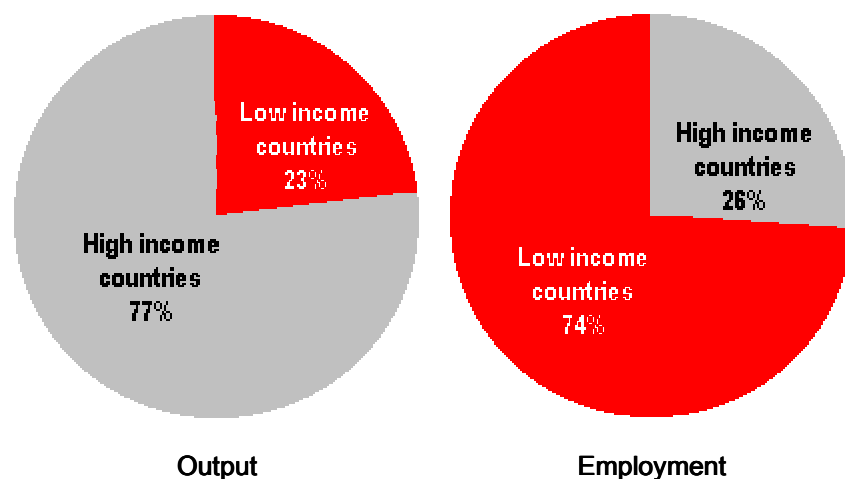


SECTOR Fact Sheet

Construction: Employment and output dimensions

Construction activity takes place everywhere there is human settlement. But the amount that a country spends on construction is closely related to its income. In 1998, expenditure varied from US\$5 per head in Ethiopia to almost US\$5,000 in Japan. This means that construction output, by value, is heavily concentrated in the rich, developed world. The high income countries of Europe are responsible for 30% of global output, the United States for 21% and Japan for 20%. China, despite its huge size and rapid economic growth in recent years, lags a long way behind with only 6%. India has 1.7%.

The distribution of construction employment is almost the exact reverse of the distribution of output (as shown in the diagram below). While three-quarters of output is in the developed countries, three-quarters of employment is in the developing world. However, as many construction workers in these countries are informally employed and therefore not counted in official data, the real number is much higher.



Employment data from ILO. 2000. *Yearbook of Labour Statistics*. Geneva; Output data from *ENR (Engineering News Record)* (New York) 1998. "What the world spent on construction", 30 Nov./7 Dec.

The reason for the greater employment-generating potential of construction activity in the developing countries can be traced to differences in technology. There is a very wide choice of technology available for most types of construction and the technology adopted tends to reflect the relative cost of labour and capital. In the richer countries, where labour is expensive, machines have largely replaced workers in many of the tasks involved in new construction (although repair and maintenance is still very labour intensive). In developing countries, where labour is cheap, the majority of tasks are undertaken by manual methods with minimal use of machinery and equipment.

The construction industry is a major source of employment worldwide, arguably the second largest after agriculture, and generally the primary one in urban areas – sometimes economic sectors such as manufacture or services may present higher figures in official statistics, but in fact both sectors lump together a large variety of different economic

activities. In developing countries it provides much needed work opportunities for some of the poorest and most marginalized sections of society. Building construction (both new build and maintenance) are particularly labour-intensive activities, generating many jobs per unit of investment both on and off the building site.

However, ILO experience has shown that for some types of infrastructure the employment-generating potential of construction investment may not be fully realized. This is due to various constraints in the planning and procurement of projects, as well as to lack of capacity in the local construction industry. Also, in many of the least developed economies, construction investment is at a very low level. The challenge facing these countries is to expand the volume of output and employment in the sector, for example through the development of public/private partnerships and an appropriate choice of technology.