REDUCING THE DECENT WORK DEFICIT IN THE INFRASTRUCTURE AND CONSTRUCTION SECTORS

The experience and proposals of ILO's Employment-intensive Investment Programme
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International Labour Organization
Reducing the decent work deficit in the infrastructure and construction sectors.
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FOREWORD

The ILO has been advocating employment-intensive growth strategies, workers’ rights, social protection and social dialogue since several decades, for reasons directly related to its historical mandate, in particular social justice and growth with equity.

The Report of the ILO Director-General to the International Labour Conference of 2001, entitled: “Reducing the Decent Work Deficit, a global challenge”, drew the attention to the deficits that continue to prevail against these policy goals; the shortfalls that exist with regard to policy- and decision-making institutions or to the organisational and negotiating capacities of the public and private stakeholders; and the need for comprehensive and better integrated approaches to bring down these deficits and improve the effectiveness of the governments, social partners, and the entire world of work in taking up these challenges.

The ILO’s Employment-Intensive Investment Programme (EIIP) is supporting member States in their efforts to develop comprehensive policies and operational approaches to more directly link public investment policy, employment policy and decent work in the infrastructure and construction sectors.

This Working Paper attempts to show the relevance of these policies for employment generation and the reduction of the decent work deficits in these sectors, as well as the policy linkages that can and should be taken up in such a sector-specific case.

The important contribution by the author, Ms. Kanyhama Dixon-Fyle, a researcher and expert in employment-intensive investment policies, is gratefully acknowledged.

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Geneva, September 2004
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INTRODUCTION
I. INTRODUCTION

In June 2001, the Director General of the ILO presented to the 89th International Labour Conference his annual report entitled 'Reducing the DECENT WORK DEFICIT, a global challenge. In this report, the Director General expresses "profound concern about a global decent work deficit of immense proportions, reflecting the diverse inequalities of our societies." Decent work has four basic dimensions: employment, workers' rights, social protection and social dialogue. The main argument put forward is that, ultimately, the promotion of social objectives has an economic dividend, and "is the quality road to poverty reduction and to greater legitimacy of the global economy".

The purpose of this paper is to look at ILO's Employment-Intensive Investment Programme (EIIP) in the light of the Decent Work Agenda, its relevance, experiences and lessons learned. While section I discusses selected Decent Work issues with reference to the EIIP experience, section II discusses a number of EIIP features and explains how they contribute to ILO's Decent Work Agenda. Before concluding, section III presents the need for social dialogue and social consensus on employment-intensive policies, as a basis for a strong policy commitment at the national level.

I.1 The decent work deficit is at the root of poverty

The planet Earth today supports a population of 7 billion people, 2 billion of whom live in absolute poverty, scratching out short, dreary existences on 1-2 dollars a day. Poverty due to low and irregular incomes is associated with deprivation in human well-being, i.e. shortages of all kinds preventing people to lead a meaningful, dignified life as a human being. It also leads to social deprivation in terms of vulnerability, exploitative working conditions and lack of self-respect. The end of the 20th century did hold out the promise that (yet another) new economic order supported by a technological revolution would dry out this sea of deprivation. While some regions have indeed made considerable progress in reducing poverty levels, in other regions we witness growing income inequality within and between societies, growing exclusion and growing poverty.

For the ILO, the measure of the gap between the realities of the world in which we live and work and the hopes people have for a better life can be expressed as a deficit of decent work opportunities. It is expressed in the absence of sufficient employment opportunities (the employment gap), the denial of rights at work (the rights gap), inadequate social protection (the social protection gap) and shortcomings in social dialogue (the social dialogue gap).
In order to address these persistent shortfalls which reconfirm its 80-year old mandate, the ILO in 1999 proposed to its constituents and partners an agenda for policies and action to close these gaps: the Decent Work Agenda.

I.2 The employment gap is the fault line in the world today

The Decent Work Agenda aims to combine the objectives of employment, rights, social protection and social dialogue and to integrate them into development strategies. These objectives are inter-linked. For instance, social dialogue over skill development, adapting training to new skill demands, can promote better labour market functioning and better employability. Social protection encourages the kind of labour market flexibility required for competitiveness leading to the creation and preservation of jobs. Employment satisfies basic needs and creates conditions for meeting human and workers’ rights. The four objectives mutually reinforce each other, and one of them in particular reinforces all the others. In the words of the Director-General of the ILO addressing the 2001 International Labour Conference,

There is no overstating the priority of job creation. Access to work is the surest way out of poverty, and there are no workers’ rights without work. Moreover, getting people into productive activities is the way to create the wealth that enables us to achieve social policy goals.

These words encapsulate the policy direction of one of the ILO’s oldest technical cooperation programmes, the Employment Intensive Investment Programme. The EIIP focuses on public investment in infrastructure and construction. It is a unique programme in that, while effectively addressing the objective of creating employment for the poor and unskilled in developing countries, it contributes significantly to the promotion of decent working conditions, social protection and social dialogue. Its main thrust is to use public investment as a catalyst and policy tool to address the ILO’s wider economic, institutional and social policy concerns.

2 Reducing the decent work deficit: a global challenge, op cit.
Since the start of the programme, when the necessity for doing so was not as clear as it is today, the EIIP has been working with government ministries who were not the ILO’s traditional social partners, but who controlled economic and investment policy: the technical line ministries with big investment budgets and the ministries of planning and finance. The purpose of collaborating with these key actors of economic policies was, and still is, to influence the planning and programming processes of these entities towards incorporating social concerns into their decision-making.

While employment generation and poverty reduction may be singled out as the most direct and most important benefits of employment-intensive approaches, the EIIP addresses a wide range of social and economic issues including:

- The incorporation of employment and poverty considerations into mainstream investment policy;
- Promoting small enterprises in the construction sector (private sector execution of public works);
- Promoting the optimum use of local resources (human, material, intellectual);
- Public procurement, encouraging transparency of public resource allocation;
- Development of public/private partnerships, through contract systems and procedures;
- Improvement of working conditions;
- Gender issues;
- Decentralisation and related institutional reforms;
- Community contracting and introduction of the principles of organisation and negotiation in the non-formal rural and urban sectors;
- Providing a safety net for populations made vulnerable as a result of natural or man-made crises.

Some 40 developing countries have over the last two decades implemented employment-intensive approaches in various infrastructure sectors (roads, irrigation, water supply, construction of buildings, drainage in urban areas, soil and water conservation etc.). Some countries are still at the experimental stage, others have made it general policy to use employment-intensive approaches whenever technically feasible and economically cost-effective.
The scope is enormous: while total public investment in infrastructure amounts, in developing countries, to more than 200 billion US dollars a year (World Bank estimates in 1994[3]), the huge employment potential that exists in this sector remains today largely untapped.

I.3 More social returns for the same investment

In making their decisions, governments in developing countries effectively control few of the elements through which to enact public policy in order to stimulate their economies, reduce poverty and provide resources for their social programmes. For instance, the scope to significantly increase the tax revenue remains small, and difficult to implement. However, they all do have a significant public investment budget (PIB) that can and should be used to advance social and economic goals. As much as 40 to 70 per cent of national public investment in developing countries is in the infrastructure and construction sectors. The main thrust of ILO’s EIIP is to assist governments to define policies and implement practical approaches to optimise the developmental impact of their infrastructure investments. According to its experience, employment-intensive approaches to infrastructure construction and maintenance create between two to five times more employment than capital-intensive approaches. The social advantages of employment-intensive programmes are obviously first and foremost the wages and incomes distributed to a largely unskilled and poor workforce. But there are more social advantages. First, the wages distributed create a multiplier effect, stimulating consumption, investment and savings, thus boosting the local economy (over and above the benefits derived from the infrastructure itself). The indirect employment generated by labour-based methods has been estimated to range between 1.5 to 3 times the number of directly generated jobs. Second, the promotion of small-scale contractors in employment-intensive programmes (through for instance training, modifications to the tendering system) helps to expand the domestic construction industry, to make it more dynamic with more developed back- and forward linkages, and hence to create more jobs, and more sustainable jobs, in this sector.

However, the objective is not only to create more jobs but also, equally important, better jobs. In this context, an important aspect of the EIIP programme is to develop strategies and activities to ensure that standards and conditions for workers on labour-based infrastructure projects are applied in line with relevant national labour legislation and the policies and practices described in an ILO guide on this subject[5].

There are of course also the benefits derived from the infrastructure itself. When basic infrastructure is provided and functioning, poor people improve their

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[4] Employment-intensive may also be called labour-based approaches.
access to productive resources, goods and basic social services and feel proud that they too have the assets that they are entitled to. Particularly when they have managed or otherwise participated in the building of those assets, their confidence in their capabilities is boosted, their skill levels raised and their sense of community reinforced. New infrastructure has a profound, positive effect on the individual and collective outlook.

I.4 More economic returns for the same investment

There are several reasons for the choice of infrastructure investments as a strategic entry point and catalyst for employment-intensive growth. These include:

- The impact of the infrastructure produced on economic growth and on the generation of productive employment opportunities;
- The weight of the infrastructure sector in the economy;
- The broad spectrum of technologies that can be applied in certain types of infrastructure, ranging from equipment-intensive to labour-based, and the opportunity thus offered to shift technologies in favour of employment generation in particular and the use of local resources in general;
- The fact that these investments are to a large extent controlled by the State and International Financing Institutions (IFIs); hence they can and should be used as a tool to achieve wider social and economic policy objectives, such as growth with equity, poverty reduction and social justice.

A unique aspect of employment-intensive approaches is that the social benefits as mentioned above are combined with a number of economic advantages. While there may be trade-offs on particular implementation issues (to be discussed later in this paper), on the whole employment-intensive approaches combine social and economic advantages, making them a rare case of a win-win situation. Social efficiency is combined with economic efficiency.

Experiences in a wide range of countries have shown that employment-intensive approaches are technically and financially competitive in the economic situation of most developing countries today. These approaches are between 10 and 30 per cent less costly than more capital-intensive construction methods. In addition, they reduce the foreign exchange requirements by some 50 to 60 per cent.

Infrastructure investment by itself is important to boost a local economy. Because of its backward and forward linkages to other sectors of the economy, the construction sector is a strong engine for economic and employment growth. This positive impact is even stronger if construction is undertaken making best use...
of local resources, and labour in particular. A study\(^6\) on Rwanda has shown that for every MU\(^7\) 100 investment in infrastructure, the country’s GDP is boosted by a factor of 1.25 in the case of capital-intensive methods, and by 2.8 in the case of employment-intensive methods. This is largely due to the wages distributed and stronger back- and forward linkages created due to the use of local enterprises, local materials, local artisans etc.

The EIIP has initiated the development of a simulation model\(^8\) that assesses the macroeconomic impact of an employment-intensive public works investment strategy. A simulation undertaken in Madagascar in 1995 measured the impact of all ILO supported and non-ILO\(^9\) supported employment-intensive programmes for that year. It showed that, in addition to generating the equivalent of 30% of the employment created in industry and services that year, the knock-on effects induced at the macroeconomic level by an employment-intensive approach to infrastructure investments were:

- **Higher consumption** resulting from the increase in household revenue;
- **An increase in private investment**;
- **Creation of employment within the other sectors of the economy** to satisfy the additional demand (final and intermediate consumption, private investment);
- **An increase in public revenue** resulting from income tax, consumer taxes and import duty generated from the indirect effects of the simulated shock.

This last effect in particular suggests that (assuming good governance), the wages paid to temporary, unskilled workers by employment-intensive infrastructure programmes can eventually translate into higher public revenue, leading in turn to better health and education, better maintenance of public assets etc.

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\(^6\) Martens, Bertin: Etude comparée de l’efficacité économique des techniques à haute intensité de main-d’œuvre et à haute intensité d’équipement pour la construction de routes secondaires au Rwanda, BIT, Genève, 1991

\(^7\) Monetary Unit


\(^9\) Following on the Government of Madagascar and ILO’s lead, the World Bank and several bilateral donors (such as the EU, NORAD, USAID, GTZ as well as UNICEF) were funding employment-intensive infrastructure programmes in Madagascar.
I.5 Even temporary jobs launch pro-poor economic processes

While employment-intensive programmes directly create short-term jobs, they indirectly create long-term employment.

Labour-based methods have been criticised in the past for creating only short-term jobs. However, since the problem in many developing countries targeted by the EIIP is underemployment rather than unemployment, short-term jobs correspond well to needs. Instead of creating a small number of long-term jobs in the capital-intensive sector, labour-based methods create a large number of jobs of shorter duration for poorer workers. If and when labour-based methods are well absorbed into the regular infrastructure investments, substantial aggregate employment creation for unskilled workers will result.

When construction is done by employment-intensive methods, the wages paid to people during project implementation administer a demand shock to the local economy. It needs to be stressed that in many developing countries, particularly in their rural areas, levels of consumption are so low that there is effectively no demand to stimulate economic activity, private investment and micro and small enterprises. Money does not circulate, does not turn over.

An employment-intensive infrastructure project injects into this situation a volume of wages that represents a significant increase in demand and releases pent-up consumption. The new (productive) infrastructure by itself improves base-line productivity and boosts the mood of businesses. The wages transform would-be consumers into effective consumers. This provokes the multiplier effect by which so-called ‘indirect’ permanent and temporary employment is created, and, significantly, additional growth in output is produced the value of which will be a multiple of the volume of wages injected and consumed. When recurrent employment-intensive infrastructure investment takes place, which is the goal the EIIP is pursuing through the institutionalisation of the approach, then this virtuous cycle can be set in motion several times.
The EIIP approach: a pro-poor growth mechanism

‘… Productivity-raising redistribution ensures that distribution does not reduce poverty at the expense of growth and produces sustainable poverty reduction. Enhancing asset ownership for the poor is the clearest way to accomplish this. Investment in infrastructure, credit targeted to the poor, land redistribution and education can all be important mechanisms to make growth ‘pro-poor’.


I.6 The costs of jobs and wages paid to the poor: some figures

ILO supported employment-intensive programmes have to date observed employment multipliers of between 1.5 and 3. An independent evaluation report10 estimated that between 1986 and 1997 (12 years) the equivalent of some 65,000 work years were created yearly on ILO assisted programmes, or a total of 780,000 in 12 years. This represents a wage bill of nearly 20 million dollars per year11, or 240 million dollars during 12 years. Thanks to the multiplier effect, some 1.5 million work years were additionally created in the local economy.

Experience demonstrates that countries applying employment-intensive methods pay wages between $1.50 and $3.50 per day. Thus wages per year would oscillate between $300 and $700. The yearly costs of the jobs created would lie between $750 and $1750, or less than half these amounts if indirect job creation is taken into account.12

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11 Based on a wage of $1.50 per day and 200 work days per year.
12 Supposing works programmes with a labour intensity of 40% and excluding technical assistance and capacity building costs.
I.7 Does ILO policy create jobs - decent jobs?

An example from Madagascar

With financial support from NORAD, the EIIP has for several years assisted the Government of Madagascar to pilot-test the use of labour-based approaches in public investment programmes in the infrastructure and construction sectors. This support programme has now entered a new phase, under which higher policy objectives are being set for employment-intensive approaches, as they are mainstreamed into regular investment programmes.

The Government has established an autonomous Training Centre for Labour-based Works, which, after an initial period of NORAD support, will become financially self-sufficient as it provides training services paid for by the major infrastructure investment programmes operating in the country.

In the context of the Transport Sector Programme, the Government and the World Bank, as well as several other financial partners, have decided to mainstream the labour-based approach by shifting some US$ 50 million (50% of the road component of the Transport Sector Programme) to rural roads executed with labour-based technology. Tendering for these contracts is open only to contractors properly qualified (certified training) in labour-based techniques.

As a result, the labour-based component of the Transport Sector Programme will:

1. Generate annually 100 to 150 contracts of 75,000 to 120,000$ each for labour-based contractors;

2. Generate some 16 million workdays of employment between 2002 and 2007, i.e. the equivalent of 16,000 full time jobs per year over the five-year period (instead of 4,000 jobs if equipment-based techniques were used). The net effect of the ILO’s policy advice is thus at least four times more employment than what

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Based on 200 workdays per year.
School training site executed by the Training Centre “HIMO-ROUTES” (Project MoPW/ILO/NORAD) of Antsirabé in Madagascar where small-scale contractors receive practical training how to construct rural roads

would be achieved without it. This figure should be compared to the 77,000 full time jobs that exist at present in the formal manufacturing sector in the country as a whole.

3. Simultaneously pursue the objectives of job creation and decent work. The labour-based contractors are being trained in labour management issues, including conditions of recruitment, payment and safety of the work force. The introduction of these labour management clauses in the contract documents provides a concrete example of how to put into practice the decent work agenda in the infrastructure and construction sectors.

14 Because indirect employment creation is not taken into account in these figures (see above section I.6).
FEATURES OF THE EIIP APPROACH

INTRODUCTION
II. THE EIIP APPROACH

In the following sections some of the basic features of the EIIP approach will be discussed in the light of ILO’s Decent Work Agenda. These features are:

- The social impact of technology choices in public investment
- Integrating employment, social and investment policy at the national level
- Promoting employment opportunities through decentralized investments
- Private sector execution of infrastructure works and employment/labour issues
- Employment opportunities for unskilled and skilled workers
- Instituting decent working conditions for poor, unorganised people
- Social dialogue and good governance in the service of employment
- Extending social protection to the most excluded

II.1 The socio-economic impact of technology choices in public investment

Technology bears no social responsibilities, but policy-makers and their social partners do. They have the responsibility to clearly identify the linkages between technology and its social dimensions, and to steer technology in a way that optimises its benefits to society. For instance, underlying the extraordinary increases in health status and life expectancy achieved throughout the world in the last few centuries were, not only vaccines, but also clean water and sanitation delivered by public health engineering. Underpinning the industrial revolution, origin of today’s prosperity in parts of the world, were civil, mechanical, electrical and process engineering. The information and communication technology revolution is the era of electronic, software and hardware engineering. And, the genetic revolution that entails promises of improvement, but also of risks, to change the very identity of plants, animals and human beings, is genetic engineering.
The ILO, in the EIIP, has for many years been promoting the idea that technology is not a given that societies can only react to, that deliberate choices are to be made about technology depending on the objectives pursued, and that these decisions can be influenced by the social concerns, for instance those that are the ILO’s mandate. In this line of thinking, the role of the State is to make deliberate choices on public investment so as to achieve employment-intensive growth, and to increase the incomes and productivity of the poor.

In countries where local resources such as labour, skills, entrepreneurship, raw materials, institutions, etc. are the main resources that can be counted on, the employment-intensive policies proposed by the EIIP (including adequate capacity and institution building and an enabling environment), add significant value and are an important source of employment, new products and services, socio-economic security and cultural expression and pride.

The choice for a local-resource-based technology will in addition have a much greater impact on the local economy and, if applied at a large-scale basis, on the economy as a whole. Since the use of local resources, including unskilled labour, will be three to four times as high as under equipment-intensive techniques, the economy, through the multiplier effect, will be stimulated by extra demand creating markets for other goods and services and thus additional income and employment, which can be more than twice as high as the employment generated by the construction works. As the income derived from this will benefit particularly unskilled poor workers, the labour-based technology will thus have an important income distribution effect in favour of the poor.

An important task for the EIIP is thus one of advocating and demonstrating to governments, as well as donors and institutions that fund infrastructure in developing countries, that investment policies and technology packages exist that match solutions to problems in poor countries.

II.2 Integrating employment, social and investment policy at national level

Macroeconomic success is one of the primary determinants of employment growth. … making employment a core objective of macroeconomic policy is an essential ILO responsibility.

Reducing the decent work deficit

The EIIP has taken several steps towards helping the ILO to discharge the essential responsibility described above. The overall goal of this work is to help governments to institutionalise employment-intensive approaches in their national investment programmes and policies. Some governments now put aside part of their recurrent infrastructure budgets for implementation through employment-intensive programmes, while other governments apply EIIP methods for delivery of public investments in infrastructure: they no longer need ILO technical assistance but continue to fulfil their role, providing a steady stream of productive employment and income opportunities, basically for the low-income groups of society.
In order to ensure that employment-intensive approaches are considered as a serious option at the very early stages of policy-making and programme design in developing countries, the EIIP has recently started promoting Employment and Investment Policy Units (EIPU). Being part of the Government Department with overall responsibility for the public investment programme (PIP), the primary functions of these Units is to co-ordinate and integrate employment-friendly approaches to infrastructure development and maintenance into the national planning process. In order to achieve this they assess the impact of technology choice and conduct studies for the purpose of increasing awareness about the potential advantages of a wider application of labour-based works among decision-makers and the general public. They also promote the institutionalisation of policy directives affirming employment intensive investments through instruments such as Green or White papers.

The location of such units is crucial. They must command respect for the professional approach and advice offered, and at the same time be seen as an influential agent of government policy development and implementation. As such they should become instrumental in influencing public procurement towards employment-related objectives, transparency and democratic processes. Steering Committees are to guide the policy units to work on strategic sectors and issues, according to national conditions and the public investment programme. These are tripartite ‘plus’ committees whose active membership is to include representatives of the private sector alongside those of workers, relevant ministries, and civil society.

The first Steering Committee in Uganda was set up under a four-year DANIDA project, that came to an end in April 2001, after commissioning and undertaking much work (including studies on the macro-economic
potential of the labour-based option, guidance for the Poverty Eradication Action Plan, substantial mass media campaigns, training of district staff, etc.). The Committee has done much to raise the profile of employment-intensive investments as a means to direct Uganda’s economic growth towards poverty reduction objectives. Similar Steering Committee projects for Guinea, Mali and Senegal have been approved by the respective governments and are prospecting for funds. In Namibia, the tripartite ‘plus’ Committee has drafted a White Paper adopted by Parliament in December 1999 and in which it proposes to screen and evaluate all investments for their employment content.

The EIIP is developing its collaboration with other UN agencies such as UN-DESA (Department for Economic and Social Affairs) to provide technical support to the EIPUs and to the planning, decision-making and budgeting process of public resource allocation, for example to reduce donor-induced biases against local resource based implementation such as tied procurement to a donor country, to introduce methodologies for screening investment on employment impact, or to evaluate public investment programmes against their employment creation or poverty reduction objectives.

The EIIP has also collaborated with the lending and grant programmes of the World Bank, the Asian Development Bank, and several bilateral donors in this direction. For example, in Tanzania, recognizing the positive results of different employment-intensive development programmes at the government, private sector and community levels, the Government has brought labour-based technologies at the forefront of the PRSP 15 (Poverty Reduction Strategy Paper) notably in the road sector. This means that in all road works priority will be given to labour-based technologies, whenever technically feasible and financially efficient. Subsequently, the government has requested the ILO to provide assistance to the formulation of comprehensive road sector programmes for investment funding by the World Bank and other donors.

II.3 Promoting employment opportunities through decentralized investments

The EIIP’s objective in this regard is to improve the ability of local authorities and communities to identify and deliver high-priority infrastructure and amenities that significantly improve living and working conditions, and to increase employment opportunities locally in rural areas and urban informal settlements.

Planning for access to basic goods and services

A planning methodology has been developed for rural areas, Integrated Rural Accessibility Planning (IRAP), which aims at improving the access of rural populations to basic goods and amenities and reducing their socio-economic isolation. Efficiently distributed basic rural infrastructure and services are a source of diversified rural non-farm employment opportunities, improved rural productivity and better living conditions for rural people. IRAP’s capacity building programmes enable local planners down to district level to prioritise access improvements based on the greatest impact on the largest number of people. Indeed, local planners and communities often lack objective criteria by which to prioritise accessibility needs advanced by communities, or to resist the sometimes arbitrary decisions of local authorities or interest groups.

15 PRSPs describe a country’s macro-economic, structural and social policies and programmes to promote growth and reduce poverty, as well as associated financing needs. They are prepared by governments through a participatory approach involving civil society and development partners.
Accessibility planning is now already undertaken in several countries in Asia and Africa: Lao, Philippines, Cambodia, Malawi and Zimbabwe.

**Community Contracting: building capacities in communities**

For both rural and urban areas, the EIIP has developed a contractual methodology for implementing works of direct benefit to communities. In community contracting, a representative community-based organization (CBO) becomes a partner to a city council or local government agency; acquires skills in organization and negotiation; and participates as far as it can in the planning, design, funding, implementation and maintenance of a project the community needs. This contractual, participatory approach usually based on cost-sharing has proved more cost-effective than either conventional wage payment (which the government cannot afford and which, for assets of community interest, runs counter to the empowerment objective) or unpaid self-help (equivalent in some cases to compulsory mobilisation of the labour force), firstly in making projects happen, and then in maintaining the built assets. Community contracting also tends to lower construction and maintenance costs 16.

Moreover, community contracting helps to establish public-private partnerships: a good example being the partnership developed between women self-help groups and the city authorities in dealing with solid waste management in Hanna Nassif, Dar es Salaam. It leads to organizations that have proven adaptable to a variety of collective activities, including micro-finance, product marketing, the procurement of inputs, mutual funds for the social protection of informal sector workers, and collective negotiations on matters such as maintenance and wages. Community contracting improves the capacities and political will of city councils and local governments to direct investments towards people’s needs, and empowers local populations through improved bargaining and negotiation skills, better knowledge of the administrative procedures, and more confidence in their technical, financial and organizational capabilities.

The EIIP has been promoting the community contracting approach in six countries in Africa, through policy advice and awareness raising, demonstration projects and capacity building. A regional course for urban planners and engineers in Africa has been developed and conducted and a 6 weeks training course for urban site supervisors from local authorities, communities and private sector has been developed and conducted in Kenya. International courses in community contracting for urban planners and engineers are being organised with the Turin Centre.

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16 The costs for building the capacity of the community and local authority are budgeted separately.
Steps on how to implement community contracts

1. **Community Based Organization**
   - Build capacity and facilitate formal registration of local community representatives

2. **Community Action Plan**
   - Prepare a Community Action Plan with rights and obligations of each party

3. **Community Contract**
   - Negotiate and sign Community Contract(s) ensuring partnerships

4. **Implementation**
   - Implementation by the community, resulting in good quality, cost effectiveness and decent jobs

5. **Construction Management**
   - Community organizes the work and ensures timely contribution and payments

6. **Maintenance Plan**
   - Monitor and evaluate the progress, impact and maintenance
Integrated improvement of living and working conditions in urban areas

An important impact of urban EIIP programmes is on informal sector workers whose homes are their workplaces, and often sited on unsuitable land on which no-one else wants to build. Employment-intensive improvements to informal settlements lead directly to increased incomes and higher productivity. Women who often work at home in the informal settlements benefit from these improvements. The EIIP’s urban experience shows that employment-intensive settlement upgrading and projects to promote the urban informal sector have an incremental effect when they are integrated. Debilitating, productivity-lowering waterborne diseases drop substantially when storm water and sewage are not allowed to stagnate… thus enabling a better living and working environment.

At the moment, the EIIP is considering the development of a planning methodology for urban areas that would enable city planners to increase the levels of employment on a citywide basis. The starting point for this would be the urban infrastructure and services investment budget, and the data the EIIP has developed on the labour inputs required for different construction and maintenance tasks. The aim is to enable city planners to put together a portfolio of urban infrastructure investments that responds more effectively to the infrastructure and employment needs of the poor.

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II.4 Private sector execution of infrastructure works and employment/labour issues

While employment policy has to anticipate technological and institutional change, the reverse is also true. It is the EIIP’s experience in the construction sector of developing countries, that promoting certain technology choices for social and employment purposes can provoke and influence institutional change towards more appropriate production systems.

This point may be illustrated as follows. Private sector participation in public works can only be achieved by building the capacity of the public sector to delegate infrastructure execution to the private sector and play itself a contract management role. Simultaneously, the small contractors need to be equipped with the skills and other means to execute public contracts using labour-based methods. Equally important, a contract system needs to be put in place that can and should be used to promote employment and to extend decent working conditions to the growing workforces of temporary workers employed by the small contractors. Hence, employment objectives, technology choices and institutional change become interlinked and interdependent.

Since the late 1980s, the EIIP has helped governments to develop private sector execution of public works through small-scale contracting development programmes. These programmes have in effect contributed to the creation of new production systems in the construction sector of some 20 developing countries in Africa and Asia to date.
The small-scale private sector: from informal to formal

Until the advent of these small contracting development programmes, governments in these countries used to package infrastructure investments into multimillion dollar contracts awarded to a handful of large national or international contractors, whose activity created insignificant employment while putting a strain on scarce foreign exchange since they relied on heavy imported machinery. Public infrastructure procurement was a straightforward technical and financial question and its social implications were not an issue for the technical ministries. It was in this context that the ILO’s EIIP started to promote the procurement system as an effective policy tool to also ‘procure’ certain social and employment objectives.

The key to this alternative approach lays in the promotion of small-scale contracting enterprises which were barred from the lucrative public contracts market by regulatory obstacles, but also because they were lacking in financial, technical and managerial capacity. The strategy aims to upgrade the capacities of small entrepreneurs, to introduce the technical ministries to contract management and to introduce labour-based technology to both. Once all elements are put in place, it is possible for a small to medium-sized contractor trained in labour-based techniques to bid for and successfully execute small to medium-sized public works contracts with a workforce of typically around a hundred people, a team of permanent staff and under $100,000 worth of equipment. At this point the contractor will have moved from the informal sector, or the fringe of the informal sector, to the formal sector.

We need to look at the many legal and institutional obstacles to enterprise creation and growth and promote the coordinated action needed to remove unnecessary barriers.

Reducing the decent work deficit
Implementing ILO Recommendation 189

Behind this seemingly simple shift from informal to formal lies the whole range of promotional, capacity building and support activities provided for in ILO Recommendation 189 - "Recommendation to stimulate job creation in small and medium-sized enterprises" (1998). The EIIP’s experience with small contracting development is in fact a welcome case of convergent thinking between different sections of the ILO. Although the small contracting development programmes initiated by the EIIP precede the Recommendation by several years, they represent the most complete and successful application to date of its provisions to a whole production system.

The EIIP’s success hinges on the introduction of a contract award system based on socio-economic criteria into the operations of the public works and technical line ministries. This is done by modifying the contract system at all levels (contract design, documentation, tendering and bidding) to take into account execution by small-scale contractors, and to incorporate employment objectives, working conditions and productivity concerns. EIIP’s work on the adaptation of contract systems proves a valuable opportunity to introduce a wide range of non-ILO constituents - technical and economic ministries, small-scale contractors, the operational arms of bilateral donors and international/regional finance institutions and informal sector workers - to fundamental ILO concerns whose relevance to them they previously ignored. It also provides an entry point for Ministries of Labour to work with the key actors of economic and investment policy, and the opportunity to introduce social concerns into economic (investment) policy. Given the lack of resources of most labour inspectorates and the spread of work sites up and down the country, the contract system may prove to be the most effective way of protecting the rights of the workers on employment-intensive programmes - small contractors who do not provide fair working conditions may be excluded from competing for new contracts (the periods of exclusion can be determined according to the seriousness of the infractions).

Adaptation of the contract system has also proved extremely effective in promoting women in construction work. It is essential to involve existing relevant workers’ and employers’ organisations in all activities aiming to modify the contract system: training, legal and administrative reform, etc. Reducing the decent work deficit in the infrastructure and construction sectors

To modify the contract system in favour of small contractors, job creation and improved working conditions, a typical EIIP-supported programme assists the contracting agency to:

a) work with small contractors;

b) redesign contracts into smaller units which small contractors can bid for;

c) produce lighter contract documentation (tendering and bidding documents, bills of quantities) also covering labour issues specific to large temporary workforces;

d) simplify, speed up and make contract award procedures transparent;

e) consult with the ministry of labour on labour issues, labour legislation reform and extending social protection;

f) include in contract specifications social objectives/targets such as labour-intensity, application of labour standards, equal opportunity and equal pay for work of equal value, use of local materials (crucial for linkages between sectors and multiplier effects), participation of communities;

g) set up an in-country training capacity.

Contractors receive managerial and technical training, assistance to access loans for equipment and materials, and help to set up small contractors’ associations.

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18 Contract award based on socio-economic criteria is sometimes called procurement with socio-economic objectives, or ‘targeted procurement’.
Those institutions willing and committed to operating system-wide change have been able to create a new industrial sub-sector in their countries, with numerous small contractors employing up to fifteen people in maintenance works, and a steadily increasing number of medium scale labour-based contractors each employing typically around a hundred workers. Even after the end of the ILO-supported phase, governments continue to use the adapted contracting systems, and new contractors join the business, for the benefit of all. In Ghana for instance, several years after the ILO technical assistance had ended, the number of active labour-based contractors (100+) has more than doubled. In a major World Bank-supported infrastructure project in Madagascar, six of the seven enterprises that received performance awards had been trained under a pilot NORAD-funded ILO-EIIP programme.

**Lessons learned and further action**

- Perhaps the single most important lesson the EIIP has learned from its experience with small contracting development is that the adaptation of the contract systems in public infrastructure investment will be an important means for promoting, simultaneously, the expansion of employment and the improvement of working conditions in the private construction sector.

In collaboration with the social and technical partners, the EIIP has developed promotional methods for introducing all practitioners to labour policies and practices for employment-intensive works. These promotional activities are being intensified.\(^{19}\)

- Changing production systems is first and foremost a question of awareness-raising and capacity-building in both the public and private sector. It requires a process approach and needs a medium to long-term time horizon to be institutionalised.

- For the EIIP, a resolute commitment to a policy of creation of decent employment implies technological and institutional change within a given production system. It seems that a sector by sector approach to the implementation of Recommendation 189 has the best chances of being effective because each sector needs to resolve

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\(^{19}\) So far, agreements between manufacturers, retailers and subcontractors in an industry have usually led to the improvement of working conditions. Extending this mechanism to employment creation would be a major next step.
specific regulatory, technological and other issues, attention to which will guarantee that the sector produces not just more jobs, but more decent jobs. The development of specific pilot and demonstration programmes by the ILO is clearly very necessary. Making headway towards measurably reducing the deficit of decent work, might require that governments envisage committing themselves in this coordinated manner to three or four sectors - garments, agro-industry, forestry, construction, irrigation etc. - to be selected on the basis of their potential to create employment for the poor and unskilled.

- The small-scale contracting development model with the government as contract manager is the most demanding, as it requires deep and potentially disorientating changes on the part of the ministry concerned, but it is also the most rewarding as it puts Government in a situation where it can use the public investment programme as a wider policy tool to introduce social policy concerns. Provided adequate resources are made available, it increases the ability of the agency to adapt to change, and thereby enhances its productivity and development effectiveness, and is therefore the model the EIIP recommends whenever public resources are involved. Where no public resources are involved, i.e. where exclusively private capital intervenes to respond to private demand (garment industry, private housing, leather, food industry etc., which all lend themselves to the use of labour-intensive or labour-based technology), other policy tools will have to be designed allowing for the simultaneous introduction of economic and social policy concerns.
II.5 Employment opportunities for unskilled and skilled workers

Certain categories of people tend to experience more difficulty than others in gaining access to employment.

The rural population

The focus of the EIIP on rural areas goes back to when the rural areas experienced the highest incidence and depth of poverty. Rural dwellers tend to be more excluded from job opportunities than urban dwellers because of the moribund state and remoteness of most rural economies from mainstream economic activity. When this exclusion is compounded by lack of even a small plot of land through which to subsist, the state of deprivation can be very severe indeed.

By making it technologically feasible to undertake small and medium-sized infrastructure projects virtually anywhere where there were people ready to work, the approach was able to promote job creation and the enhancement of rural productivity in rural and remote areas. The incomes paid contributed to considerable monetisation of the rural economies, and thus to creating opportunities for investment, be it in agriculture or for diversifying out of agriculture. The first beneficiaries of the EIIP's rural focus are the landless poor and underemployed rural workers, and women who find two additional sources of income close to home, working on the construction sites and selling food and other goods to the wage earners.

Women

The EIIP works at several levels to promote decent job opportunities for women in construction and decent living conditions for women through construction.

In Uganda, the Ministry of Works, Transport and Communication has placed some 5,500 km of trunk roads under labour-based routine maintenance through local contractors living in the villages close to the roads. Given that routine maintenance typically requires 80 workdays per kilometer per year, some 440,000 direct workdays will have been created. This amounts to approximately 1,700 direct jobs created every year, the benefits of which will be spread over many more people and their families in the rural areas. And the added advantage that a well-maintained road will help to develop local economic activities. Even with routine maintenance well organized, it will still be necessary to carry out periodic road maintenance every five years, which requires an average of 300 workdays per kilometer. On the 5,500 km of trunk road, this will create an additional 1,650,000 workdays every five years if labour-based methods are employed, corresponding to approximately 6,400 jobs.

To take big construction equipment out to the rural areas is usually only cost-effective for massive contracts which do not directly meet the needs of poor rural people, e.g. major highways.
EIIP-supported programmes also promote equal access to training for women construction workers, with particular attention to training for technicians and gang leaders, because experience has shown that a higher percentage of women working at these levels has diminished traditional and cultural barriers and encouraged more favourable attitudes towards the recruitment of female workers for unskilled and semi-skilled work, including as supervisors.

Ensuring equal pay for work of equal value has meant that not only do women have more income opportunities through access to construction work; they have access to the same income. In fact, virtually all employment-intensive construction programmes function on the basis of a set daily wage for all workers, often based on the completion of a particular task. Studies have been carried out on payment systems, which recommend six-hour daily tasks, leaving room for complementary household or productive activities. At the end of the day, men and women workers have earned the same income.

The EIIP also encourages women to become members of decision-making committees at village level, in order to participate in the selection of assets directly useful to them or in negotiating times/hours of work that take into account their other responsibilities, and to form associations or interest groups (e.g. savings schemes in Nepal, Uganda and Kenya).

The programme itself creates employment opportunities for women engineers. This example has undoubtedly helped open up high-level posts to women in the partner countries. The Labour-based Construction Unit in Lesotho had a lady boss until the Unit merged with the rest of the Roads Department - she now heads the new Roads Department.

Young people

Employment intensive investments open up a whole sub-sector of activity, not just create jobs for unskilled people. As governments integrate the approach into their ordinary activities, they need to increase the number of staff with the necessary technical and management abilities. At the same time, the need for local engineering and architecture consultants increases, particularly in contexts of decentralization.

The expansion of the small contractor industry will also create opportunities for young graduates to start their own business or to find a job in an existing firm as technician, accountant, site supervisor, etc. The growing industry, to sustain its expansion, will require many more people trained in its operation, in both the private and public sectors.

To meet this demand, the EIIP has been collaborating with some 20 universities and training institutions to a) introduce undergraduates to issues of technology policy, technology management, labour based implementation, labour issues, etc., and b) to promote research projects at both post graduate and undergraduate levels, on various aspects of the approach. These initiatives help to educate the next generation of high-level technicians to make and manage socially responsible technological choices.

Students associate with employment intensive programmes in their countries, and later find work mainly with the national programme, sometimes with an ILO-supported programme, and sometimes with small contracting or consulting firms.

The Kisii Training Centre (KTC) in Kenya is part of the Kenya Institute for Highway and Building Technologies (KIHBT). Following initial development and operational support by ILO, it is now completely self-sufficient and runs international training courses in labour-based technologies at three levels: (1) engineers/managers; (2) work supervisors; and (3) trainers. In response to demand it has more recently also started to offer courses for urban-related infrastructure planning and works.

Although the programme has somewhat reduced in size due to lack of funding, it continues in the form of two networks of universities, one operating out of the University of Kumasi, Ghana, and the other out of Gadjah Mada University in Jakarta, Indonesia. The current total of 20 to 25 universities exchange information and run discussion groups through these networks. Previous activities of the EIIP also included working with faculties of universities in the UK (Loughborough and Birmingham) and the Netherlands.
(Twente and Delft), which conduct EIIP-designed postgraduate courses for engineers from developing countries. A proposal for funding of an international university network has been submitted to donors. Independently from the ILO initiative, but with a view to promote the same policy, the Research Centre for Employment Creation in Construction of the University of Witwatersrand in South Africa organized the First International Conference on Employment Creation in Development Work, in April 2001.21

The EIIP has also, more recently, started promotional activities to induce and train local engineering and architectural consultants to provide the government with technical and supervisory services for the emerging small contractors market nation-wide.

The current and next generations of technicians are thus receiving an introduction to their new role as responsible agents for the socio-technical development of their countries.

II.6 Instituting decent working conditions for the poor and unorganised

Who are the workers on employment-intensive projects? They are typically the working poor: men and women in rural and urban areas who would otherwise be casual labourers or construction workers employed on a day to day basis, domestic servants, street vendors, or occupied in other forms of under-productive work ranging from the precarious to the outright dangerous.

Work on an employment-intensive infrastructure programme is usually the first introduction these workers, particularly in rural areas, have to formal employment and decent working conditions. Usually, such workers do not encounter a steady income of the level provided by the programmes that apply the minimum or collectively agreed to wage. For many of them, participation in the programme represents a step up in life. They report increased respect among their peers when they start to receive a salary (instead of an intermittent daily wage), and gain access to services such as loans open only to people receiving salaries.

Earning a salary instead of a daily wage makes a difference

Villagers prefer to work on ILO-supported employment intensive infrastructure programmes than to take up the casual jobs normally available because they get paid monthly and it helps them to save. A labourer working for a small contractor in Ghana said, “if you earn money at the end of the month in bulk, you can save something. If you’re paid daily, then you cannot save.”

The EIIP aims to introduce labour clauses in public contracts that protect the workers and improve their working conditions. The most relevant of these are:

- Non-discrimination on recruitment
- Decent (minimum) wages and wages paid on time
- Regulated working hours
- Equal pay for work of equal value
- Minimum age (prohibition of child labour)
- A ban on forced labour
- The right to organise and to bargain collectively
- Workers’ compensation for work accidents
- Basic provisions for health and safety: protective clothing, safety kit and drinking water on site
- Positive action for female workers

The question is often asked as to whether the introduction of improved working conditions is a cost factor or a productive factor. Some may argue that in a sea of poverty, decent working conditions are a luxury that developing countries and their public infrastructure programmes can ill afford. Small contractors may fear unfair competition from colleagues in the bidding for contracts. The position of the EIIP, transmitted to target groups such as technical ministries and the trainee contractors is that not only are decent working conditions desirable in their own right, they are quite simply a prerequisite for the normal functioning of work sites where people are the productive force. Ensuring decent working conditions is thus critical to the contractors’ productivity and profit margins, a fact that

is heavily underscored and incorporated in their training and in the contract award system. It is also fundamental to the credibility of the governments’ policy to use investment to create employment and to the acceptance of this policy by the population, and it is in keeping with the governments’ international obligations, particularly those arising from their adherence to the ILO and their ratification of international labour conventions and recommendations.

II.7 Extending social protection to the most excluded

It is up to us to show that rights at work and social protection have meaning for the informal economy. ... Safety nets need to reach beyond the formal economy.

Reducing the decent work deficit

Income when it is most needed

The EIIP approach targets the most marginalized, the 80% of the population of developing countries whom social security or protection schemes do not cover. When crisis hits these countries, it hits hardest those with no protection and no room to manoeuvre, i.e. the poor and poorest people. Direct employment creation schemes are virtually the only way of quickly providing income support to the hardest hit, and helping them to cope. In Bangkok in April 1998, the ILO’s High-Level Tripartite Meeting on Social Responses to the Financial Crisis in East and South-East Asian Countries acknowledged that such schemes were 'probably the only feasible safety nets that can be provided in most of the countries affected by the crisis'.

Employment-intensive infrastructure programmes have provided or are providing social protection to the poorest in situations such as:

- The structural adjustment programmes introduced in many developing and transition countries, to bring high foreign debt and deteriorating balances of payment under control. Employment-intensive programmes are central to the Social or Employment funds intended to soften the negative impact of the macroeconomic reforms on poor people.
- The programmes adopted by conflict-affected countries, such as Mozambique and Cambodia, to create employment for displaced persons and ex-combatants, distribute income to the poor, and rebuild the economy and damaged infrastructure.
- The provision of temporary employment opportunities as a form of income security for the poor and underemployed 22. A well-known example is the Maharashtra Employment Guarantee Scheme (MEGS, India), which provides temporary jobs on demand of workers in small-scale infrastructure works as a form of unemployment insurance. Every year the MEGS creates around 150 million workdays, or almost 2 million temporary jobs of 80 days 23.

In all these situations of high under- and unemployment, the EIIP is one of the opportunities to create employment, income and assets for the unskilled workers rapidly, bearing in mind the decent work approach: a 'floor' of basic rights, which can be progressively improved on by introducing labour clauses through the contract system.

Additional ways of putting the floor of basic rights in place

It is not only in situations of crisis that the EIIP approach serves to extend social protection to its main target group, the working poor. Where employment-intensive investment is being institutionalised, EIIP-supported programmes introduce accident insurance or other measures of compensating workers for injury. The EIIP encourages the technical ministry, the labour ministry, the social partners and the relevant authorities to come together to see how the programmes can be used as a vehicle for bringing social protection to the unorganised workers.

The ordinary outcomes of EIIP activities, better distribution of social services, lower incidence of water borne diseases, better access and communications, etc., already go a long way towards lowering people's vulnerability and exclusion.

22 World Labour Report 2000 – Income security and social protection in a changing world
23 Studies on poverty have shown that it is usually an unemployment and income gap of 60 to 100 days, particularly during the agricultural lean period, that is the factor driving the labour force out of agriculture into town. (World Labour Report 2000, page 165)
and ensuring their access to social services. The community contracting methodology not only accelerates this process, but the organization of communities serves as a precursor for promoting mutual support systems. Employment-intensive approaches to implementing infrastructure investments may thus contribute in several important ways towards effective minimum levels of social protection and income security for the poor and as part of a longer-term development of systems adapted to different national capacities and levels of development.

II.8 Promoting social dialogue and good governance in the service of employment

The government ministries and social actors traditionally concerned with labour issues do not necessarily have much influence over economic policies. ... The need for coherence also means that the ILO must move outside its traditional spheres to interact with all of the key actors that drive economic and social policy.

Reducing the decent work deficit

The EIIP works towards strengthening social dialogue on two levels: at macro-economic level to promote the integration of employment and investment policies, and at the level of the construction industry for the newly emerging labour-based sector.

Social dialogue to integrate employment and investment policies

The EIIP has been piloting social dialogue for employment-intensive investment policy formulation in its demonstration programmes. It has been able to introduce the ministries controlling investment budgets to ILO concerns such as employment creation, decent work, gender, social dialogue, social protection and job quality, and to closer collaboration with ministries of labour. More recently, the strategy focuses on the creation of Employment-Intensive Investment Policy Units (EIIPUs) with a tripartite ‘plus’ steering committee (see above section II.2). Although only one of the above-mentioned Steering Committees, namely Uganda, has been operating for the past four years, two other governments, Togo and Madagascar, had requested the EIIP’s technical assistance to formulate projects which, unfortunately, have not yet attracted funding. New projects have been drawn up at the request of Guinea, Mali and Senegal.

On the regional and international level, the EIIP is developing collaboration with the International Confederation of Free Trade Unions (ICFTU) and the International Federation of Building and Wood Workers (IFBWW). They have organized the dissemination of guidelines on labour policies and practices in employment-intensive programmes, and undertaken a number of other initiatives. One long-term initiative with potentially a considerable and far-reaching impact will be the collaboration between the ILO social partners and the EIIP to set up a task force to revise the contracting systems of international and regional financing agencies towards creating more jobs, and better jobs, through infrastructure investments.

Strengthening organization in the construction sector

The draft of the Guide, Employment-Intensive programmes: Labour policies and practices, was reviewed by a regional tripartite meeting in East Africa (Kampala, October 1997). The meeting acknowledged the temporary status of many workers of these programmes, and suggested that there was a need for both occupational and community organisations in the labour-based sector, each serving their different but complementary purpose.

An important feature of EIIP programmes is to encourage workers and employers to exercise their freedom to associate, and organize. However, the organisation of workers has proved difficult mainly because the jobs in employment-intensive programmes are of a temporary nature. Existing trade unions have often been consulted by the programmes on different labour issues, e.g. minimum wage, productivity-based pay, etc., but none as yet has reached out to the temporary workers to extend membership and it is the contract system that so far sets the frame for workers’ fundamental rights and other conditions of work. However, to ensure actual enforcement of these rights and decent working conditions, efforts towards better
organisation of the wage labour are indispensable and should be actively pursued.

What has proved successful where organization of workers employed on employment-intensive programmes is concerned, are community based organizations or CBOs. Through these, the EIIP has been able to transfer a range of skills and competencies to the urban and rural poor people: project management, technical skills, collective decision-making and negotiating with local authorities.

On the employers’ side, the EIIP has been successful in encouraging several small contractors associations to set up, learn to articulate and defend their interests and start to provide services such as training, for the advancement of their sub-sector - here again. Existing employers’ associations have not tended to absorb the new players into their structure at the offset, and promotional work on organisational issues is necessary both with existing organisations and with new small contractors. At least 10 labour-based contractors’ associations exist in Africa today, while the number is growing in Asia. These associations are active, and have succeeded in negotiating conditions of contract, obtaining reforms generally promoting their interests and promoting their technology. In Uganda, the Association of Contractors was part of the national level Steering Committee to promote employment creation through infrastructure investment, which also included the Federation of Ugandan Employers, the National Organization of Trade Unions and Makerere University24. Mention may also be made of the growing number of labour-based consultants associations, who are trying to carve out a role as proponents of labour-based technologies in the design and supervision of infrastructure works.

**Trade-offs and the need for social dialogue**

We have argued previously that employment-intensive investment strategies present a ‘win-win’ situation whereby employment creation can be combined with improvement of working conditions, economic efficiency with social efficiency, economic growth with social progress.

While this is certainly correct for the overall picture, there may still be trade-offs and difficult decisions to be taken at the implementation level of employment-intensive programmes.

One example is the wage issue in labour-based works. Experience has shown that the level of the wages in labour-based public works25 has implications for the objectives pursued. If the objective is poverty reduction, the wages can be set at a relatively low level, for them to automatically target the low-skilled workers from low-income families. If, however, the official minimum wage is higher than the poverty targeting level, and higher than the wages normally practiced in the “informal” and/or agricultural sectors, a dilemma exists as to what the wage levels should be. In that case paying the official minimum wage would have three disadvantages: 1) it attracts the non-poor, 2) it reduces the amount of jobs that can be created, 3) it may jeopardize the economic competitiveness of labour-based methods as opposed to equipment-intensive methods. This dilemma does of course not exist in countries where the official minimum wage is below the wage levels normally practiced, which is an equally flawed situation. However, in that case labour-based works can in fact pay higher wages and, if at a sufficiently large scale, create an upward pressure on the informal sector/agricultural wages.

Ideally, wages in labour-based works should be set at a level whereby: (1) they target the poor; (2) they are considered as “decent” in the local circumstances; (3) they encourage productivity; (4) labour-based remains competitive with equipment-based; (5) no labour is withdrawn from other crucial sectors (e.g. from agriculture during planting, harvesting). Eventually, it would be desirable to harmonise working conditions in labour-based works with those being applied in the formal sections of the construction industry.

In South Africa and Namibia, tripartite ‘plus’ discussions have led to specific wage policies for casual workers in labour-based works. Such agreements are important to achieve mainstreaming of employment-intensive approaches in the national investment policies and programmes. As every country situation is different, tripartite consultations and agreements on these issues are the best, if not the only, way forward to define a wage policy for labour-based works that is both economically viable and socially responsible.

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24 Support to the Labour-Based Policy Promotion Committee, UGA/97/02/DAN, Terminal Evaluation Mission Report, EMP/INVEST, January 2001

25 The situation is different for community works, whereby community members benefit directly from the works undertaken and freely agree to contribute with resources, which can include the contribution of labour.
RESOLVING THE PARADOX
RESOLVING THE PARADOX

THE EIIP APPROACH

INTRODUCTION
III RESOLVING THE PARADOX

III.1 Working towards social consensus

The EIIP believes that a large social consensus for employment-intensive investment policies, for job creation with decent working conditions, is likely to emerge.

The reason is that the approach provides a number of advantages to governments, employers and workers alike. These advantages include:

**Governments**

- More value for money
- Employment creation and poverty reduction
- Better income distribution
- Better governance
- Savings on scarce foreign exchange (use of local resources)
- Local economic development
- Promotion of local construction industry

**Private sector (small contractors)**

- Gain access to public markets
- Entry into formal sector; thus access to credit, equipment
- Transparent tendering and bidding
- Simplified contract documents, effective payment systems
- Opportunity to form contractors’ associations

**Workers**

- Jobs (2 to 5 times more on labour-based than on equipment-based with the same amount of investment)
- Improved working conditions
- Opportunity to create or expand workers’ organisations

The mechanism through which this social consensus can emerge is social dialogue between the social partners, in which would also participate on an equal footing representatives of government departments responsible for economic policy and investment, and relevant members of civil society - such as NGOs, associations of municipalities, academics. This social dialogue will need to squarely face the possible trade-offs, which may vary from country to country, balance the advantages and disadvantages (the EIIP firmly believes that the advantages far outweigh the disadvantages), and possible resistance by selected groups that have so far benefited immensely from infrastructure investments, to the exclusion and detriment of wider society.

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26 Resistance may for instance be expected from the large national and international construction companies that have obtained the major part of public infrastructure contracts, equipment importing or manufacturing lobbies, and managers in technical ministries who may consider labour-based as “inferior” or whose personal interests are at stake.
III.2 Conclusion

To conclude, one may ask three questions. The first: is there work to be done in developing countries? The needs, even the basic ones, being huge, the answer is that there certainly is. Food, clean water, decent shelter, transportation, electricity, education, hospitals and clinics, irrigation, soil conservation and environmental preservation, drainage and sewage,… all require infrastructure construction, maintenance and associated services.

The second question is: are there jobs permitting people to do this work for a living wage in decent conditions? The paradox is that there aren’t. The people who could do the work and benefit from it are spending long hours each day selling second-hand clothing and plastic objects, waiting for a few weeks of work here and there, soliciting family, friends or important figures… Instead of being gainfully and meaningfully employed at improving their living and working conditions, they are unemployed or underemployed. How can there be so much underemployment where there is so much work to do?

And the third question: what can induce large-scale reduction in the deficit of decent work in developing countries?

The EIIP approach is:

- Public investment to play a lead role in promoting employment-intensive growth, poverty reduction and social justice,
- Technology that creates workplaces, raises basic productivity and materializes the potential of resources available locally, and
- Transformed production systems that guarantee fundamental rights at work, and enabling legal and administrative environments,… designed and adapted through social dialogue to the specific circumstances of each country.

It is high time to resolve the paradox.
For more information, please contact:

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