nearby regencies and cities – and transportation infrastructure, which enables commuting.

Our case cities suggest that small cities may play a particularly important role for young women, whose “action space” in both countries is far more limited than young men’s.

Our research in Kishangarh also suggests that socio-cultural networks in small towns may present women with fewer safety concerns than they face in large metropolitan areas. For example, within many neighborhoods in Kishangarh, women are comfortable moving around with friends and neighbors after dark – a practice more difficult to spot in a major metropolitan area like New Delhi. The social and built environment of Kishangarh’s neighborhoods more closely resembles rural settings, where the distinction between public and private space is blurry and one’s street and even wider neighborhood are often seen as extensions of the home.

This highlights another potential in the growth and development of small cities: the productive rural-urban linkages that they foster. These

linkages take on many forms, but the primary one we observed in our research was commuting. In Mangalore, Kishangarh and Semarang Regency, youth commute daily or weekly from neighboring rural areas for non-farm work in industry and services. These towns, therefore, represent a lifeline for rural households seeking to diversify their income.

Another kind of potential that resides in many small cities is diversity. While cosmopolitanism is more often associated with large cities, many smaller cities have their own cultures of diversity.

There is much more potential to be realized, however: more vibrant agro-processing sectors could facilitate stronger linkages between small towns and the agricultural activities in their vicinity. This would be a boon to the rural economy while also promoting higher-value-added sectors in cities like Kupang, which are struggling to foster development beyond a consumption-oriented economy dominated by informal services. If they are truly committed to rural development, then India and Indonesia must recognize that it is bound up with the prosperity of small cities.

Finally, another kind of potential that resides in many small cities is diversity. While cosmopolitanism is more often associated with large cities, Denis and Zerah have made the point that many smaller cities have their own cultures of diversity.⁶¹ We find the same to be true in some of our case cities – specifically in Mangalore and Kupang. In the former, migrants from all over India

add to already existing linguistic and cultural diversity, and while Kupang's migrants are mostly from within the province, the tremendous ethno-linguistic diversity of East Nusa Tenggara makes the city a kind of melting pot that young migrants describe as simultaneously a challenge and a source of excitement. Given that both India and Indonesia bear the scars of communal violence, urban environments that can successfully bring together people of different backgrounds ought to be seen as assets for human development.

The Challenges

The potential in small cities is matched by corresponding challenges. In our view, the biggest challenge that small cities will face in the medium- to long-term revolves around creating local economies that are resilient, sustainable and provide genuine opportunities for economic mobility.

The threats to achieving this goal are significant. For one, places like Semarang Regency have built their newfound prosperity on “footloose” sectors, as described above, meaning that they stand to lose a major share of local employment and local revenue once land and labor costs induce manufacturers to find the next investment destination. This reality may not be as far off as many local government officials might hope: our qualitative interviews confirm that employers are already struggling with labor shortages and the practice of poaching between firms has become increasingly common.

The wrong way for government to respond is to step up measures to hold down wages and

reduce the bargaining power of workers in a bid to prevent firms from leaving. But the right response – building a more locally rooted economy based on higher-value-added activities – is far more difficult to implement. In some ways, cities like Kishangarh and Mangalore have built economies that are based more on local investment and competitive advantages that are not as quickly eroded. But even these cities face threats to long-run economic sustainability from factors like automation. For Kupang, the problem of a long-term development strategy revolves around how to translate high levels of state investment into a self-sustaining economy.

The issue of economic pathways exists at the scale of the city but also the scale of the individual worker. While the national conversation around the demographic dividend has heightened local government awareness when it comes to job creation, policy thinking is less evolved when it comes to creating career pathways. In addition to major quality of work issues with the factory jobs that have flooded Semarang Regency, they are essentially a dead-end. Nearly all factory workers exit the jobs before their mid-30s. Youth working in factories claim that their opportunities for skill development are minimal and that they leave with very few skills that would help them run their own businesses or achieve success in the informal economy. Government officials in Semarang Regency know that factory workers leave the jobs early in their employment journeys, but there is no policy framework to support workers as they transition out of these jobs with three decades left in their working lives. Though workers do not exit so early in Kishangarh's marble industry,

the physically demanding work takes a toll on workers' health, and pathways of transition out of industrial work are scarce.

In a city like Kupang, where employment trajectories are diverse – ranging from retail and government employment to daily wage work and small-scale entrepreneurship – the career pathways problem relates to a poor return to education. Kupang is absorbing more and more migrants who are arriving with educational aspirations, and a high share of young people in our survey (24 percent) have received a Bachelor's degree. But the city does not have an economy to support such a highly educated workforce. This explains why, after controlling for other relevant factors, youth workers in Kupang with a university degree have a 47 percent chance of experiencing zero or negative income growth even after working in a job for 2-5 years. The failure of the city's labor market to provide high-skilled jobs for educated youth represents a major loss of economic potential.

The issue of economic pathways exists at the scale of the city but also the scale of the individual worker. While the national conversation around the demographic dividend has heightened local government awareness when it comes to job creation, policy thinking is less evolved when it comes to creating career pathways.

Mangalore has a similar problem as Kupang. Also a services-led economy, it does not produce enough jobs to employ an educated workforce.

Regression analysis indicates that those with graduate/post-graduate degrees have a wage premium of at least 5% over those with lower levels of education. Moreover, its attempts to attract more knowledge economy businesses are limited to creating technology parks, without connections to other aspects of planning and urban design.

There is also a flip-side to the positive potential that small cities represent for women. While proximate jobs in small towns may provide scope to increase women's participation in the labor market, the question of women's agency and economic empowerment looms large. It is noteworthy that women are more likely than men in Semarang Regency to send home remittances; this suggests that young men have more scope to develop personal and professional lives independent of their families. Moreover, while some women are moving beyond occupations traditionally understood as 'women's work,' many remain limited to traditional and gendered professions – whether domestic work or garment manufacturing.

Considering again the issue of diversity, if smaller cities continue to see high rates of in-migration, there is a distinct possibility that they could develop the same sorts of anti-migrant political cultures that are a common feature of major metropolitan areas. Such a dynamic may indeed be bubbling up in Mangalore, where nativist undertones are evident in new branding initiatives aimed at changing the city's image.

Finally, another challenge that small cities must confront is the issue of their own agency. Central governments in both countries ought to be commended for prioritizing infrastructure investments that have opened up new economic opportunities in left-behind regions like Rajasthan and East Nusa Tenggara – both among the poorest states in their respective countries. Nevertheless, these projects have had major influence on the nature of urbanization and economic development in places like Kishangarh, Semarang Regency and Kupang with very little local participation. Urban planning in such places is not so much a deliberative, community-based process for envisioning the future; rather, it is a function of where the central government will lay down the next highway.

If smaller cities continue to see high rates of in-migration, there is a distinct possibility that they could develop the same sorts of anti-migrant political cultures that are a common feature of major metropolitan areas.

This top-down approach to development – where smaller cities are merely receptacles of investment – may bring rapid urbanization and economic growth; however, it will not foster the sort of local, democratic governance that is essential to creating cities that offer a high quality of life. Local capacities to manage a more participatory planning process may still be limited in many small cities, but that does not mean their importance can be neglected.

Policy Directions for Small Cities

BUILDING FUTURE-ORIENTED ECONOMIES

As small cities in India and Indonesia witness rapid growth and play increasingly important roles in these countries' quests to realize the demographic dividend, the economic challenges they face are both near-term and long-term. The creation of productive employment opportunities is an immediate concern, especially in cities like Kupang and Mangalore that produce far more educated young people than they have the scope to employ in skilled occupations. On the other hand, "quick-fix" job creation solutions – whether they rely on large-scale self-employment branded as entrepreneurship or attracting big firms in footloose sectors – are unlikely to produce future-oriented economies.

By future-oriented, we mean an economy that is braced for future shifts in economic and employment dynamics, with the capacity to sustain and create "just jobs"^{xv} in the short and long run. A future-oriented economy is sustainable partly because it fosters a high quality of life from social and ecological perspectives as well. Importantly, policymakers ought to conceive this future orientation at the scale of the city as well as the individual worker. Small cities must develop pathways for sustainability and resilience of the local economy in addition to cultivating meaningful career pathways for workers over the duration of their working lives.

Toward these ambitious goals, we suggest the following policy directions. These recommendations are intended for local governments in small cities and for the national and state/province-level governments that also play an important role in shaping the economies of small cities:

Develop targeted, locally relevant programs to facilitate labor market transitions, skill development and economic mobility

One of the biggest challenges that workers in Indian and Indonesian small cities face is the likelihood of "getting stuck." Current education and skill development policies in both countries largely focus on getting youth into jobs, without the foresight of envisioning career pathways for them. Training programs and labor market information systems in small cities must be designed to support workers at different stages in their employment journeys. For a rural migrant newly arrived in Kupang or a commuter to Kishangarh, this might mean help in finding a part-time job that can be accommodated alongside high school or college education. For a woman in Semarang Regency looking to move beyond garment factory work, it might mean a program tailored to female entrepreneurs balancing domestic care responsibilities. For an employee in the business process outsourcing sector in Mangalore, a targeted training initiative could take the form of an up-skilling program

^{xv} Just jobs are jobs that include labor rights, appropriate compensation, social protections such as healthcare and pensions, and opportunities for economic mobility.



Children at a government-run childcare centre (*anganwadi*) located in an informal settlement in Mangalore (photo credit: Pranav Kuttaiah)

aimed at teaching more advanced skills relevant for a burgeoning IT sub-sector.

The challenges of creating locally relevant skill development policies are not unique to small cities. However, the smaller size of local labor markets in these cities and their tendency to specialize in lower-value-added activities enhance the probability of workers getting stuck. National government entities charged

with skill development in both countries – such as the Ministry for Human Resource Development, the Ministry of Skill Development and Entrepreneurship and the National Skills Development Corporation in India and the Ministry of Employment in Indonesia – need to foster strong partnerships with local leaders in government, the private sector and civil society in small cities in order to design programs aimed at addressing this threat to economic mobility.

In doing so, the unique position of small cities as migration junctions can also be harnessed to provide different forms of skills development for different populations. If different kinds of workers and migrants are transiting through these spaces – whether on their way in or out – they may be strategic locations for governments to concentrate their workforce development efforts. For instance, skilling institutions in a single place could cater to rural migrants who intend to return to their villages, skilling them in advanced farming and agro-processing techniques; sales and service workers seeking employment in small towns and peri-urban areas; and workers in sectors like business process outsourcing (BPO) and IT who seek to migrate to large metropolitan areas. Governments with limited resources could invest in physical facilities in migration junctions that serve multiple workforce development needs.

Refine entrepreneurship strategies to focus on building a local private sector

One of the “quick fix” employment strategies utilized in both India and Indonesia is entrepreneurship programs that do little more than create micro-enterprises of single, self-employed workers. Such strategies may serve the short-term interest of giving youth something to occupy their time, but they do not create sustainable economic futures of the kind described above. This kind of entrepreneurship strategy is particularly ill-advised in small city economies where the local private sector is either poorly developed or remains largely informal.

The right kind of entrepreneurship strategy focuses on the vital goal of expanding and formalizing a locally rooted private sector, through supporting viable enterprises that have the potential to grow and create productive jobs on a meaningful scale. Cultivating a vibrant local private sector also helps to address the issue of economic development driven by ‘footloose’ sectors – since locally rooted entrepreneurs are more likely to stay in the long run than are large firms interested in little more than low-cost land and labor.

In cities like Kupang, small pools of resources for entrepreneurship are allocated across many different programs to support small enterprises. Not only do these programs lack the sort of targeting necessary to focus on the most viable businesses; they also spread resources too thin, meaning an individual enterprise is unlikely to receive the multi-faceted support (start-up capital, mentorship, labor market linkages, technical and legal advice) necessary to thrive. Small city governments should collaborate with state/provincial government and national authorities to coordinate larger interventions aimed at long-term support for the most promising businesses.

In our Indian case cities, where local entrepreneurs abound, supporting small businesses to scale up is critical. Private real estate developers in Mangalore, for instance, are blindly aping metropolitan cities like Bangalore in the kind of spaces they develop; instead, local governments could create awareness about the requirements of emerging business that include affordable and flexible workspaces and shared services in areas

like accounting, human resource management and legal services.

Harness the potential of rural-urban linkages through collaborative governance

Many small cities have a unique economic advantage when it comes to their intimate relationships with the rural regions in which they are embedded. These rural-urban linkages are already strong, but a common theme across our case cities is that much of the potential for mutually beneficial economic development and job creation is still unrealized.

For example, Kupang is the natural location for an agro-processing sector that utilizes the niche agricultural products from the East Nusa Tenggara (NTT) province. Villages in NTT are too sparse and their agricultural yields too small for agro-processing facilities in rural areas to

achieve the economies of scale necessary to be viable. Both Kupang and rural villages in nearby parts of the province could benefit from a coordinated strategy to invest in processing facilities in the city. In Kishangarh, the recently expanded market (*mandi*) for agro produce must be better connected with new investments like the dedicated freight corridor and the logistics park built primarily to serve the marble and granite industry. Moreover, with the logistics infrastructure in place, the city must expand its agro-processing sector.

Facilitating these linkages requires a higher degree of coordination among local governments than what we observe in our case cities. Local officials in urban and rural areas continue to perceive the economic development of their localities in isolated terms – failing to recognize the potential of cooperation. Part of the problem



Industrial jobs in Semarang Regency are formal in nature, but high production targets make for long, punishing hours of work(photo credit: Amit Mahanti)



Marble blocks waiting to be processed in Kishangarh's industrial area (photo credit: Amit Mahanti)

originates in national government policymaking that imagines the rural and urban as distinct. Local governments will have to be creative to realize the potential for rural-urban linkages; for instance, following the example above, villages in NTT could pool funds from the *Dana Desa* program to invest in cooperatively owned agro-processing facilities in Kupang. On this issue, Indian small cities and Indonesian regencies may actually find the power residing in district- and kabupaten-level officials to be an advantage, given their mandate to implement economic policies across both rural and urban areas; but for certain kinds of initiatives, coordination across districts/regencies will be necessary.

Pursue economic niches that are “sticky,” adaptable and upgradable

To generate productive employment and scope for upward mobility in their local labor markets, small cities will need to develop economic niches that are viable in non-metropolitan locations. Kishangarh and Semarang Regency are good examples of specialization – given the thriving marble processing sector in the former and garment manufacturing sector in the latter. Nevertheless, these niches need reinvention in order to enable better working conditions and economic mobility for the workers in these cities.

As small cities pursue footholds within the regional, national, or even global economy, they must bear in mind that not all specializations are equal in terms of their ability to create productive employment and resilient economic futures. One dimension is the value-added of the economic activity; not only are higher-value-added sectors better for economic growth, they also tend to provide jobs with better wages and working conditions. Another dimension is ownership. Investment driven by a few multinational firms may generate an extractive rather than enriching relationship with a small city, even as the scale of investment will be greater. Arguably, enterprises led by local investors or cooperatively owned by local producers are more likely to be socially and politically accountable to the city. Finally, the “stickiness” of an economic specialization is important for small cities to consider; industries that make location decisions purely based on the cost of land and unskilled labor are unlikely to forge a long-term economic relationship with any particular city. In building an economic development strategy for the long run, small cities ought to build on their assets rather than seeking outside investment at any cost. For example, in addition to its marble industry, Kishangarh hosts a long tradition of skilled craftsmanship in miniature paintings and carved marble products. Cultivating and supporting the growth of this sector, by helping artisans upgrade and modernize their designs and make connections to domestic and international markets, could be one component of a multi-pronged economic development strategy for the city.

Combine top-down investment with strong community-level leadership

Our case cities are the beneficiaries of large-scale investments, generally driven by the central government priority of opening up new markets for trade and commerce and stimulating economic growth in left-behind regions. For example, Semarang Regency’s position as a hub for garment manufacturing and Kishangarh’s role as a center for marble processing are directly related to road infrastructure investments.

While the role of this sort of large-scale, top-down investment should not be minimized, its transformative potential could be greater if combined with a stronger culture of participatory planning and locally driven economic development. Local leadership can help ensure that major infrastructure projects are carried out with an appropriate and genuine form of local consultation. Moreover, by cultivating leadership in local government, the private sector and civil society, small cities can ensure that diverse communities of producers are positioned to benefit from new investments. For example, a thriving flower market in Bandungan, a sub-district of Semarang Regency, could see its own potential expanded with new road construction – more so if the producers and retailers in the market are given the space to contribute to planning efforts. In Kishangarh too, had the local government been involved in the development of the freight corridor and the related highway upgrades, a wider set of local entrepreneurs might have benefited from the increased opportunities in emerging sectors like hospitality and logistics.

All of the above recommendations revolve around a central premise: that small cities ought to balance neoliberal imperatives with locally grown economies. Given the power of the forces shaping the broader economic context in which they are situated, small cities cannot ignore the imperatives of economic competitiveness and specialization – especially if they are to create opportunities for the millions of aspiring youth who reside in them. At the same time, if they are to think in terms of long-range economic futures, small cities must devise their development strategies thoughtfully, with an eye to cultivating and unlocking local potential and embedding economic activity in strong local networks that will stand resilient against an ever-changing global economic landscape. Small city governments and other local leaders must resist the temptation to achieve short-term gains by relying only on cheap land and labor in their strategies to spur economic growth and job creation.

MANAGING MIGRATION AND MOBILITIES

In emerging economies like India and Indonesia, in the midst of structural transformation, the free movement of workers enables their search for opportunity in a growing economy. Supporting youth in finding productive, non-farm opportunities requires facilitating migration. Small cities can play a significant role in supporting labor mobility.

As this report has demonstrated, small cities are strategically located at the cusp of multiple mobilities. Therefore, local governments must resist acquiescing to common negative narratives

around migration, instead valuing migrants as assets. Small cities can leverage human capital by offering what metropolitan cities fail to provide for migrants: affordable and accessible housing, quality service provision, and protection from discrimination.

Practice inclusive land regulation and urban design

As small city economies grow, inner city areas get redeveloped in a piecemeal fashion, often in a blind imitation of metropolitan and global trends; resulting in the destruction of heritage structures and traditional livelihoods. As they grow small cities in the Global South also grapple with managing what Benjamin has called “occupancy urbanism”⁶² and draw on solutions tried and tested in metropolitan centres, like resettling slumdweller to the urban periphery.

Small cities have a chance to reshape land markets and recognize multiple forms of land and housing tenure beyond the formal-informal binary. More localized regulation in small cities can conserve traditional and mixed-use neighborhoods, thereby protecting traditional occupations and small business that are especially important for women’s work, which is likely to be in home-based occupations or family-owned businesses. For example, a heritage district with special regulations in Kishangarh would greatly help enhance tourism and revive traditional crafts, with job creation possibilities in both sectors. Further, small cities must also focus on well-designed and well-located public spaces that a diverse range of residents can use.



Temporary shelters house migrant workers from eastern India on a Mangalore construction site (photo credit: Pranav Kuttaiah)

Improve services to attract and retain migrants

Approaches that support traditional livelihoods through creative and inclusive urban design can also be a way to support emerging forms of city-making. For example, extending services to informal settlements where many migrants live, in the style of Surabaya's *kampung* improvement plans, can create livable, affordable neighborhoods for migrant populations.

Selecting appropriate technology for the delivery of services is essential for small cities to make their relatively small budgets go further. They must also leverage the investment potential of residents. In

both India and Indonesia, water and sanitation programs of the government are developing septage management technology and processes for small cities and rapidly urbanising rural areas, where expensive legacy solutions like piped sewerage are being replaced by non-networked fecal sludge management.^{63,64} In another instance, small cities in India are experimenting with lower cost and scale-appropriate transportation solutions like the bus rapid transit, like in Indore, and public shared bikes like in Bhopal. With the majority of workers commuting short distances, small cities are ideal locations for investments in pedestrian-friendly streets and non-motorized transport.

Small cities that attract workers from the surrounding region must also make appropriate investments in transportation and connectivity with the rural and small-town locations from where workers commute regularly. For instance, state-owned transport companies have recently started operations in Mangalore, adding to the existing network of privately owned buses that connect surrounding towns and villages to the city. Meanwhile, in Semarang Regency, the investment in road infrastructure has not been complemented by increased investments in public transit; if the vast majority of workers that commute by motorbike today ‘upgrade’ to four-wheel automobiles in the future, this could create a traffic situation resembling Jakarta’s infamous gridlock.

A focus on quality of services is also critical for small cities to retain an educated and highly

skilled workforce. Deteriorating quality of life in metropolitan cities is urging workers to look towards smaller cities, like Mangalore. For those small cities that are investing in new economy sectors especially, service improvements are a way to attract those who seek a higher quality of life. In this, small cities need to move beyond basic services like water, waste management and sanitation and think about improved service delivery in the context of transport, education, healthcare, childcare, and public spaces.

Develop a robust rental housing market with appropriate forms of rental housing for young workers

Small cities provide lower barriers for young workers to transition from rental to ownership housing and therefore must be mindful of encouraging a wide range of housing models to cater to different affordability needs. However, in

Box 3

Surabaya’s Kampung Improvement Plans

Surabaya, Indonesia’s second largest metropolitan area located in East Java, initiated Kampung Improvement Plans (KIPs) to improve services like water, drainage, waste management, tree plantation, electricity and footpaths in traditional low-rise, high-density neighborhoods, known as *kampungs*. The city’s government introduced regulations that protected these traditional neighborhoods and encouraged mixed-use activity. The KIPs were implemented with a high degree of participation of *kampung* residents. Residents were involved in planning the infrastructure improvements, but the community also contributed financially towards KIP. For every IDR 1 million the government invested, the community invested IDR 500,000. Over time, residents leveraged these investments to build homes incrementally to accommodate growing families but also set up businesses and small industries. In the period 1976-1990, the total cost of the KIP in Surabaya was US\$ 40 million, of which US\$ 13.5 million was contributed by the roughly 1 million residents who benefited from the program.⁶⁶

order to continue acting as accessible migration destinations, their first priority must be to develop robust rental markets. Local governments must articulate clear rental housing policies, which build on traditional – and often informal – practices that are strongly entrenched in both countries and all four case cities. Usually operated by local residents and not capitalist investors, these small-city rental markets are themselves forms of livelihood as well.

Informal and privately operated rental markets offer the benefits of being co-located with places of employment, thereby cutting down travel time and transportation costs. For young workers, their proximity to a host of support services including food outlets, laundry services, entertainment and remittance services, as well as the relative freedom of interaction they offer, provide distinct advantages over site-based employer-provided

housing. In the Indonesian *kost*, these services are sometimes bundled together, making the housing convenient, affordable and safe for young workers, especially women. Small cities in India, too, have paying guest (PG) accommodation, but much more needs to be done to create a robust rental market for single men and women migrants.

Despite their benefits, housing solutions like the *kost* often operate outside the regulatory framework. In the absence of formal contracts, migrant renters are susceptible to arbitrary rent increases and evictions. An absence of regulation can also mean there is no recourse to discrimination, abuse or unsafe and unsanitary conditions. Much like the need for localized regulations for land tenure, small cities must evolve local mechanisms to protect tenants and landlords while ensuring minimum quality of



Once a poor, unskilled migrant to Kupang, this entrepreneur now aspires to grow his business and take his family on a vacation (photo credit: Amit Mahanti)

housing and services in informal rentals. These goals could be achieved through guidelines for construction and maintenance of informal rentals that are created through participative processes; for example, neighborhood-level collectives of landlords and tenants that can set standards and prices, as well as resolve conflicts. Semarang Regency's *kosts* and Mangalore's PG hostels would benefit from a clearly articulated policy on rental housing.

Embrace diversity to foster innovation

Local residents and governments often perceive migrants, and the diversity of cultures they bring, as a threat to social cohesion. However, for small cities, diversity can also be an opportunity to enhance the possibilities of innovation through serendipitous interactions. Small cities must evolve local policy frameworks and, through awareness campaigns, signal an acceptance of diverse cultures, languages, traditions and ways of life. This would go a long way in not only retaining migrant labor, but also encouraging new forms of enterprise that emerge from collaborations between migrants and residents. Some initiatives in this regard could be the setting up of neighborhood councils and the organization of cultural events and street festivals that create possibilities of interaction among diverse residents of these cities.

Provincial and national governments can augment these approaches by moving towards universal forms of social protection rather than employment-linked social protection, and also by introducing portability in location-linked social welfare schemes. This would enable small cities to

offer a threshold quality of life for migrants, and for those with low skill levels, it would offer them a safety net until they can improve skills or develop networks to find suitable work opportunities. Attempts to create a level playing field for migrants in small cities must also pay attention to the attitudes of local bureaucracy; in this regard, sensitization programs would be beneficial.

INCREASE WOMEN'S WORKFORCE PARTICIPATION AND ECONOMIC MOBILITY

For small cities to make a meaningful impact on the economic mobility of youth, women must be at the center of their policies. Creating jobs in sectors that employ women is not enough; rather, it is necessary to think beyond 'women's work' and encourage women to enter a diverse range of occupations; to plan and govern cities in ways that ensure women's safety; and to foster encouraging environments at work and home. Moreover, because women in countries like India and Indonesia shoulder the major share of household care responsibilities, policies need to keep in mind the life cycle of women's work and the threats to economic mobility that arise as a result.

A life-cycle approach towards women's work

Increased flexibility and the ability to control the intensity and hours of their work allow women to meet care needs while remaining employed. Women often seek this flexibility through entrepreneurship, but they often struggle to find adequate capital for new businesses, let alone the kinds of multi-pronged support that undergirds successful entrepreneurship programs. Policies



Women comprise a large portion of Semarang Regency's workforce; their jobs guarantee them minimum wages but pathways for career growth do not exist (photo credit: Amit Mahanti)

that focus on affordable credit for women entrepreneurs through formal institutions like banks and microcredit institutions are key. In this, the experience of self-help groups in India can be scaled up, with a greater emphasis on enterprise support. To help women succeed as entrepreneurs, local governments must also impart gender-sensitive training in soft skills, office management and financial management. Women are often unable to spare time to attend dedicated training sessions, so training courses could be made available online or offered through civil society groups that operate at the neighborhood level. Online platforms as well as offline events can be useful in connecting women entrepreneurs to markets.

To retain young women, policies must hold employers accountable for ensuring equal opportunity hiring, women's safety and compliance with sexual harassment regulations. Childcare services are also essential in this regard, especially to retain young mothers in the workforce. While affordable public childcare is essential to enable women from low-income households to work productively, local governments must also encourage employers as well as private firms to invest in childcare services at suitable locations where jobs are concentrated.

Moreover, local governments should set up reskilling programs that target women who re-enter the workforce after their care responsibilities

are over as well as those women who migrate to small cities after marriage from rural locations, without sufficient skills to work in the city.

Gender-inclusive urban design and governance

Our research has shown us that while small cities do not offer the level of freedoms women experience in the metropolis, they do create specific opportunities for young women to access non-farm work. Rural women too are able to access small city work opportunities, often through extended family and social networks who exercise some degree of control over them. Gender-inclusive urban design and planning can go a long way in helping young women meet their economic potential. From a governance standpoint, local governments must ensure the representation of women in city councils and citizens groups.

As mentioned before, small cities must not ape urban design and planning models in metropolitan cities, which continue to have segregated land use and automobile-centric transport infrastructure as key features. Mixed-use neighborhoods that promote walking and street-

level activity are safer overall; but conserving and enhancing such neighborhoods with good infrastructure like quality sidewalks, lighting, street furniture and seating can also contribute to making women feel safer going out alone.

Through a focus on urban design and neighborhood improvement, small cities can invite women to participate in the labor market by expanding their opportunities to work beyond daylight hours while also increasing street interactions that give them access to social networks and labor market information that is currently unavailable to them. For example, for women in Kishangarh, safe streets might mean the difference between seclusion and freedom of movement while in Semarang Regency, safety could enable women to work overtime when they need to compensate for work hours lost to illness or family care. Similarly, clear rental housing policies that would encourage homeowners to rent out homes and rooms, as well as incentives for entrepreneurs to set up hostels for young women, would go a long way in enhancing young women's ability to migrate independently for higher education, skill development and work.

Conclusion

This report has presented evidence on the role of small cities in shaping the migration and labor market opportunities of young workers, especially women and migrants from non-metropolitan backgrounds. We have argued that national governments in emerging economies like India and Indonesia ought to consider the ‘where’ of the demographic dividend, and in turn give more policy attention to diverse non-metropolitan places – secondary cities, small towns and “rurban” geographies. Through primary research in case cities, we outlined how small cities are experiencing important economic transitions and related forms of human mobility, offering a range of opportunities for young people seeking education and employment. Small cities already play important roles in helping youth realize their economic potential, but major challenges remain – especially in forging employment pathways for workers and sustainable futures for small city economies. And while they present labor market opportunities to young women and migrants, small cities can still do more to support these groups in navigating the challenges and opportunities that come with living and working in places that are neither rural nor metropolitan.

Finally, we examined existing governance frameworks and proposed areas of reform and intervention. Harnessing their place at the center of the demographic dividend, small cities can move towards more resilient and inclusive models of economic development that offer youth – and especially women and migrants – not just work, but meaningful pathways to economic mobility and a higher quality of life.

Emerging economies that are facing multiple, intersecting development challenges must turn their attention to the important transitions taking place in small cities. We urge an integrated approach to the challenges of economic and human development, an approach that moves beyond the administrative classifications of places as rural or urban, and seeks mechanisms to coordinate across multiple levels of government and across departmental boundaries. We hope this report contributes grounded evidence to policy conversations that emphasize place-based and bottom-up solutions to achieving responsive and comprehensive models of planning and governance. Small cities, we submit, are a ripe opportunity to make meaningful inroads.

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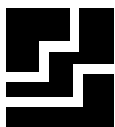
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