International Labour Organization

Decent Work in Construction

A market systems analysis of the construction sector in Mozambique

Building a pathway to improved working conditions for vulnerable workers

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Foreword

The construction sector in Southern Africa is a cornerstone of the region's socio-economic development, playing an essential role in fostering growth and creating employment opportunities. This sector is interlinked with various other industries, contributing significantly to infrastructure development. The construction sector has potential to drive economic diversification, reduce unemployment, and address infrastructure deficits, which are essential for sustainable development and for improving quality of life in the region. Despite these opportunities, the sector faces numerous challenges, including low productivity, limited regulatory enforcement, and a high prevalence of informality and decent work deficits.

In Mozambique, the sector has one of the strongest growth outlooks across Sub-Saharan Africa and has become a key driver of the country's economic development, supported by substantial investment pledges aimed at improving infrastructure to support the country's rapidly developing oil, gas and mining sectors.

However, the sector still faces significant challenges, including a lack of coordination and information asymmetry, limited skills among the workforce and inadequate human resource management practices that result in low productivity, high levels of informality, and low compliance with labour laws.

It is against this background that the ILO, in partnership with the Southern African Development Community (SADC) Secretariat, through the Decent Work in Construction Project, undertook a rapid assessment of Mozambique's construction sector market systems to better understand the context and extent of the challenges. This report presents the findings of the rapid assessment, providing insights into the sector functions, and the root causes of some of the challenges. This report serves as a call to action with recommendations on entry points for designing mitigative interventions.

The ILO and SADC commend sector stakeholders for their collaboration in conducting this research and remain committed to supporting government of Mozambique and its social partners in creating a sustainable path for improving working conditions and labour productivity in the construction sector.

Alexio Musindo
Director DWT/CO Pretoria
International Labour Organization

Executive summary

This study examines the performance of Mozambique's construction industry in promoting decent work and labour rights. The study is one of a series of three sub-regional market systems analyses (MSAs) focusing on South Africa, Mozambique and Zimbabwe. The report presents the context, methodology, and analysis of constraints and opportunities for workers and micro, small and medium enterprises (MSMEs) in the construction market system and its interconnected employment market system, as well as recommendations for intervention activities. The findings will be used to design interventions for the ILO's four-year project (2022–2025) on decent working conditions and labour rights for young and vulnerable women and men in the construction sector in Southern Africa. This project will be implemented by the ILO and the Southern African Development Community (SADC) with support from the Swedish International Development Cooperation Agency (Sida).

The project will address decent work deficits and violations of workers' labour rights at the national level (South Africa, Zimbabwe and Mozambique) and at the sub-regional level. The project will use a market systems approach, which aims to reduce poverty and decent work deficits by creating incentives for actors, both private and public, to test innovations that support a stronger and more inclusive construction sector.

Country context and target groups

With around 64 per cent of its population living below the poverty line and a national budget largely dependent on foreign aid, Mozambique ranks as one of the poorest countries in the world.[1] The economy experienced high growth rates between 2000 and 2015, but has since been marked by macroeconomic instability due to the hidden debt crisis in 2016, attacks by Islamist insurgent groups in the north since 2017, cyclones Idai and Kenneth in 2019 and COVID-19 in 2020. However, gross domestic product (GDP) has shown a gradual increase since 2021 and is projected to increase by 5.18 per cent in 2023 and 6.81 per cent in 2024.[2]

The construction sector in Mozambique has long played an important role in the economy, with an average annual growth rate of 12.8 per cent between 1993 and 2015, before falling due to the economic crisis. More recently, the sector has returned to growth in line with the country's GDP and the resumption of foreign aid for infrastructure projects.

The construction sector is characterized by a small number of large foreign companies leading infrastructure development and construction, and a large number of micro and small enterprises working as subcontractors to these large contractors. The sector employs approximately 425,000 people, of whom 88 per cent are informal workers. This is significant from the perspective of working conditions and labour rights, as informal workers face exacerbated decent work deficits and labour rights violations such as occupational health

1 CDCS-Mozambique-December-2025.pdf (usaid.gov)

2 Mozambique - gross domestic product (GDP) 1989-2029 | Statista

and safety risks, lack of job security, low wages, inadequate working hours and lack of social security. Women face additional barriers, including gender norms, sexual harassment, inadequate facilities and stigma.

Strategic framework

The evaluation team adopted a market systems approach to analysis and generation of intervention ideas. The evaluation team conducted secondary desk research and qualitative primary data collection to analyse constraints and opportunities for improving decent work and labour rights for young women and men in a sustainable and scalable manner.

Priority intervention areas

Based on the analysis of the construction and employment market, the research team developed recommendations in seven priority areas:

- Area 1: Strengthen decent work and labour rights in procurement procedures and labour law.
- Area 2: Facilitate skills development and certification of skilled employment.
- Area 3: Strengthen coordination between contractors, subcontractors, and workers.
- Area 4: Strengthen increased representation of informal workers.
- Area 5: Support increased social protection coverage for workers.
- Area 6: Support access to financial services for MSMEs.
- Area 7: Promote green construction.

Contents

Abbreviations

AEIMO	Associação da Economia Informal de Moçambique
ANEP	Administración Nacional de Educación Pública
BCI	Banco Comercial e de Investimentos
BDS	Business Development Services
BOQ	Bill of Quantity
CBT	Competency-Based Training
CONSILMO	Conferderãçao Nacional dos Sindicatos Independentes e Livres de Moçambique
CTA	Confederação das Associações Económicas de Moçambique
DNUH	Direction Nationale de l'Urbanisme et de l'Habitat
GDP	Gross Domestic Product
IFPELAC	Instituto de Formação Profissional e Estudos Laborais Alberto Cassimo
ILO	International Labour Organization
INE	Instituto Nacional de Estatistica
INNOQ	Instituto Nacional de Normalização e Qualidade
INSS	Instituto Nacional de Segurança Social de Moçambique
IPEME	Instituto para Promoção de Pequenas e Médias Empresas
LEM	Laboratório de Engenharia de Moçambique
LNG	Liquefied Natural Gas
MoL	Ministry of Labour
MOPHRH	Ministério das Obras Públicas, Habitação e Recursos Hídricos
MSA	Market Systems Analysis
MSMEs	Micro, Small and Medium Enterprises
OSH	Occupational Health and Safety
OTM	Organização dos Trabalhadores de Moçambique
PPE	Personal Protective Equipment
RPL	Recognition of Prior Learning
SADC	Southern African Development Community
Sida	Swedish International Development Cooperation Agency
TTI	ToolKit iSkills
TVET	Technical and Vocational Education and Training

Notes

Notes

On confidentiality. All data collected through primary research have been made anonymous so that individuals cannot be identified. Instead, we refer in generic terms to “respondents”.

On study limitations. The study is largely developed based on the perceptions and opinions of key sector stakeholders. Further, a limited number of stakeholders were interviewed due to resource constraints. Although information was triangulated by different sources where possible, it is recognized that not all opinions and perceptions could be cross-checked and validated.

On the views and opinions. The views and opinions in this assessment are those of the authors and not of the ILO or its regional office in South Africa.

1. Introduction and context

Southern Africa is growing rapidly in terms of population, urban development and the middle class. This growth has accelerated demand for shopping malls, schools, office buildings, hospitals and homes, which in turn has stimulated additional energy and infrastructure needs. All these factors have meant a near-universal and long-term boom in construction across Southern Africa, which has brought – and will continue to bring – many employment opportunities for young men and women and the working poor.

Despite this construction boom and new job opportunities, working conditions are characterized by precarious labour rights and decent work deficits for most workers in the sector. Poorer, low-skilled workers often have temporary, high-risk, physically demanding and underpaid jobs on construction sites, and young employees and women are generally worse off than others. Construction is often the sector with the most serious and fatal work accidents and, along with agriculture, has the highest percentage of informal workers – often without the protection of labour legislation, contractual stability, access to unions and social security protection.

Though formal workers benefit from labour rights and protection as stipulated by labour law, there is room for improvement in their provisions, particularly in terms of occupational safety and health (OSH). The ILO's Convention 167, also known as the Convention on Safety and Health in Construction (C167), establishes a set of OSH standards specifically for construction workers. Within the Southern African Development Community (SADC), only Lesotho has ratified this convention, indicating an opportunity for the remaining 15 countries to do the same.

1.1. The project: Decent work in construction

The ILO and SADC, with support from Swedish International Development Cooperation Agency (Sida), are implementing a four-year project (2022–2025) to promote decent working conditions and labour rights for young and vulnerable women and men in the Southern African construction sector, with a focus on South Africa, Zimbabwe and Mozambique.

Although working conditions are recognized and provided for in the regulatory and legislative frameworks of all three countries, effective implementation remains a challenge. Many workers are engaged in the informal economy without legal protection. Deficits include unsafe working conditions, poor OSH, and a lack of social benefits such as accident/sickness and health insurance, unemployment insurance, pensions, maternity leave and dismissal without notice or compensation.

To address these decent work deficits, the project aims to partner with governments, employer associations, trade unions, construction sector companies and other market actors working in infrastructure and construction. The project will use a market systems approach, which aims to reduce poverty and decent work deficits by creating incentives for actors – private and public – to test innovations that support a stronger and more inclusive construction sector.

The project operates both at country level (South Africa, Zimbabwe and Mozambique) and at sub-regional level.

- At country level, the project aims to address work deficits in each country by developing interventions with national governments, the private sector and the ILO's social partners – trade unions and employers' organisations.
- At the sub-regional level, the project aims to build on the knowledge gained through implementation at country-level, and work with the SADC secretariat to advocate for scaling up systemic interventions and inform effective policy change across SADC member states.

This study, referred to as a market systems analysis (MSA), provides the analytical basis for identifying the constraints and opportunities for addressing labour rights and decent work deficits in the construction sector in Mozambique. It is one of a series of three MSAs, with each one focusing on one of the project's target countries.[3]

1.2. Study purpose and scope

This MSA was conducted to identify the key constraints to business operations, decent work and gender equity in Mozambique's construction sector.

- The target audience of the MSA was formal and informal workers, with a focus on youth and women.
- This study concentrated on opportunities to support MSMEs, which make up most of the construction companies in the sector, to improve the quality of employment and create more decent jobs.
- The study took place in Maputo Province, where most of the country's investment in construction is concentrated.

Figure 1. Map of Mozambique
Source: Ontheworldmap

1.3. Research methods

The research was conducted in two phases:

1. **Desktop research:** Available literature was gathered to provide a framework for the primary data collection process. This included reviews of national laws, industry data and market trends, as well as studies conducted by other development agencies.
2. **Field research:** Interviews were conducted with 24 companies, organisations and government bodies. These interviews were semi-structured and were undertaken with government officials, employers' associations, trade unions, training institutions and entrepreneurs. The interviews provided an in-depth view of the sector from a diverse set of actors and opinions. One of the main challenges of the research was obtaining the necessary permissions from employers to speak with workers. As a result, the research team only spoke to five workers, ranging from semi-skilled to professional workers, of whom two were female. While this allowed the researchers to identify some of the constraints and gender inequalities and

3 The other two MSAs are concentrated in Zimbabwe and South Africa

barriers experienced by the workers, further primary research is needed to capture a more subtle perspective. It is recommended that additional interviews and focus group discussions be conducted, especially with women. The findings were validated during a stakeholder workshop.

1.4. Report structure

Section 2 of the report provides an overview of Mozambique's macroeconomic context, before focusing on the construction sector and how it has developed over time. Section 3 examines how various interactions along the value chain affect the functioning of the sector, with a focus on decent work and labour rights. Section 4 looks at the interrelated employment market, and the barriers workers face in accessing different employment pathways. Section 5 uses the analysis findings to develop project intervention recommendations and identify potential partners who could intervene to strengthen decent working conditions and labour rights in a sustainable and scalable way.

2. The construction sector in Mozambique

2.1. Country context

With around 64 per cent of its population living below the poverty line and a national budget largely dependent on foreign aid, Mozambique ranks among the poorest countries in the world.[4] The economy experienced high growth rates between 2000 and 2015, averaging an 8 per cent growth in GDP per year, but has since been marked by macroeconomic instability. GDP growth slowed to an average of 3.1 per cent between 2017 and 2019 before contracting by -1.2 per cent in 2020. The 2016[5] hidden debt crisis triggered the sharp devaluation of the metical and the suspension of general budget support from the G14 donor group, causing foreign direct investment to fall by more than 40 per cent.[6] Other factors affecting the country's economic health include attacks carried out by Islamist insurgent groups in the north since 2017, cyclones Idai and Kenneth in 2019 and COVID-19 in 2020. Together, these have resulted in an increase in poverty rates, especially in rural areas where, according to the Ministry of Economy and Finance, the number of Mozambicans living in extreme poverty increased from 55 to 60 per cent[7] between 2015 and 2019.

However, GDP growth has been gradually increasing since 2021 and is projected to increase by 4.95 per cent in 2023 and 8.24 per cent in 2024.[8]

4 CDCS-Mozambique-December-2025.pdf (usaid.gov)

5 In 2016, without parliamentary approval, three Mozambican state-owned companies secretly borrowed $2 billion from international banks to finance the purchase of fishing vessels and military patrol boats, thereby increasing the country's debt. In response, multilateral organizations and some donors withdrew direct contributions to the state budget. Source: África News

6 Promoting a resilient and inclusive private sector in fragile contexts - Mozambique, Intellecap , 2021

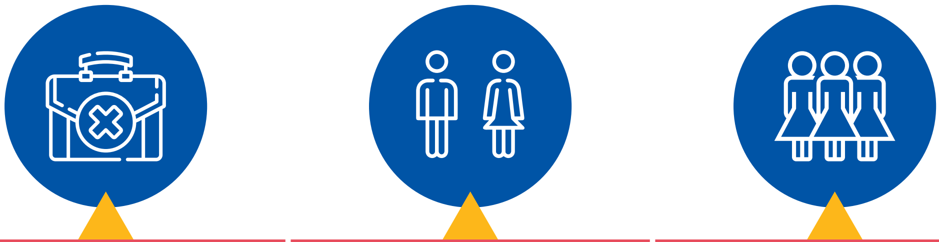
7 Source: International Growth Centre: Poverty eradication in Mozambique: Progress and challenges amid COVID-19

8 Statistics taken from Statista.com

Mozambique's economy is dominated by agriculture, which accounts for approximately a quarter of its GDP and 75 per cent of its labour force, followed by industry (15 per cent of GDP) and services (10 per cent of GDP). Almost all manufacturing occurs in the urban areas of Maputo, Beira and Nampula.[9] The private sector contributes over 65 per cent of GDP and is dominated by individual entrepreneurs (93 per cent) and micro enterprises (6.6 per cent) with a few small and medium enterprises (0.02 per cent of total enterprises).[10]

South Africa and Portugal are Mozambique's largest trading partners in all sectors. Brazil, China, India and Japan have established projects in Mozambique and are increasing their investments. Several mega projects will be key drivers of the Mozambican economy over the next five years and will provide direct and indirect business opportunities in the construction sector and beyond. The most significant opportunity is the construction of onshore Liquefied Natural Gas (LNG) plants in the northern part of the country.

According to a study on informality, conducted by Mozambique's National Institute of Statistics (INE), Mozambique has a relatively low unemployment rate of 10 per cent, but over 84 per cent of the population works in the informal economy. The study also highlights gender inequalities, as women are more likely than men to be unemployed or work in the informal sector.[11]



10%
of people are unemployed

84%
of people work in the informal economy

64%
Women represent 64% of the unemployed persons and 39% of formal workers

2.2. Overview of the construction sector in Mozambique

The construction sector in Mozambique has long played an important role in the economy, with an average annual growth rate of 12.8 per cent between 1993 and 2015. In addition to public investment in infrastructure, and public and private buildings, foreign capital is invested in infrastructure (roads, ports), natural gas projects, mining and tourism. The sector was thus particularly affected by the macroeconomic crisis of 2016, where many infrastructure investments were halted due to the freezing of foreign aid to the state budget. As a result, the

9 UN-Habitat, Housing Sector Profile Mozambique, 2018

10 Mozambique Country Report, Bertelsmann Striftung (BTI) Transformation Index, 2020

11 Inquérito ao Sector Informal - INFOR 2021, Moçambique - Relatório Final, 2022 Instituto Nacional de Estatística

sector's growth contracted and many of construction companies went bankrupt, according to the Confederation of Economic Associations (CTA) of Mozambique.[12]

Since 2017, the sector has returned to growth in line with the country's GDP and the resumption of foreign aid to infrastructure projects – although it slowed again in 2020 due to the COVID-19 pandemic.

The sector's share of the country's GDP is uncertain as it varies according to different sources, but it represents around 3 per cent of GDP.

The construction sector in Mozambique is largely informal and concentrated in urban areas. According to the INE[13] there are about 205,000 informal businesses in the construction sector (out of 8.4 million informal businesses across all sectors), compared to 2,092 in the formal sector.[14] However, information on the total number of formal construction companies varies according to sources, signalling a deficiency in the quality of publicly available data.

205,000
Companies operating in the informal construction sector

2,097
Companies operating in the formal construction sector

There is a significant disparity between small and large companies in terms of skills, access to contracts and revenue. Large companies are generally part of foreign groups (mainly from Portugal, South Africa, Brazil and China) and have access to international markets, technology, machinery and most of the credit provided in the country. Although local MSMEs represent the majority of companies in the construction sector, they face challenges in accessing the same markets, finance and assets as large companies. Many of the micro and small enterprises operate in the informal economy and generally lack skilled labour, management processes and credibility with clients. As a result, they typically operate as subcontractors for larger companies or as individual contractors for small-scale housing projects.

12 CTA is a non-governmental, non-partisan economic organisation whose mission is to contribute to the economic and social development of Mozambique

13 Informal sector survey 2021 Mozambique, INE, 2022

14 Business Census 2014–2015, INE

Green building standards and practices

The construction sector is energy intensive due to heavy use of machinery, water and materials such as cement and steel. Carbon dioxide (CO^2) and greenhouse gas emissions resulting from the sector have increased with the growth of the sector. According to the United Nations Environment Programme, the sector accounted for more than 34 per cent of global energy demand and about 37 per cent of process and energy-related CO^2 emissions in 2021. The sector's energy-related CO^2 emissions are increasing year-on-year; for example, in 2021, operational CO^2 emissions were 5 per cent above 2020 levels and 2 per cent above the pre-pandemic peak in 2019.

Green buildings and construction provide a solution to reduce industry demand and emissions, which brings environmental, financial, health and social benefits. However, few funders demand green building projects in Mozambique, which predominantly uses traditional building materials and processes. There is, however, some momentum towards alternative building materials made from natural resources and materials such as cement stabilized earth blocks and wood, which address one of the country's main constraints: affordable and resilient housing at scale.

Mozambique faces a growing housing deficit. By 2050, Mozambique's population is estimated to grow by more than 30 million people, half of whom will live in urban areas. With this, more than 13 million units will be needed to meet housing demand, an average of more than 400,000 units per year. Currently, less than 1 per cent of Mozambicans can afford the cheapest housing units available on the formal market. The State Housing Promotion Fund plans to build 100,000 houses across the country to address the issue of affordable housing; however, interviewees claimed that public budgets are insufficient to achieve these goals. Housing not only needs to be affordable, it also needs to be resilient to the country's common environmental shocks, which include floods, recurrent droughts and seasonal cyclones, as illustrated by the recent Cyclone Idai.

In addition, the development of green housing will generate employment opportunities. According to UN-Habitat, to build the housing that the country needs by 2050, the housing sector can generate more than 10,000 direct jobs per year, and at least twice as many indirect jobs. There is, therefore, an opportunity to create decent jobs and promote green building, thus contributing to a just transition.[15]

15 According to the ILO, a just transition means greening the economy in a way that is as fair and inclusive as possible for everyone involved, creating decent work opportunities and leaving no one behind.

3. Market systems in the construction sector in Mozambique

A market system is the overall picture of how a sector operates. Because they do not operate in a vacuum, the market system focuses not only on transactions in the core value chain – from funder to contractor to end user. It also looks at the different factors that influence how businesses and employees work in this core value chain, including supporting functions (such as access to finance, skills, and markets) and rules (such as business registration, procurement procedures, or cultural norms).

3.1. The construction market system

Figure 2 depicts the market system for the construction sector which includes a simplified value chain, focused on the relationship between the MSMEs and the client/contractor, and surrounded by the supporting functions and rules and regulations which strongly influence and constrain market performance and working conditions. The analysis sharpens the focus on critical factors for productivity and decent work in the construction market system, namely business and construction management support services, financial and insurance services, (green) construction materials, compliance with labour laws and OSH standards, and procurement rules and practices.

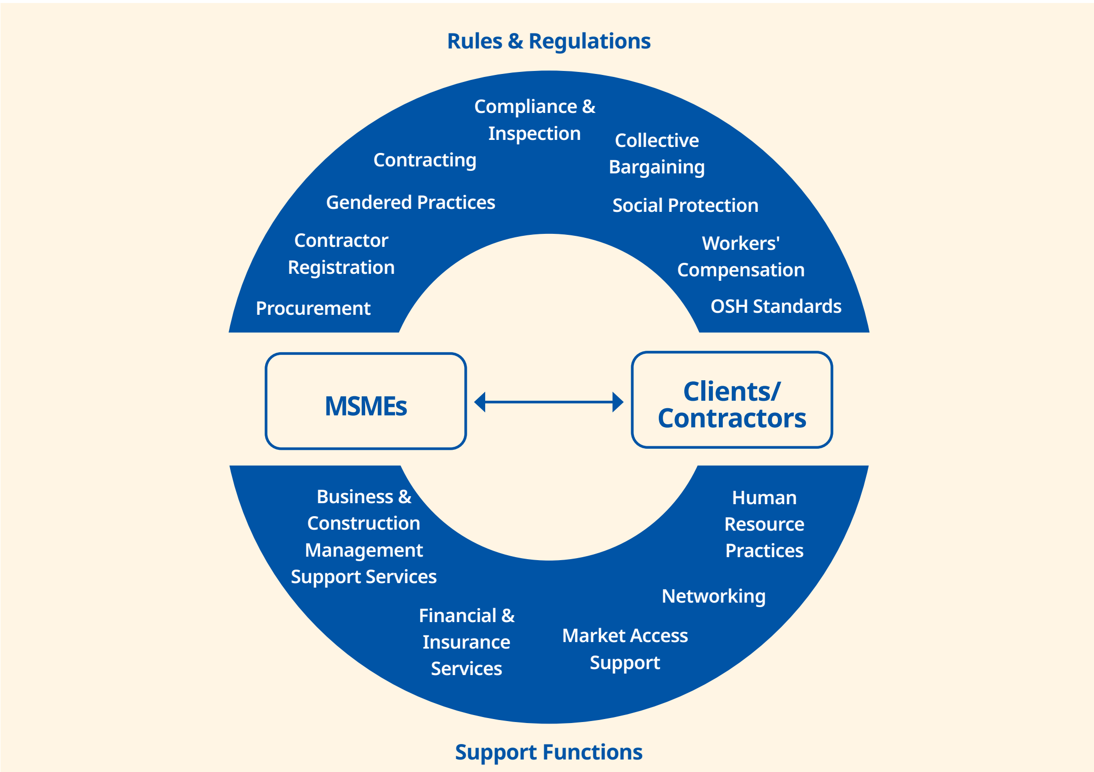


Figure 2. The construction sector market system

3.1.1. Core value chain

Figure 3 provides an overview of the construction value chain actors and workers and how they interact.

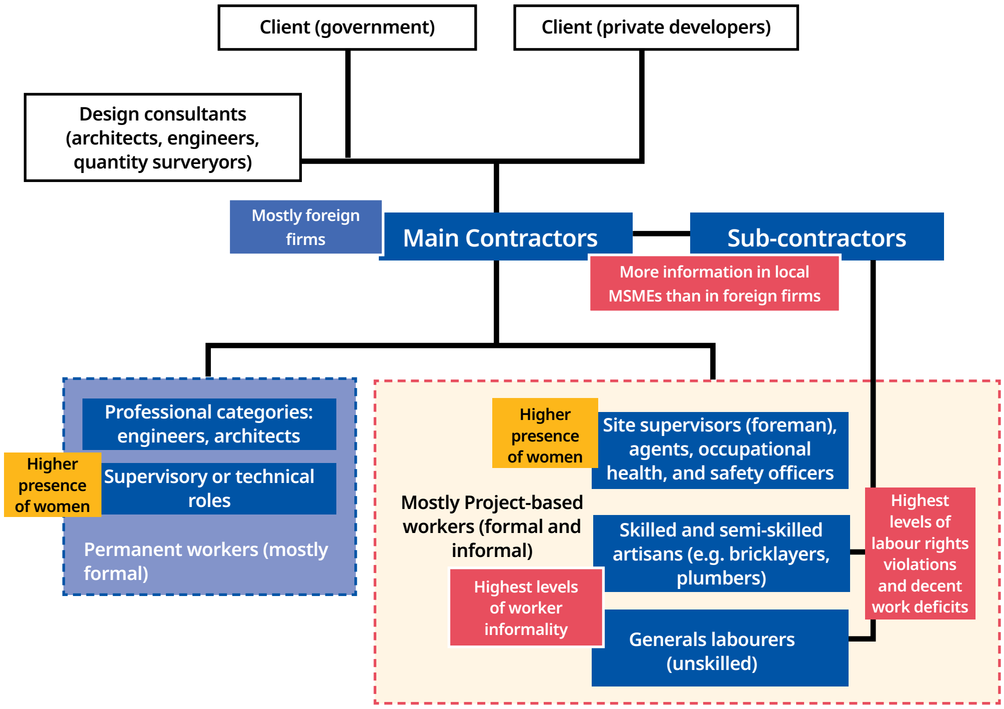


Figure 3. Construction actor map

The core value chain of the construction market system can be divided into funders of the construction work; designers and other professionals who plan and design the work; contractors and subcontractors who undertake the work, with the specific focus of this MSA being on MSMEs; and the client/financier who approves the work.

3.1.1.1. Funding: Government or private developers

All construction projects need financing, which is traditionally provided by the government for public projects and a developer for private projects.

Funders can generally be classified in one of three segments:

1) Government-funded public projects for infrastructure or public buildings

2) Private developers, for office, commercial or housing developments that are largely debt-financed

3) Individuals who finance through a mixture of equity and debt to build residential homes

In Mozambique, the government is the main funder, focusing on public infrastructure, civil engineering and buildings.[16] This budget relies on external aid agents, such as the World Bank and the African Development Bank, who manage the funding and contracting directly. The Government of Mozambique has promised to increase public spending on infrastructure and buildings, including the construction of 100,000 affordable houses. One of the biggest barriers to the sector's growth is inadequate financing of public sector projects. According to interviewees, work stoppages due to lack of funds and slow payment processing are common, creating problems in the value chain.

There is growing private sector foreign investment from Chinese and European companies, mainly in the LNG sector in the north of the country, large infrastructure such as dams and coal plants, and non-residential buildings.

Once a construction project is complete, it is handed over to the financier – that is, the government or the developer – who either opens it up for public use or sells it on to an end buyer. The primary focus of clients is on the timely and high-quality completion of the finished product. Clients do not have the mandate to oversee or carry out inspections of the working conditions or labour rights during construction.

This MSA focuses on the first two segments – government and private developers – where most investment and jobs are concentrated. A section of this report is dedicated to green building materials, however, which concerns the third segment through the provision of affordable housing that is resilient to natural hazards.

3.1.1.2. Design: Architects, engineers and quantity surveyors

Once a project idea and funding are secured, the project moves on to design and planning.

The funder hires professional service providers such as architects, engineers and surveyors to oversee the design process and subsequently ensure that the work is built according to design. These professionals are usually engaged as independent consultants. They are legally required to be registered professionals so that clients can obtain the necessary approvals and organize themselves into their respective associations.

The design team therefore plays a central role in regulating the quality of the work by (i) identifying the type of materials to be used for construction, (ii) estimating the cost of the work by developing initial bills of quantity (BOQs) and (iii) overseeing quality at both design and implementation stages.

It is worth noting, however, that financiers often do not hire professionals to monitor contractor adherence to BOQs, especially for smaller projects, thus potentially leading to quality deficits.

16 Following the hidden debt scandal in 2016, multilateral organizations and some donors withdrew direct contributions to the state budget. During interviews, interviewees mentioned that donor funding for government-led infrastructure projects has resumed, but that they control the budgets. Source: UE entre grupos de doadores suspende ajuda a Moçambique por causa de dívida oculta – EURACTIV.com

3.1.1.3. Contractors and subcontractors

After project approval, the procurement phase commences, during which contractors submit bids for the project. There are notable differences between public sector, donor project, and private sector procurement.

In the public sector, tenders are published on government platforms and undergo a tender process. Donor-funded projects follow similar procedures, regulated by the agency itself. In contrast, private sector tenders can be published online or shared with a group of trusted firms, and they operate on a quote-based system.

When applying for a public sector tender (whether donor-funded or not), applicants must prepare and submit the necessary tender documentation, which includes pricing and contract details, to the relevant department or entity. The procurement department then reviews the tenders to ensure document and technical compliance before appointing the lowest bidder, although this is not always the case.

MSMEs can tender for any public tenders that align with their class grading. However, contractors with a higher grading – typically foreign companies – can tender for projects for all grades below their current grading, which gives them an advantage over smaller businesses due to their ability to accept lower profit margins and their greater experience with labour, plant and financial resources.

Classification of construction companies

Construction companies are classified into seven classes, depending on company capital and technical capacity. Each class sets out the maximum value of work that the company can bid for. For example, a class one company needs a minimum capital of 20,000 metical and one civil builder and can bid for projects up to 350,000 metical. A class four company needs a minimum capital of 500,000 metical, one engineer or architect with a minimum of five years' experience and one mid-level engineer and can bid for projects up to 5.000,000 metical.

In contrast, private sector clients typically request quotes from service providers in their databases or through their network connections. While price is a critical factor in determining the provider's appointment, proven technical ability and experience also play a crucial role. Compared to public sector procurement, private sector procurement generally requires less documentation.

The contractor that wins the tender is considered the "main contractor". Foreign companies, particularly those from South Africa, Portugal and China, usually win tenders as main contractors on large-scale projects. They carry legal responsibility for the entire project and are accountable to the funders.

Main contractors may then subcontract much of the work to local and foreign MSMEs to carry out parts of the main work or specialized tasks. Subcontracting is advantageous for contractors as it allows them to use the expertise of specialized subcontractors, save costs and have more flexibility to take on larger projects. It also helps spread risk and increase capacity.

In addition, subcontracting provides opportunities for MSMEs to gain expertise in their field that they would otherwise not have access to. Currently, there is no mandatory regulation on the minimum percentage of subcontracting to local companies. However, procurement legislation is being revised to incorporate such measures, thus providing Mozambican MSMEs with additional prospects.

To win these subcontracts, MSMEs compete with one another on price. In Mozambique, this competition is especially challenging for local MSMEs as they are competing with foreign companies with more skilled professionals in their core teams. This can facilitate a "race to the bottom" where subcontractors cut down on wages, OSH, and social security to maintain competitiveness.

3.1.2. Supporting functions

This section examines three supporting functions that were identified as key constraints to the inclusion and growth of MSMEs in the construction sector and to decent work and labour rights. They include business and construction management training, access to financial and insurance services, and (green) construction materials.

3.1.2.1. Business and construction management support services

A significant challenge faced by local MSMEs – especially micro and small enterprises – in obtaining contracts with primary contractors and lenders, is poor business management. Contractors and lenders have expressed concern about the lack of professionalism of Mozambican MSMEs, particularly those operating as subcontractors and as small or micro enterprises undertaking small-scale projects. The most prominent issues mentioned are inadequate pricing practices, such as under- or over-estimating costs, inability to provide commercial and financial documents, and weak management processes, such as failing to produce progress reports, issue payment certificates, and file claims. This is especially pertinent to micro and small enterprises.

As a result, financiers and prime contractors prefer to work with local and international companies that they have already worked with. This prevents MSMEs from advancing in the contractor grading system, bidding for larger contracts, increasing revenue and generating jobs. Many micro and small enterprises remain entrenched in the informal sector, where they have little bargaining power, generate minimal profit, and are motivated to cut expenses, including labour and OSH expenditures, to win bids.

The inadequate business acumen of MSMEs can be attributed to the following underlying causes:

- **Predominance of informality:** A significant proportion of businesses in Mozambique consist of micro enterprises that often function as secondary sources of income, commonly known as "opportunity businesses". These businesses operate in the informal economy, where minimal documentation, planning and reporting are required. Thus, micro and small businesses rarely undertake business and financial planning or establish processes.

- **Insufficient access to business development services (BDS) providers, especially in rural areas:** The BDS sector is dynamic, with several service providers serving MSMEs through incubator and accelerator programmes, business advisory services, coaching, mentoring, and networking support. However, there are not enough providers to service the growing numbers of MSMEs, and the services that are available are concentrated in urban areas. For example, a BDS representative mentioned that they had received 12,000 applications for their last programme in Maputo, which can only cater to 1,000 participants. Despite a growing number of BDS suppliers, most MSMEs still lack access to information, linkages, financial resources, time, and incentives to access these opportunities. In addition, few BDS providers offer services specific to the construction sector, or with a focus on decent work.

Some examples of BDS services provided in Mozambique are included in table 1.

Table 1. BDS services in Mozambique

Public sector	Private sector	NGO-led
Institute for the Promotion of Small and Medium Enterprises (IPEME) – provides a range of training programmes using ILO's Start and Improve Your Business (SYOB) and the Kaizen Approach and supports approximately 3,000 businesses a year.	IdeiaLab provides a range of BDS services (training, business advisory, mentoring club, networking) to MSMEs, subsidized by various clients including the private sector (e.g., Standard Bank Incubator, corporate CSR programmes) and donors (Dutch Embassy, GIZ, NGOs such as Young Africa). It supported approximately 2,000 businesses in 2022.	Young Africa provides entrepreneurship modules, included in the TVET offering.
The Institute of Professional Training and Labor Studies Albert Cassimo (IFPELAC) provides entrepreneurship modules included in a TVET offering.		GIZ-funded green business incubator (upcoming).

Another challenge related to skills development is the shortage of skilled technical labour, which is discussed in section 4 on employment.

3.1.2.2. Financial and insurance services

Access to financial services comprises access to debt financing, insurance, and business development services on financial management.

Access to debt financing is one of the main challenges faced by entrepreneurs in Mozambique. Projects that are high in value are typically the most profitable for companies, however, they require access to debt financing to cover certain upfront costs. These costs can include guarantees, importation of materials and equipment, invoice advances and contracts. Commercial banks offer specific products for construction, but the preconditions for loan eligibility are strict and interest rates high – currently at 25–30 per cent. Consequently, loans mainly go to large foreign contractors and exclude local MSMEs. Many smaller enterprises cannot meet the banking requirements or afford the interest rates. This hinders their ability to expand, advance in the grading system and compete for higher value contracts.

Micro and small businesses face the dilemma of either accepting low profit, low value contracts like labour-only contracts, or seeking the assistance of informal money lenders who impose even higher interest rates (around 30 per cent), demand shorter repayment cycles, and require personal assets as collateral. Business owners can become trapped in debt cycles, where they borrow from one money lender to pay another, thus affecting their ability to pay their employees. Ultimately, both options affect enterprise growth and working conditions, as enterprises cut back on labour and OSH costs to increase their (slim) profit margins or pay back their debt.

The underlying causes of poor access to debt financing include:

- **Complex regulatory requirements.** Commercial banks have strict regulatory requirements in terms of financial and administrative reporting. These are set by Mozambique's Central Bank as well as its foreign shareholders. For example, Banco Comercial e de Investimentos (BCI), one of the country's three main banks, follows the regulations of the Mozambican, Portuguese, and European central banks. BCI must therefore balance European regulatory frameworks with providing financing to companies that are far from compliant with these requirements.
- **High interest rates.** The base rate is currently around 22 per cent, which means financial service providers offer commercial rates of 25–30 per cent. For most MSMEs, these interest rates are higher than their profit margins.
- **Down deposits.** Banks require an initial deposit of 10–30 per cent as a guarantee fund, which most MSMEs cannot provide. However, banks have mentioned that deposit requirements are negotiable for contract-based invoices.
- **Collateral requirements.** Contractors must provide three types of guarantees throughout the contracting process, which can be funded through loans, insurance, or assets. They include a 1.5 per cent provisional guarantee during the tender process, a 10 per cent definitive guarantee during the construction period, and 5 per cent guarantee released 12 months after completion of the work. Many micro and small enterprises are unable to obtain even the provisional guarantees, thus excluding them from public procurement[17] from the outset.
- **Business informality.** Most micro and small enterprises in the sector are run informally or semi-formally and cannot submit the documents required for a loan application, such as financial statements or a formal history of similar work.
- **Inability to navigate the loan application process.** Small and micro enterprise owners lack the business and financial management skills and the information and communication technology (ICT) knowledge to navigate the loan application processes, from identifying suitable loan products to compiling documents and securing deposits and collateral.

There are, however, opportunities to support MSME financing through loan preparedness and business development services, blended finance, credit guarantee funds and loan products targeting women-led enterprises.

17 The tender law is being modified to cancel the provisional guarantee in an effort to make public tenders more inclusive.

- **Loan preparedness services.** Financial institutions recognize the gap between their requirements and what businesses are currently able to comply with and therefore have an incentive to provide loan preparation services – either directly or through BDS providers.
  - **Financial service providers.** Certain banks provide guidance to loan applicants to meet loan requirements on a case-by-case basis and refer them to BDS providers who can support them further.
  - **Public BDS providers.** IPEME provides business development services to entrepreneurs and refers eligible trainees to financial institutions. They also refer eligible participants to financial institutions, which increases their chances of getting loans as they have already met the standard requirements. IPEME mentioned an increasing number of enterprises that have applied for loan preparation support in recent years.
  - **Private BDS providers.** Private BDS providers, such as IdeiaLab, offer a variety of entrepreneurship programmes that include information and guidance on loan preparation.

Access to financial business development services is discussed in more detail in the section on management training.

- **Blended finance.** Certain actors are testing blended finance schemes, which mix concessional and commercial capital with technical assistance grants. These programmes usually target micro enterprises excluded from the formal financial system. IdeiaLab, for example, is testing a blended finance model based on 60 per cent grants and 40 per cent loans at preferential interest rates of 14 per cent.
- **Loan products targeting women.** Certain banks, such as BCI, have previously developed products targeting women entrepreneurs. Additional information is needed to clarify whether such programmes are still active.

3.1.2.3. (Green) construction materials

Building materials are fundamental to the development of the construction industry. However, up to 60 per cent of construction materials are imported into Mozambique, making construction costs up to 30 per cent higher than in neighbouring countries. As such, strengthening the supply of local building materials is critical to the inclusive growth of the construction sector.

Within the building materials market there is a growing interest in green building materials, also referred to as "alternative" building materials, which are made from local organic materials. These building materials have great potential due to their low cost, good quality, environmental resilience, low environmental impact and the opportunity to involve women and youth in their manufacture, thus addressing the country's growing housing deficit and contributing to communities' environmental and financial resilience.

> "When people use conventional building techniques with alternative building materials, the results are poor. People blame the materials, but they should blame the builders. We need to demonstrate that cement soil blocks can produce quality and affordable buildings."
> – Cement soil block MSME owner

The building materials market system was not part of the scope of this MSA, however, the analysis includes a review of how alternative building materials can promote green construction and job creation.[18] It builds on the ILO's market systems analysis of construction materials in Mozambique in 2018, which subsequently supported the production of alternative blocks through the first phase of the MozTrabalha Project. The project facilitated the establishment of women-led rural and associative micro-enterprises to produce and sell construction materials and worked with national actors to develop vocational training courses and technical standards for alternative construction materials.

A growing number of Mozambican MSMEs produce and build with alternative construction materials, many of which provide resilient and affordable housing and construction options. However, interviewees mentioned low market demand for their products. Households are reluctant to invest in these products because they associate them with low-cost and poor-quality buildings. Building with these materials requires different skills and techniques from conventional construction, necessitating a shift in skills, practices and mindset.

In addition, the enabling environment for alternative construction is underdeveloped. The National Institute for Standardisation and Quality (INNOQ) has not yet developed standards or technical specifications on alternative materials or construction, which makes it impossible to certify buildings or obtain insurance. However, the Mozambique Engineering Laboratory (LEM) and INNOQ have produced guidelines on the use of alternative building materials, which can be leveraged to establish standards and certifications. Another challenge is that public institutions (such as the Ministry of Public Works, Housing and Water Resources [MOPHRH] and the Directorate of Housing and Urbanisation [DNUH]) lack the financial and human resources to develop standards, disseminate information, and promote and inspect alternative construction.

The key to promoting green building and alternative materials in Mozambique is to simultaneously address several constraints: the development of appropriate legislation and standards; the expansion of training in green building and resilient construction in institutions, companies, organisations, and technical and vocational education and training (TVET) centres; the establishment of business incubators; production, office and storage spaces (such as the Namialo Technology Centre in Nampula) to boost production; and locally-led marketing and behaviour change campaigns to promote uptake of alternative building materials.[19]

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18 The study looked at the potential for green building and found more opportunities in green building materials. However, little momentum was identified to promote energy efficiency projects and practices.

19 ilo.orghttps://webapps.ilo.org/wcmsp5/groups/public/---ed... · PDF file

Building on the achievements of the Mozambican Government, the ILO's MozTrabalha Project and other actors such as UN-Habitat and Habitat for Humanity, the Decent Work in Construction Project will assess progress, gaps, barriers and opportunities for sectoral growth and the creation of decent work in green construction.

3.1.3. Rules and regulations

The construction sector in Mozambique is governed by robust regulations and rules that determine how enterprises operate within the sector and are aimed at ensuring decent working conditions for workers. The challenge lies in their implementation, especially regarding regulatory compliance with labour law, OSH standards and procurement rules and practices.

3.1.3.1. Regulatory compliance: Labour law and OSH standards

Labour rights in Mozambique are regulated by the 2007 Labour Law and are based on Portuguese civil and customary law. OSH in the construction sector is regulated by the Labour Code and Decree No. 53/05 on the legal regime of accidents at work and occupational diseases. Both the Constitution and Labour Law provide for freedom of association and allow workers and employers to associate and form trade unions. Collective agreements are signed between employers and unions and are verified by the Ministry of Labour.

Social partners in Mozambique

Trade unions. There are two trade union federations: The Mozambique Workers' Organization (OTM) and the National Confederation of Free and Independent Labour Unions of Mozambique (CONSILMO). The National Union of Construction Industry, Wood and Mine Workers of Mozambique is the biggest sectoral union and is affiliated to CONSILMO.

Employers' organizations. Employers are organized under the Business Associations Confederation of Mozambique (CTA). The Mozambique Contractors' Federation is the largest organization representing construction-sector businesses.

Collective agreements are negotiated at company level and ratified by the employers' organizations and trade unions.

Labour rights in Mozambique are therefore well protected through the Labour Law and collective agreements. However, there are shortcomings regarding the enforcement of labour rights, which lead to several decent work deficits, outlined in section 3.2.1.

The research found varying degrees of regulatory compliance according to funders and employers.

- While donor-funded projects generally comply with national laws and frameworks, public and private construction projects, funded by non-donors, have more gaps in labour legislation and OSH compliance.

- Large foreign companies work predominantly in the formal sector and therefore have greater compliance than local MSMEs, especially micro and small enterprises which operate in the informal sector. However, workers and trade unions mentioned that working conditions at sites run by Chinese contractors tend to be worse than at sites run by other foreign or local companies.

The underlying reasons for labour and OSH violations include:

- **Absence of legal repercussions in the event of non-compliance**

The Labour Inspection Division of the Ministry of Labour is mandated by law to inspect and enforce labour and OSH regulations on construction sites. However, the division is severely under-resourced and cannot carry out sufficient inspections as a result. Very few labour inspections occur and there is little repercussion for companies that do not comply with regulatory requirements. Interviewees also mentioned that employers can negotiate fines with inspectors if inspected – further encouraging them to reduce costs up front and pay fines if inspected later. This triggers widespread disillusionment with labour law compliance. As a result, individuals do not act on labour rights violations because they do not trust the legal system to protect them, especially if they work in the informal sector.

This is where trade unions play an important role in defending workers' rights. For example, one of the unions mentioned an action taken against a foreign company that had negotiated an investment contract with the government and ignored union proposals for collective agreements. In response, the union organized protests and successfully called on the government to enforce labour law. However, there remains a gap in legal protection for informal workers, who are limited in their ability to join trade unions and take legal action to secure their rights.

- **Little knowledge of labour rights and regulatory compliance requirements**

In addition to the lack of legal repercussions, workers and contractors/subcontractors have little knowledge of workers' rights and therefore cannot demand/provide for better working conditions. Here again, trade unions play an important role in raising awareness about labour rights; however, many workers are unable or uninterested in joining trade unions because they are not convinced of the added value of doing so.

- **Procurement and contracting practices that do not promote enforcement of labour rights and OSH standards.** These are detailed in what follows.

3.1.3.2. Procurement rules and practices

There are three types of procurement for construction projects in Mozambique: public procurement, donor-funded procurement and private procurement. Public procurement is regulated by Decree 5/2016. There is no central procurement authority, which means that government agencies independently call for bids and award projects based on allocated budgets. Donor-funded public infrastructure and construction projects follow donor procurement and contracting processes. Private procurement and contracting are regulated internally by developers, who use limited and closed bidding processes.

In all cases, procurement and contracting present challenges for MSMEs – particularly for micro and small enterprises – and consequentially for decent working conditions and respect for labour rights.

The underlying reasons for these challenges are both structural and related to MSMEs' capacity to bid and win tenders.

Structural constraints include:

- **Tender evaluations are too focused on price, creating a "race to the bottom" for contractors to remain competitive.** This affects subcontractors who have no negotiating power and must accept the work for little to no profit and, in turn, affects workers who are provided with sub-standard working conditions.
- **Structural issues with pricing of labour and OSH expenses.** Apart from donor-funded projects, there are no criteria pertaining to other aspects of decent work, such as contract type, wages and benefits. This leads to structural constraints regarding labour and OSH cost calculations at different stages of the value chain:
    - **Design.** Labour and OSH costs are poorly calculated from the design stage. Labour costs are rarely calculated as a stand-alone cost but rather integrated with other costs to form a price per square metre. OSH expenses are typically allocated as a lump sum, which heightens the possibility of inadequacy. Funders thus lack visibility on what the minimum labour costs for the total project should be, and subsequently, the threshold that bidders should not go below. This incentivizes both clients and contractors to under-price labour and OSH costs to win bids.
    - **Contracting.** Contractors frequently reduce the budgeted labour and OSH expenses to maximize profit or to cover other expenses, because they know there will be few, if any, legal repercussions.
    - **Subcontracting.** Subcontractors face the challenge of operating with insufficient budgets that do not adequately cover their labour and OSH expenses as required by law, while still generating profit. This problem is caused in part by inadequate pricing strategies on their part and limited bargaining power with main contractors, who set fixed budgets. During interviews, contractors mentioned that local subcontractors consistently under-value their services. One contractor mentioned that they address this by quoting higher than the subcontractor's budget and then paying more than originally budgeted based on their employees' pay stubs. In most cases, however, subcontractors need to bear the consequences of low prices and inadequate labour and OSH expenses.
- **Lack of transparency in the public procurement system.** Although the procurement regulations consider transparency and ethics as fundamental principles[20], respondents noted that the chances of winning tenders are low if bidders do not have links with the relevant[21] decision-makers.

20 Provisioning Regulation, article 4 and articles 145 to 147

21 "Corruption Reduces Quality of Construction in the Country" - Filipe Nyusi • 360 Mozambique

- **Poor oversight on subcontractor practices.** The bidding procedures do not provide sufficient oversight of subcontractors. According to the Ministry of Public Works, financiers lack visibility on subcontractors, as they report to the contractor and not directly to the client. Meanwhile, contractors indicated that they are often unable to verify whether the subcontractors are complying with the terms of employment that were agreed upon, particularly when they hire workers informally. This further encourages a "race to the bottom" based on price competitiveness. As a result, subcontractors are forced to work with extremely small budgets, which negatively affects the working conditions they provide for their workers.

- **Delayed payments, particularly in the public sector.** All respondents mentioned delays in payments and the interruption of work by public funders as one of their greatest constraints. It is common for work to be interrupted due to lack of budget, during which time contractors remain liable for the costs of equipment and human resources. Large-scale contractors can absorb these costs, but delayed payments regularly put smaller companies out of business. Moreover, once budgets are released and the project restarts, contractors sometimes need to bid again because the original contacts have become invalid.

> "I try to avoid working on government-funded projects as I never know when I will be paid."
> – Contractor

- **Unreliable profit margins caused by currency fluctuation.** Bidders are constrained by fixed prices. Tenders are in metical, which have fluctuated sharply in recent years. The law allows for price revisions in case of exchange rate variation, however, interviewees noted that it is rarely applied, significantly reducing their profit margins.

In additional to these structural constraints, small enterprises often lack the capacity and incentives to budget for labour and OSH costs because they are not applying for larger bids in the formal economy.

- **Local MSMEs often lose out on bids to more experienced foreign companies, who have more capacity and resources to apply for tenders.** Their strategy to be competitive is therefore based on price, often at the expense of labour and OSH standards. However, an amendment to the procurement law for public works projects was voted in, to include a minimum percentage of subcontracting to local companies, which represents an opportunity for Mozambican MSMEs.

- **Limited capacity to work as subcontractors to large companies.** Interviewees also mentioned a decrease in smaller construction projects in recent years – for which MSMEs are more competitive – and increasing opportunities for mega projects and road infrastructure, which are dominated by large foreign companies. Although local MSMEs have opportunities to work as subcontractors to these large companies, these bids are usually tendered to pre-selected companies that fulfil certain management process requirements.

The importance of ISO certification

ISO certification, such as ISO 9001 in quality management and ISO 45001 in OSH management, are internationally recognized quality standards and often prerequisites for working with international companies. While it is currently not feasible for local MSMEs to invest the resources to obtain the certifications (estimated at USD5,000–10,000 per certification over nine months), there is an opportunity to support them in adopting some of the processes contained in ISO certifications as a way to increase their capacity to provide goods and services to larger companies.

"Of the 100 subcontractors we work with, maybe three have ISO certifications. We work with the others to establish processes to work to international quality standards, but without the certification."
– Contractor

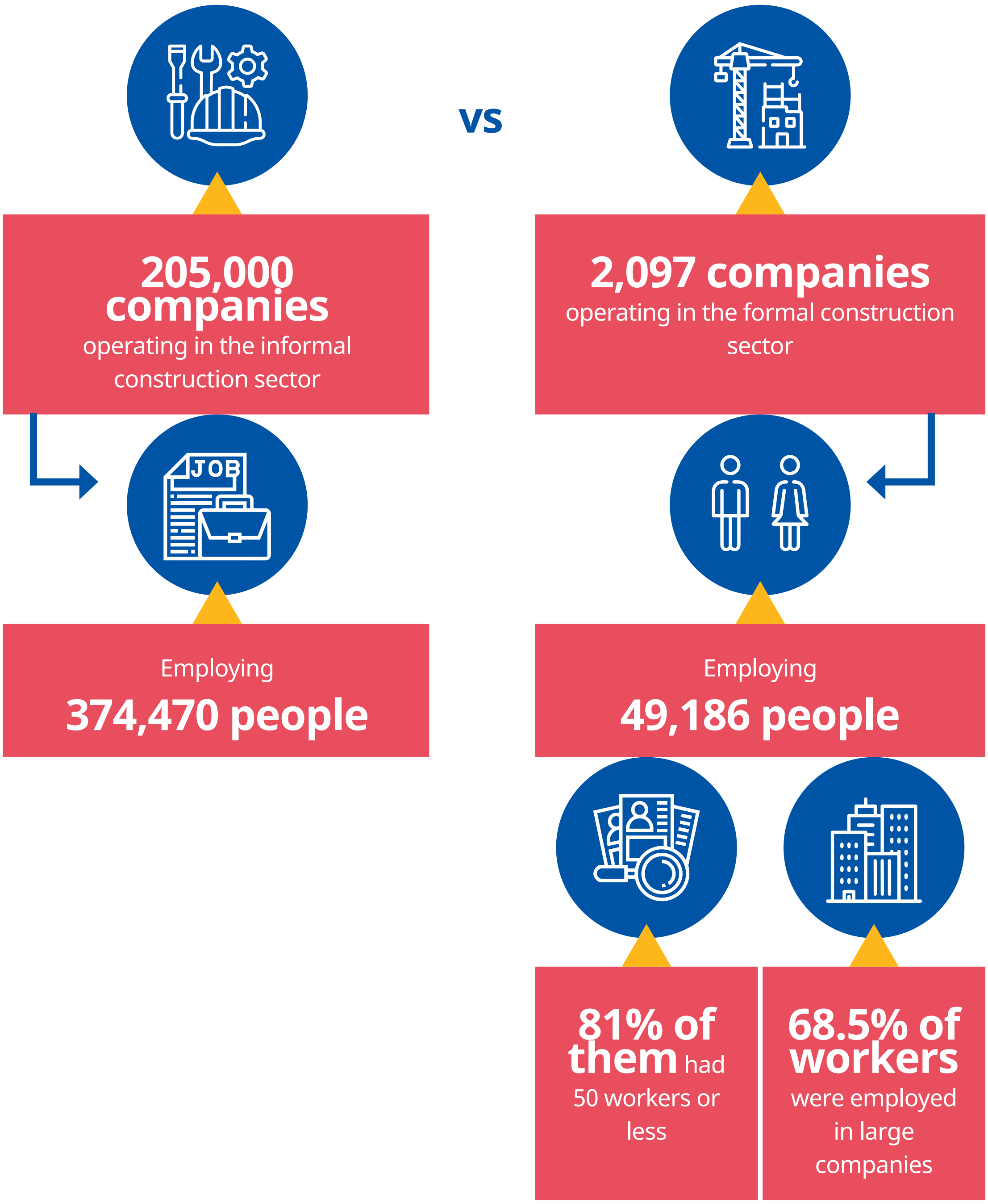
3.2. Decent work in the construction sector: An interrelated employment market system

This section examines in more detail an interrelated market system, the employment market system. While section 2 analysed barriers to MSME inclusion in the construction sector, this section focuses on the inclusion of workers, by analysing employment pathways for workers in the construction sector and the constraints faced accessing decent jobs.

The ILO defines decent work as "the aspiration that all women and men are able to work in conditions of freedom, equality, security and human dignity." The ILO further notes that boosting job quality is both an obligation and an opportunity. It is an obligation because working in safe and good conditions is a fundamental human right, enshrined both by the ILO's international labour standards and national laws. It can also be an opportunity as improved working conditions can enhance worker well-being, increase productivity, and enhance market access by opening new market opportunities.

Employment in the construction industry is varied, ranging from unskilled or semi-skilled to fully skilled or professional work. Within each category, employment types and conditions vary greatly in terms of skill, job classification, and level of formality, resulting in decent work deficits for workers in many cases.

The assessment determined that within the construction sector, the presence of decent work challenges is most noticeable when it comes to the actual construction work. This was particularly evident among MSME contractors, who are commonly subcontracted by the primary contractors.



The construction sector employs approximately 424,000 people, 88 per cent of whom are informal workers. This is significant from the perspective of working conditions and labour rights, as informal workers do not benefit from legal benefits and protections such as paid leave and social security, and face considerable OSH risks. Indeed, the sector is one of the most dangerous in terms of the risk of injuries and accidents.

In the formal sector, small enterprises (50 workers or less) represent the majority of enterprises, but most workers are employed in large enterprises. This points to the lack of formal employment in small enterprises, which employ most of their labour informally under the conditions mentioned earlier.

It is also important to understand formality as a spectrum. Some individuals work for informal enterprises, while others work for formal enterprises, but are employed under informal agreements – verbal or basic written agreements that only define wages. Often, these agreements do not provide the additional benefits required by law, such as paid leave, social security, insurance and OSH.

3.2.1. Decent work deficits in the construction sector

Work in the construction sector is characterized by significant decent work deficits. These decent work deficits are not only detrimental to workers in the sense that they do not enjoy their labour rights and put their lives and livelihoods at risk, but they are also detrimental to companies in the sector as decent work deficits can harm productivity and add costs to enterprises.

Unskilled and semi-skilled workers face the greatest decent work deficits, as they are represented more in the informal sector. Skilled workers are in high demand and earn better wages, but often still have short-term informal contracts, limited access to social security and exposure to OSH risks, similar to the challenges faced by unskilled workers. Certified artisans and professional categories of workers generally benefit from better working conditions because they have more opportunities to work in the formal sector and secure permanent contracts.

The main decent work deficits in the construction sector include:

- **Occupational safety and health** – Construction is a high-risk industry requiring comprehensive OSH planning and resources. By law, companies are required to establish OSH plans and ensure their proper implementation through health surveillance, ensuring the provision of personal protective equipment (PPE), safe work equipment and facilities, fire safety, first aid, emergency and welfare facilities and protection against specific hazards and risks where relevant. However, poor OSH compliance is widespread across the industry, putting workers at risk of injury or death. OSH deficits include a lack of PPE, poor scaffolding, insufficient staffing (such as OSH officers, environmental officers and safety representatives), incomplete safety files, lack of staff training and checks, and inadequate water points, ablution facilities, rest areas and accommodation. Another major OSH deficiency is the lack of contributions to accident insurance.

> “You’ll find that workers working in open areas have adequate PPE, but it’s very different when the sites are behind closed doors.”
> – Worker

- **Job insecurity** – Outside of their core teams, employers hire workers on short-term, project-based contracts. Workers thus move from project to project and enterprise to enterprise depending on market demand, with limited prospects for more stable employment or growth within a company. Contracts can be as short as several days, or up to a few months.
- **Low wages** – Below-minimum wages are a major constraint for skilled and semi-skilled workers.

How are wages defined?

The Council of Ministers sets sectoral minimum wages on a yearly basis. The minimum wage for the construction sector was 6,700 metical per month as at April 2022. Wages for skilled positions are market-based.

- **Working hours** – Standard working hours are 48 hours per week (eight hours a day, six days a week), but it is common for workers to work overtime without adequate compensation.
- **Social security** – Despite the risks of civil construction and the relevance of social security for the sector, access to social security in the sector remains a challenge and is hampered by the informality of the enterprises and jobs.
- **Informality** – The construction sector is characterized by high levels of informality, both for workers and companies.
- **Lack of leave benefits** – Labour regulations and collective agreements provide detailed information on the type of leave that all workers in the construction sector should be able to enjoy, including sick leave, special leave, and maternity leave. This provision, however, excludes the majority of workers in the sector who operate on short-term contracts or as temporary workers.
- **Women, and young women in particular, experience a "motherhood penalty"** – meaning that they are often unable to enjoy maternity protection rights when they are employed and can face discrimination by employers who cannot or are not willing to bear the costs of maternity leave and related provisions. For example, paid maternity leave is only provided for female employees who have served for at least one year with an employer. In addition, when employing women, enterprises prefer to employ older women who are no longer of child-bearing age, at the expense of young women looking for work opportunities.
- **Violence and harassment at work, and gender-based violence for women in particular** – Such occurrences are higher on sites without measures in place to address these deficits and without infrastructure such as separate ablution and sleeping facilities. Women in professional positions are also at risk. It is important to note that while most women are concerned about and/or will experience violence and harassment in the sector, men – and particularly young men in unskilled or semi-skilled positions – can also be affected by violence and harassment perpetuated by other men, and sometimes women, who occupy higher positions or have been in the sector for a longer period.

3.2.2. Women and youth in the construction sector

Women's participation in the construction sector. Although there is no data available on the extent of women's participation in Mozambique's construction industry, it is believed to be minimal. To gain a better understanding of the specific factors influencing women's involvement, further research will be undertaken.

> "Today it is more common for women to work in the industry, but it's often difficult for men to take orders from women."
> – Engineer

However, the survey found that women are increasingly present in the sector, mainly in professional categories and administrative, financial management and human resources positions. There are few women working on construction sites. The scarcity of female participation can be attributed to multiple factors. First, the construction sector is considered inappropriate for women, which can result in stigma against women in leadership positions. Second, it is unsafe for women due to high levels of harassment. There are very few studies on women in the construction industry in Mozambique, but research states that almost nine out of ten women in construction worldwide have experienced sexual harassment.[22] Third, a lack of adequate infrastructure, such as ablution facilities and safe accommodation, prevents women from working on site. Finally, labour rights relating to maternity leave and parental benefits are not systematically provided by employers, especially those employed informally. For example, women are at risk of non-renewal if they become pregnant.

Due to the high demand for skilled labour, there is an opportunity to promote increased employment of women in skilled positions including engineering, architecture, construction management, administration, human resources and occupational health and safety. These jobs offer better working conditions and more opportunities for growth.

Youth participation in the construction sector. Mozambique is a young country, with 79 per cent of the population being under the age of 35 years and approximately 300,000 young people entering the labour force every year. Very few jobs are created in the formal market, pushing young people to work in the informal market. The situation is much worse for women, especially young women, as they are more likely to work as unpaid family workers and be taken out of school to care for younger siblings.

Young people work in all areas of construction, from general labour to supervisory roles. Their employment path differs, based on their level of training and skill. Unskilled youth, mostly young men, are usually hired by MSMEs as general labourers and learn a trade on the job, graduating into semi-skilled or skilled work. Skilled artisans generally attend technical and vocational training. These courses have historically attracted more young men, but interviewees mentioned increased enrolment of young women, especially in courses to become electricians or mechanics. Certain TVET centres offer scholarships for young women to attract more female students.

22 Gender statistics: sexual violence, work and financial precarity, Duggan, A., Cooper, G., Roo, S. and Naddel , T., 2014

Young university graduates (architects, engineers, etc.) are usually hired by large foreign companies. During the interviews, large contractors mentioned having partnerships with top universities and hiring most of their graduates each year. As mentioned above, there is an increasing number of women graduates in the professional categories.

3.2.3. The employment market system: An interrelated market system

Figure 4 illustrates the interrelated employment market system in the construction sector. While section 2 analysed barriers to MSME inclusion in the construction sector, this section focuses on the inclusion of workers, by analysing employment pathways and the supporting functions and rules/regulations which influence and constrain access to decent employment. The analysis focuses on seven elements that represent critical constraints for access to employment: **skills development, employment services, association and representation, qualification frameworks and recognition of prior learning (RPL), employment contracts and labour inspections, OSH standards, and social protection.**

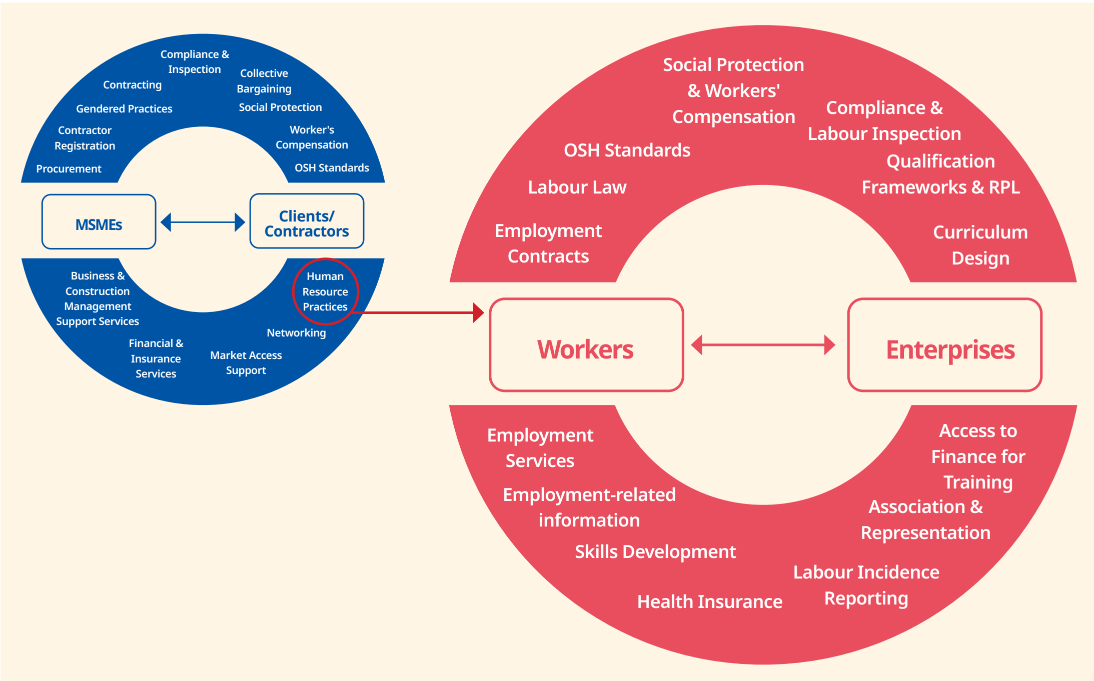


Figure 4. The interrelated employment market system

3.2.4. Core value chain

Job seekers are potential entrants to the labour market, who may be first-time starters or workers who are changing careers. There are two main job entry points for job seekers: with and/or without formal training.

Employers are small, medium, and large enterprises that hire unskilled, semi-skilled, skilled, and professional workers on short-term or permanent contracts.

Unskilled jobs do not require training. They are usually physically demanding jobs that include tasks such as debris removal, component alignment, trench digging and scaffolding erection. Unskilled workers are often employed informally, with the lowest wages and poor working conditions that are neither safe nor conducive to OSH.

Skills acquisition and recognition. Skills development enables workers to access skilled and semi-skilled jobs that offer better pay, benefits, and greater contractual security. Workers develop skills through on-the-job experience and formal education and training. Those skilled through experience are not always able to access skilled labour contracts due to lack of certification, relegating them to performing skilled tasks and being paid as unskilled labour.

Skilled and productive jobs comprise artisans and occupational categories. Craftsmen include electricians, carpenters, plumbers, cement masons, painters, and iron and steel workers. Professional jobs include positions related to design, commercial and financial management, and inspections. However, accessing these positions can be challenging for young people and informal workers, who may lack incentives and information on qualifications. Women tend to focus on professional jobs, particularly those related to inspection, management and design, although they may face barriers related to their specialization and gender norms.

Table 2 provides an overview of the different types of jobs and contracts in the construction sector.

Table 2. Typology of jobs in the construction sector

Types of jobs in the construction sector	
Skill level	Type of contract
▶ **Professional categories** have a secondary education degree in the built environment and include engineers, architects, construction project managers, and quantity surveyors. ▶ **Skilled workers** are skilled through training and on-the-job learning and are also called "artisans" (e.g. carpenters, electricians, bricklayers, plumbers). ▶ **Semi-skilled workers** have a lower level of technical skill, usually obtained through work experience or short courses. They work as assistants to skilled workers. ▶ **The unskilled workers** have no specific training or experience and perform manual labour functions such as site preparation and rubble removal.	▶ **Permanent contracts** have no fixed termination date. Permanent employees are entitled to benefits in accordance with the prevailing labour law. ▶ **Fixed-term contracts** have predetermined end dates and are used for specific projects. Employees are entitled to the same benefits as permanent employees, but they may be prorated based on the length of the contract. ▶ **Informal agreements.** Most workers have an informal – usually verbal – agreement with their employer. These agreements provide the terms of employment regarding wages and usually do not include any benefits. Informal agreements are used by both informal and formal companies that want to save on labour costs.

3.2.5. Supporting functions

3.2.5.1. Skills development

According to respondents, the shortage of skilled labour in Mozambique is one of the main drivers of poor-quality construction work, as it impacts the entire value chain from design and construction to maintenance. The primary contractors are accountable to lenders for the entire project, including work carried out by their subcontractors. When the quality of work does not meet the lender's standards, contractors must invest resources to redo parts of the work or pay fines, thus reducing their profit margins. In addition, lack of skills development limits workers' income, career progression and access to more formal jobs, and increases OSH risks.

> "It is common for workers to lie about their technical skills to get hired, because they're desperate for a job."
> – Contractor

Contractors and industry experts have expressed concern about the lack of skilled workers, from craftsmen (plumbers, electricians, blacksmiths, etc.) to architects and engineers. However, the market is saturated with low-skilled workers. As a result, employers adopt different practices. Large companies hire skilled labour from abroad (such as South Africa or Portugal) and/or from urban centres, increasing skilled labour costs and consequently lowering their profit margin. This, in turn, leads them to cut costs in other areas, such as unskilled workers' salaries, benefits, health and safety. Micro and small companies – which often work as outsourcers – are the least able to afford skilled labour and thus resort to hiring workers who do not have the appropriate level of technical skill and do low-quality work.

Workers in Mozambique face challenges with upskilling, caused by both poor access to formal training and a mismatch between the skills developed through formal training and those required by employers.

A large proportion of workers enter the sector without any formal training. This is caused by the prevalence of informality and the lack of access to formal training.

- **Most employers do not require formal training, and some even prefer to hire non-certified workers at lower wages.** Consequently, workers have little incentive to undertake formal training. Large foreign companies require formal training and certification for skilled positions, and typically partner with universities and training centres to hire new graduates.
- **Training is not accessible for most.** While there are a variety of training institutions available, such as those run by public, private and non-governmental organizations, they are mostly located in urban areas, leaving out a large portion of the population. In addition, attending formal training courses requires a substantial time commitment from learners, which many individuals cannot accommodate.

Considering the lack of formal training, on-the-job training is a promising alternative pathway for skills development in the industry. It brings its own set of challenges, however, including insufficient investment from employers and lack of certification.

- **Employers lack the financial resources and incentives to invest in on-the-job training.** The uncertainty about which workers will be required for future projects, coupled with concerns about the possibility of employees using their newly acquired skills to start rival companies, exacerbates this issue. Interviews conducted with both employers and workers revealed that larger-scale contractors, who typically hire a greater proportion of skilled and formal workers on a project-to-project basis, consider on-the-job training as a necessary investment and allocate more resources towards it. Conversely, smaller scale businesses, often acting as subcontractors, typically have fewer skilled workers and limited budgets and do not invest as much in training. However, the Government of Mozambique has established a skills development fee for all public works contracts, although stakeholders have not yet agreed to its disbursement. This represents an opening for the Decent Work in Construction Project to advocate for the allocation of this fund to on-the-job training initiatives. Mozambique could also learn from other SADC members who have implemented such fees and levies.
- **On-the-job training is not certified.** Most employers do not certify workers skilled through on-the-job training, leaving them unable to prove they are skilled to a certain level. Such workers are normally treated as unskilled by the industry and subjected to lower pay and more precarious employment contracts.

Of those who do access formal training, there is a mismatch between the skills they develop and those required by employers. Employers expressed reluctance to hire workers with formal training because they often do not have the skills required to conduct quality work and are more expensive than those without formal training. As a result, despite the skills shortage, formally trained students struggle to secure quality employment. The reasons for this include inadequate curricula and instruction.

> "Despite the number of training institutes, graduates do not come out with the right technical skills."
> – Contractor

- **Curricula and instruction are too theoretical and do not prepare students for employment.** This is caused by the slow uptake of the competency-based training model and the lack of engagement of the private sector in designing curricula at the local TVET level. Training centres – especially public ones – lack the financial and human resources to undertake curriculum review in line with the National Vocational Education Authority (ANEP) competencies and to train instructors to teach using the competency-based training (CBT) model. And while ANEP engages with employers at national level, TVET centres do not have the capacity to engage with them at the local level and to codesign curricula.

The competency-based training model

Mozambique has recently adopted a CBT model, which aims to provide more demand-driven curricula and pragmatic learning methods, thus supporting students to integrate into the labour market.[23] Using this CBT model, ANEP develops competencies and performance criteria for each profession in consultation with the private sector. Based on this, training providers develop a curriculum, which is then approved by ANEP.

3.2.5.2. Employment services and information

Another factor related to access to decent jobs is job matching, provided through employment services and platforms. Formal employment services and platforms for the construction sector in Mozambique are not commonly used. Workers predominantly secure work through networking and referrals; unskilled and semi-skilled workers often simply arrive at construction sites to secure work for the day.

There is no widely used platform for workers to access job offers and for companies to hire workers with specialized skills. Some employment services and platforms do exist, including the in-person services and online portal of Mozambique's National Institute of Employment and Vocational Training or Biscate's app for freelance workers, but none of the interviewees mentioned using these. This leads labour market entrants to rely heavily on personal networks to secure employment, which hinders those without extensive connections from securing consecutive job opportunities. This situation forces them to accept unfavourable working conditions due to their limited options. Young people and women are the most affected, as they have the least extensive networks.

3.2.5.1. Association and representation

The role of trade unions is to represent and negotiate on behalf of their members (the workers). They advise members who face problems in the workplace, ensuring the enforcement of their legal rights, represent them in discussions with employers, and advocate for improvement regarding wages and working conditions by negotiating with employers. In some cases, workers' organisations provide and broker education and learning opportunities for members, promote equal opportunities at work, fight against discrimination and help to ensure a healthy and safe working environment. There are also workers' organisations that provide welfare benefits, personal legal help, and financial services to their members.

Mozambique has two main trade unions: OTM and CONSILMO, and their construction sector affiliates. Trade unions in the sector represent workers in decision-making fora and provide a range of information and services. However, membership of these trade unions is often reserved for formal workers. This means that in the construction sector, many workers are excluded from union membership as they are informal workers, and therefore do not have access to the representation, resources and services provided by the trade unions. The limited representation of informal workers in trade unions has two key root causes:

23 ANEP is the regulatory body responsible for all curriculum approval and certification in Mozambique

- **Limited ability and incentives to pay membership fees:** Membership fees to become a union member may be perceived as high for workers with short-term contracts, who typically experience breaks between contracts, and informal workers, particularly as wages in the construction sector for low-skilled and semi-skilled workers tend to be low. As a result of informality, the precarity of contracts and low wages, workers may lack the ability and incentive to pay.
- **High mobility:** Due to the project-based nature of construction work and the prevalence of short-term contracts, many workers in the informal economy are not part of unions due to their high mobility. This makes it difficult for OTM and CONSILMO to identify workers and deliver services.

AEIMO, the Informal Economy Association of Mozambique, is an organisation that does represent informal workers. Most of its members are street traders, but a small percentage come from other informal work sectors. The association aims to represent and defend the rights of informal operators and workers before government and private institutions; promote formalization; and improve their living and working conditions. AEIMO could provide a platform through which to engage informal workers as a first step to association and representation.

3.2.6. Rules and regulations

3.2.6.1. Qualification frameworks and RPL

In addition to skills development, one of the main challenges facing workers in Mozambique is RPL. Most construction workers in Mozambique have no formal training. They are hired as informal labour and learn a skill or trade on the job that may allow them to move into semi-skilled or skilled jobs, but they are not provided with any qualification or certification. Without such certificates, they enter the labour market as unskilled workers, with lower wages and a higher prevalence of decent work deficits. This also inhibits their career growth and relegates them to the informal sector.

Mozambique has recently established a system of RPL, which allows for the assessment and certification of construction workers qualified through on-the-job experience and training and is regulated by ANEP.

This represents an opportunity for these workers who, once certified, will qualify for skilled positions in the formal sector and have access to better working conditions and labour rights. There are currently five RPL centres in Mozambique, with plans to open additional centres in 2023. Additional discussions with relevant stakeholders are needed to understand gaps and opportunities to expand RPL for construction sector workers.

3.2.6.2. Employment contracts

A major obstacle faced by workers concerns the different types of employment contracts. There are two prominent concerns: (i) most positions, with the exception of professional jobs, come with short-term contracts and (ii) informal contracts are widespread, depriving employees of benefits and legal rights.

The analysis of decent work deficits and labour rights violations in employment contracts shows disparities between contracts, based on qualification level.

- **Employees with professional jobs generally enjoy permanent contracts, along with some skilled craftsmen.** This is especially the case in large foreign companies, where higher levels of compliance are found.
- **Most workers are hired on fixed-term contracts based on the duration of construction projects.** When these contracts are formal, employees are entitled to the same benefits as permanent employees, but do not have job security. However, when these contracts are informal, employees are not entitled to any benefits or legal rights. This is more prevalent for unskilled, semi-skilled and skilled jobs in MSMEs, where decent work deficits and labour rights violations are higher.

The root causes of informal labour contracting are related to the root causes of regulatory compliance analysed in section 3 and include a lack of legal repercussions for non-compliance; insufficient knowledge of labour rights and regulatory compliance requirements; a lack of enforcement of labour rights and OSH standards in procurement and contracting practices; and an extremely competitive environment that leads employers to reduce labour and OSH expenditures to win bids.

3.2.6.3. Social protection and workers' compensation

Social protection in relation to the construction industry predominantly concerns **National Social Security Institute (INSS) benefits** and **Work Injury Compensation Insurance.** While these offer protection and benefits to workers, most workers do not benefit from them as they work in the informal economy.

Social security is governed by the INSS and provides protection for employees, including formal construction workers. The social security system offers benefits such as medical assistance, maternity benefits, old-age pensions, disability pensions, survivor's pensions, and funeral grants. There is, however, no legal provision for unemployment insurance in Mozambique.

Both employers and employees are required to contribute to the social security system. Employers deduct the employee's share of contributions from their salary and contribute it to the INSS, while employees' contributions are deducted directly from their wages. The level of benefits is determined based on the employee's contributions and the specific circumstances.

By law, all workers – including those on short-term contracts – should contribute to the INSS. However, the research showed that some employers do not make contributions for their workers. Several interviewees mentioned cases where employers misleadingly claimed to have paid into their employees' social security funds but in fact had not. Others mentioned that employers find ways of letting pregnant women go so as not to pay maternity benefits.

The Mozambican labour law mandates that employers must have insurance policies in place to cover work-related injuries and occupational diseases. This insurance is commonly referred to as Work Injury Compensation Insurance.

The purpose of this insurance is to provide financial protection and compensation to workers in the event of work-related accidents, injuries, or illnesses. It covers medical expenses, rehabilitation costs, disability benefits, and other related expenses. The insurance coverage ensures that workers receive the necessary support and compensation in the case of work-related incidents.

Employers are responsible for obtaining and maintaining the work injury compensation insurance policies. They must pay the premiums for this insurance, which is an additional cost for them. The research highlighted gaps in employer payments into compensation insurance, particularly for workers in the informal economy.

4. Entry points for more decent and productive work in the construction sector

Based on the findings of this study, several potential areas for intervention have been identified. These focus on addressing the underlying causes of decent work deficits and labour rights violations, by supporting interventions in: (1) regulatory compliance and procurement; (2) skills development; (3) coordination; (4) association and representation; (5) social protection; (6) access to financial services; and (7) green construction. While the sector has many constraints to address, these action areas are proposed because first, they seem achievable, given the sectoral landscape, and second, they align with the ILO's strengths – particularly on skills and policy.

They also have a sustainability and scalability focus, such that businesses and organisations can continue, scale-up or replicate interventions beyond the life of the Decent Work in Construction Project.

The identified intervention areas take a portfolio approach. It is recognized that some may never gain traction while others may become very successful. The idea here is to test many initiatives and put resources into those that succeed while minimizing investment in those that do not. The following suggestions are proposed as potential entry points for project interventions, which can be taken forward by the ILO as well as other development actors. These should be reviewed and updated regularly as new market information or analysis becomes available, considering changing sector dynamics.

Area 1: Strengthen decent work and labour rights in procurement procedures and labour law

As procurement and labour law compliance constraints are closely interconnected, the priority areas below address them simultaneously.

- **Develop qualification criteria that promote better working conditions**

Given that the procurement system currently provides little incentive for contractors to provide site workers with decent working conditions, it is important to support the development of simple qualification criteria that promote better working conditions as a core component of awarding contracts. This is particularly relevant considering the recent changes in procurement law, which will require public projects to subcontract 20 per cent of the contract value to local MSMEs. This would shift the responsibility of providing for decent work from the bidders to the financiers, who ultimately benefit from higher quality work.

A first step will be to identify the feasibility of trialling new procurement evaluation criteria. Based on an analysis of procurement guidelines, relevant public or private actors could be supported to include new criteria on labour conditions and OSH standards and influence the weight of certain criteria in a way that reduces the importance of cost-competitiveness over the provision of decent working conditions.

- **Strengthen the Ministry of Labour's ability to encourage compliance and improve inspection**

The Ministry of Labour (MoL) is the only institution with a legal mandate to enforce labour law requirements and is therefore a key entry point in improving the quality and efficiency of inspections. Supporting the MoL to increase the scope and efficiency of inspections will incentivize employers to enforce labour law requirements.

Area 2: Facilitate skills development and certification of skilled employees

In response to labour shortages in skilled occupations, it is paramount to strengthen skills development and certification for young women and men to meet market demand. By doing so, newly skilled individuals will access better quality employment in large companies and MSMEs and will be easily absorbed by the market. In line with skills development, aid actors should work with MSMEs to improve the quality of their working conditions.

- **Support access to short, pragmatic courses in trades in demand**

It is essential that workers have access to short-term practical courses that provide certificates or certifications in demanded trades, such as artisans and OSH professionals. Based on a detailed mapping of training providers, the quality and scope of market supply can be assessed, and any gaps based on private sector demand identified. From there, programmes can identify entry points for technical skills development, which may be through formal or unconventional skills development providers. Potential partners will be identified based on their incentives and capacity to provide innovative skills development services.

1. **Formal skills development providers:** There is an opportunity to support existing public and private training centres to better market their offering to workers, develop new curricula where relevant and engage with the private sector to develop on-the-job training placements and work linkages (interconnected with interventions on strengthening access to work-based-learning).
2. **Unconventional skills development providers:** There is an opportunity to support shorter, more informal capacity building by supporting MSMEs, through contractor associations, to identify the skills they need and pool funds to upgrade the workforce in areas of greatest demand.

Multiple funding sources will need to be considered to support skills development, including government, large scale contractors, contractors' associations, MSMEs and workers themselves.

▶ Strengthen access to practical experience for workers through work-based learning

Lack of practical experience has proven to be a key constraint for both employers and workers. It relegates workers, even those who have attended theoretical training, to informal and low-paid jobs and forces employers to waste resources on redoing poor-quality work. However, most employers do not invest in on-the-job learning for workers due to lack of resources and incentives to train short-term labour. Some larger foreign contractors, however, have shown more interest in upskilling because they have more visibility on staffing necessities, more resources, and can use on-the-job training to offset the costs of outsourcing labour from abroad. Larger companies, therefore, have more incentives to invest in upskilling to increase productivity and quality.

Additional discussions with sector actors are required to understand these incentives and whether they can also be applied to small and medium enterprises. Systematic work-based learning for students and workers could then be supported, in partnership with training centres, large contractors and MSMEs, based on an assessment of their incentives and capacity.

Opportunities to support the operationalization of the National Fund for Professional Education (NFPE) – a levy for private sector contribution to the TVET system adopted by the government in 2016 – should also be explored.

▶ Support the RPL for uncertified skilled workers

RPL is a valuable solution to a significant challenge faced by construction workers who have acquired their skills through training and on-the-job experience but lack formal recognition and certification. This lack of recognition often results in these workers being relegated to low-skilled, low-paying jobs. Meanwhile, large scale contractors have a strong demand for certified skilled workers, but there is a shortage of such workers, forcing them to seek talent abroad. RPL provides a means for workers to access more decent work opportunities within these large companies.

It is important to note, however, that RPL may not necessarily lead to better employment outcomes for workers in micro and small enterprises. These types of companies may prefer to hire non-certified workers at a lower rate, as they may not place the same value on certification as larger contractors.

Mozambique recently approved an RPL system that allows public and private stakeholders to assess, recognize and certify work-based training skills by becoming accredited centres. As at December 2022, there were only five RPL centres in Mozambique, all based in Maputo, and plans to open others in Nampula.

It is recommended that existing RPL centres be mapped out and assessed and that entry points be identified to scale up the provision of RPL services country-wide. This could include supporting existing RPL centres to scale up service provision or support new providers (training centres, contractors, associations) to establish RPL centres. Another entry point lies in collaboration with social partners and other actors to promote and access RPL – for example, trade unions could promote access to RPL as one of their membership benefits.

New programmes can build on previous work conducted by ToolKit iSkills (TTI) in Kenya, scaled in 2022 in partnership with Habitat for Humanity's Terwilliger Center for Innovation in Shelter.

▶ **Support MSMEs to improve business and financial management capacity**

MSMEs represent the majority of businesses in the construction sector and, on average, provide poorer working conditions than larger businesses. They therefore represent an important entry point for systemic change.

It is recommended that MSMEs are supported to improve business and financial management capacity as well as their awareness of labour law and procurement requirements, in order to expand their operations, improve working conditions, and create decent jobs. Specific areas for improvement include business management skills (e.g. financial management, developing BOQs, calculating profit margins), procurement and contracting, and establishing operational processes based on ISO certification requirements. Capacity building can be achieved through formal training workshops as well as ad hoc mentoring and coaching.

The business and financial management training market is currently dominated by public and private BDS providers. There is little synergy between these service providers, and many rely on donor funding. The project should therefore explore other entry points by identifying other actors that have an incentive to invest in MSME capacity building. These may include:

1. Large foreign and domestic contractors, who have a demand for more professional subcontractors and therefore have an incentive to train MSMEs to improve their capacity to bid, manage and report on projects.
2. Employers' associations, which have the mandate to support the growth of their members. Support could include curriculum development and the expansion of their services to cover business and financial management advisory services.

Area 3: Strengthen coordination between contractors, subcontractors and workers

In combination with skills development interventions, it is recommended that employment services /job matching are strengthened to ensure that skilled workers and MSMEs have access to decent work opportunities. An assessment of existing forums is required, including government platforms, applications such as Biscate and Djobar, business organizations, trade unions and other organizational databases to identify gaps and opportunities for leverage. Based on this analysis, programmes could support the creation of new platforms or improve current platforms to strengthen linkages between skilled workers/MSMEs and employers. These may include:

- Creation or reinforcement of labour intermediation platforms (online and offline).
- Strengthening links between MSMEs and larger companies within contractor associations.
- Creation of synergies between individual entrepreneurs or graduates to expand their networks, including pooling their financial and human resources to secure larger contracts.

Area 4: Support increased representation of informal and formal workers

Mozambique has two main trade unions: OTM and CONSILMO, and their construction sector affiliates. Trade unions in the sector represent workers in decision-making fora and provide a range of information and services. However, membership of these trade unions is often reserved for formal workers. This means that in the construction sector, many workers are excluded from union membership as they are mostly informal workers, and therefore do not have access to the representation, resources and services provided by trade unions. The limited representation of informal workers in trade unions can also be attributed to their limited ability to pay membership fees and the high mobility of construction workers.

There is an opportunity to support the expansion of representation to informal workers, building on good practices demonstrated by construction-sector unions in other countries and on representation of informal workers from other sectors. Both OTM and CONSILMO have demonstrated an interest in expanding representation to informal workers in the construction sector, building on good practices demonstrated by construction-sector unions in other countries and on representation of informal workers from other sectors.

There is also an opportunity to engage with AEIMO which could provide a platform through which to engage informal workers as a first step to association and representation.

This would enable trade unions to expand their membership base and support all workers in the construction sector. In addition, by developing a mechanism for extending membership to informal workers, unions could increase revenues from membership fees and subsequently expand and strengthen their services. This could also be a starting point for trade unions to expand representation of informal workers in other sectors. For informal workers in the construction sector, access to information, services and decision-making would, in turn, support access to decent work and overall quality of life.

Area 5: Support increased social protection coverage

Social protection in relation to the construction industry predominantly concerns the INSS benefits and Work Injury Compensation Insurance. While these offer protection and benefits to workers, most workers do not benefit from them as they work in the informal economy.

By law, all workers – including those on short-term contracts – should contribute to and benefit from the INSS and Work Injury Compensation Insurance.

In reality, however, for workers to access these benefits, contractors need to be registered as formal businesses with the INSS and the Worker Injury Compensation Insurance and make payment on behalf of their workers. This creates problems at two levels: first, many employers do not contribute to INSS or insurance for their workers, albeit sometimes claiming that they do, and second, workers in the informal economy are excluded from coverage as there is no mechanism for these workers to make voluntary contributions or access social protection without formal employment.

A potential area of intervention could therefore be to improve social protection for workers in the construction sector by working on MSME and worker formalization and/or expanding social protection to informal workers.

Area 6: Strengthen access to financial services for MSMEs

Access to debt finance is critical if MSMEs are to move away from largely informal labour contracts, to enable them to bear the costs of the machinery and materials required for larger contracts. These larger contracts tend to occur in the formal economy, where MSMEs would be able to include adequate budgets for decent working conditions, such as fair wages, benefits, and OSH and still make a profit. As MSMEs access these opportunities, they will be able to increase their ranking and continue to improve employment quality and create decent jobs.

It is important to note that many of the constraints identified, such as high interest rates and collateral, are not feasible to address in the scope of this project. However, the research has identified two areas of intervention which could support access to debt financing for MSMEs.

- **Support the expansion of financial education and loan preparedness services**

The research found that there are a variety of financial institutions and BDS providers that successfully provide financial education and loan preparation services, however they only cater to a small portion of MSMEs. Moreover, they rarely benefit enterprises in the construction sector, especially women- and youth-owned enterprises.

The Decent Work in Construction Project will need to assess the services provided in more detail and identify opportunities to expand these services to reach other businesses in the construction sector, especially youth- and women-owned businesses. It is important to note that these services will be targeted at small and medium enterprises that already have a track record in the formal sector.

- **Promote non-bank financing solutions, such as blending and value chain financing**

Considering the structural issues around access to debt finance, most micro enterprises will not be in a position to obtain loans, even with additional financial education and loan preparation services.

To support these companies in accessing finance, the promotion of non-bank financing solutions can be explored, such as blended finance or value chain finance.

- Blended finance (a mix of concessional loans and technical assistance grants) could target micro and small enterprises owned by youth and women in the construction sector as an interim measure. Upon mapping existing and past blended finance schemes in Mozambique, opportunities can be identified for replication or expansion. Note that this is a more direct intervention and should be seen as a temporary measure to support micro enterprises.
- The promotion of invoice-based value chain finance between large-scale contractors and MSME subcontractors can also be explored.

Area 7: Promote green building materials and practices

Green building represents an opportunity to create decent jobs and promote green building while addressing the country's housing deficit, thus contributing to a just transition. Interested actors can build on the work done by the ILO's MozTrabalha Project to promote green materials and housing construction. Further analysis is required to identify critical constraints, opportunities and actors with the incentive and capacity to stimulate market demand and create decent jobs. Areas for further exploration are as follows:

- Building on the achievements of the ILO's MozTrabalha Project, strengthen the regulation of alternative buildings, including providing formal skills development in green building, certification of alternative materials and standardized norms by INNOQ, empowering public institutions such as the MOPHRH or the DNUH to disseminate, promote and oversee alternative building techniques and materials.
- Support market demand for housing and buildings constructed with alternative building materials through marketing and promotion (model homes, online marketing, events, loan products, etc.) and by creating links between suppliers and customers.
- Work with building materials MSMEs to strengthen their market position, visibility and capacity to serve the market with quality standards and create decent jobs.
- Work with system actors to provide services that will strengthen demand for green building, such as green building insurance and loan products.

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