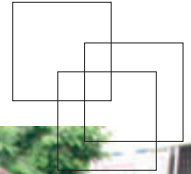




International
Labour
Office

Towards the right to work

**A GUIDEBOOK FOR DESIGNING INNOVATIVE
PUBLIC EMPLOYMENT PROGRAMMES**



**Guidance note 7-3
PEPs and Urban works**

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Guidance note 7-3

PEPs and Urban works

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Guidance note 7-3

PEPs and Urban works



Objective

The objective of this note is to assist policy-makers and practitioners design and implement public employment programmes (PEPs)¹ in urban areas, and, in so doing, address policy choices, complementarities and trade-offs between the goals of job creation, urban development and infrastructure development.

Introduction

This training module provides an overview of public employment programmes in urban settings including the different policy and technical challenges involved in funding, designing, implementing and sustaining different forms of such programmes. Once the decision is made by policy-makers to embark on a PEP in an urban area, the module then raises a number of key questions to be taken into account during the design and implementation processes.

The module draws largely on the experience of the International Labour Office (ILO) in urban employment-intensive investment programmes (EIIPs) and low-income settlement (including slum)² upgrading programmes. First pioneered in East Africa³, the ILO has now undertaken urban EIIPs throughout Africa, Asia and Latin America. However, multi-lateral and bilateral investment agencies are increasingly involved in urban upgrading and employment programmes.⁴ The objective of this module is to assist participants to introduce and achieve a strong employment focus in such planned or ongoing programmes. The module also discusses how to

¹ M. Lieuw-Kie-Song; K. Philip; M. Tsukamoto; M. Van Imschoot: *Towards the right to work: Innovations in public employment programmes (IPEP)*, ILO Employment Working Paper No. 69 (Geneva, International Labour Organization, 2011).

² Whereas not all low-income and informal settlements can be classified as slums, in the Millennium Development Goal 7, target 4, the international community commits itself “by 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers” provides a framework for putting urban job creation initiatives within the context of slum upgrading.

³ J. Tournee and van W. Esch: *Community contracts in urban infrastructure works: Practical lessons from experience* (Geneva, ILO, 2001).

⁴ J. Baker and I. Rechart: *A review of urban development issues in poverty reduction strategies* (Washington, D.C., Urban Sector Board, World Bank, 2007); Cohen, M. and Hershey, P. *IADB urban upgrading and employment generation: A conceptual approach and methodology for selecting and conducting case studies* (New York, NY, New School University, 2008).

incorporate some of the key design features of urban PEPs into the development of an employment guarantee schemes (EGS), which either includes or exclusively focuses on urban areas.

This module can be applied to different forms of urban public job creation programmes, such as public and community managed infrastructure development, as well as extending and developing new forms of public service, and reviewing and improving the employment dimensions of ongoing programmes.

Justifications for policy choice in favour of urban job creation

While international development policy has, in the past, been largely rural biased, there is growing recognition that policies to reverse rural-urban migration have failed and that open unemployment and under-employment in the informal economy are increasingly urban policy challenges that require urgent attention. More specifically, policy-makers often embark on urban employment programmes due to a preoccupation with the **security implications of unemployed youth**, often relatively well educated, and with little alternative means of livelihood. **Urban areas of many developing countries may lack the traditional safety nets** and means of livelihood, which are present in rural areas, such as subsistence agriculture, access to land and housing, and stronger family support mechanisms. Hence, policy-makers might see particular urgency in setting up public employment programmes in urban areas where unemployment is viewed as a security threat, and where basic infrastructure deficits, sanitation requirements and environmental degradation require urgent attention. The growth of slums and unserved informal settlements has been particularly worrisome and high rates of open unemployment coupled with these infrastructure deficits provides an important justification for embarking on urban labour-intensive public works programmes.

Policy challenges for implementing a PEP in urban areas

Policy-makers should recognize the special challenges involved in embarking on urban infrastructure programmes. While the specific challenges associated with setting up an employment guarantee schemes in urban areas will be discussed later, policy-makers need to be conscious of the danger of exacerbating rural-urban migration.⁵ Due to this real or


⁵ However, concerns that addressing infrastructure deficits while creating employment opportunities in urban areas would lead to draining rural areas of their populations are generally exaggerated. For one, urban population increase in developing country cities is currently largely the result of natural population increase rather than rural to urban migration. As rural populations have already largely migrated to urban areas, not investing in urban areas to stem such migration would be ill advised.

perceived danger, it may be difficult to elicit the required political support for PEPs in urban areas.

Another policy challenge involves working with municipalities and local governments. Job creation does not usually fall within the mandates of local governments and they will require support on how to best optimize employment objectives and opportunities either beyond and above their existing frameworks or within their typical activities, which include delivering basic urban services (infrastructure development, sanitation, transportation, garbage collection, street cleaning), and social services and welfare payments for the poor. Designing a successful urban employment programme involves building on local governments' existing capacities and comparative advantages, rather than overtaxing their already limited resources and technical expertise. Linkages between job creation, on the one hand, and infrastructure development, delivery of social services and welfare or transfer payments, on the other hand, are often overlooked. Typically, job creation as a standalone activity focusing on training, local economic development and enterprise development, and the direct provision of jobs by government, be it local, regional or national, continues to be viewed with skepticism amongst policy-makers. The design of an urban PEP, however, should begin by exploiting potential linkages with already existing activities and resources. This means efforts can be made to undertake planned investments in a more labour intensive manner and save on passive welfare and transfer payments by replacing them with active job creation schemes.



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Furthermore, urban communities may not be as cohesive as rural communities for various reasons, such as the ethnic or regional diversity of its inhabitants, the high turnover of residents, varying economic status within the community, and, in some cases, a mixture of residential and small enterprise properties, tenants and owners. While this situation cannot be altered, it should be taken into consideration when working in urban areas. Therefore, for community infrastructure programmes, developing representative, cohesive and viable community development organizations may pose a challenge, particularly where there are high levels of crime and insecurity, and insecure land tenure. Also, programme benefits may be easily captured by local elites or power structures, and putting in place democratic and transparent community-based organizations (CBOs) may pose problems. Nevertheless, well-functioning CBOs are a prerequisite for community infrastructure projects where beneficiaries are expected to contribute in kind or in cash to the operation and maintenance of the infrastructure created, or to participate in one form or another in project selection, or even to take over ownership. Land tenure can be particularly challenging for low-income informal settlements where most urban poor live and where they often exercise no legal rights. Informal settlements can often be unsafe and subject to crime and urban violence, which can pose yet another policy challenge for remedial action.

While infrastructure works in rural areas are often deliberately selected with a view to stimulating agricultural productivity (access roads, erosion control, irrigation, etc.), such a direct impact on productivity is more difficult to achieve in urban areas. However, there is ample evidence that improved infrastructure, such as roads, drainage, sanitation, flood control, etc., have a direct positive impact on the health of the population, and the performance and outlook of small enterprises operating in the upgraded area. In addition to adopting labour-intensive methods during construction, the employment impact can be further enhanced by carefully designing the upgrading schemes with a view to ensuring and improving access to working opportunities.

- The design of any planned new housing units should accommodate small-scale enterprise activities recognizing that for many the home is also the workplace, and more so for women than for men.
- Ensure security of tenure, followed by zoning and environmental laws and regulations, which encourage access to and development of economic activities and employment opportunities.
- Anticipate adequate water and electricity provision, as both are important for economic activities.
- Facilitate access and transfer between home and workplace.

- Avoid resettlement schemes that involve moving beneficiaries away from their places of work.

Basic improvements in living and working conditions through infrastructure development can lead to opportunities for additional jobs in social, environmental and basic urban services. A major policy challenge arises of how to integrate such new employment opportunities into a PEP, which are often temporary and involve conditions of remuneration below those of the public service, without leading to a generalized informalization of employment in the social and other targeted sectors.⁶ Trade unions and employers' organizations are stronger in an urban setting and they usually represent workers in these sectors (i.e. health, education, social, environmental and municipal workers). Therefore, it is important to involve them in devising acceptable solutions to creating new employment opportunities for the unemployed without undercutting the acquired rights of workers in the formal economy.


See case study, Annex 1, Box 1.

Technical challenges and opportunities for implementing a PEP in urban areas

For infrastructure works undertaken in urban informal settlements, a major technical challenge concerns upgrading areas for which residents have, at best, only informal land tenure. Slums and low-income settlements, where the residents are under threat of demolition or relocation, cannot be improved in a sustainable way, particularly with the active participation of these residents. Since urban infrastructure improvements are usually undertaken at the initiative of local, state or regional governments, it may be assumed that land tenure issues have been addressed and resolved well in advance of the decision to carry out the upgrading works. However, in many cases, the complexity of informal and traditional versus formal and legal land tenure may stand in the way of quickly implementing job creation through infrastructure works.

Another technical challenge involves developing adequate technical plans to service settlements that are already grossly overcrowded. Here, various infrastructural solutions should be explored which, while no doubt being sub-standard, involve gradual but important improvements over existing conditions. Strong community participation and ownership over this process is key since hard choices will have to be made on how to optimize technical design when faced by limited resources and overwhelming need.

⁶ M. Samson: *Waste management public works programmes – creating the conditions of the 'second economy'* (2006), unpublished manuscript.



At the same time, a number of factors facilitate the implementation of a public employment (infrastructure) programme in urban areas versus such a programme in rural areas. Higher population densities mean that the costs of servicing an individual beneficiary tend to be lower than in rural areas with lower population densities. Also, whereas heavy equipment may be used more readily in rural areas, where labour is in shorter supply and where construction materials have to be hauled over longer distances, labour-based construction methods may be the only viable option in crowded informal settlements short of wide-scale demolition. This is because, in most informal settlements, streets and walkways are narrow and inaccessible to heavy equipment.

Urban infrastructure investments have the advantage of often being an entry point to a wider array of interventions in social, environmental and basic services, all of which provide additional and complementary opportunities for job creation. These complementarities are more usual in an urban setting and come in many forms.

- Most urban slums are characterized by interlinked technical challenges, which can only be solved in a comprehensive fashion. For example, accessibility (roads and footpaths) should be accompanied by drainage and sanitation to be effective. Moreover, drainage must be accompanied by systems to collect and recycle garbage and solid waste.
- Urban slums are almost always located on marginal lands, either lowlands, which are subject to flooding, or settlements on hillsides subject to erosion. In any case, the conventional wisdom that there is a trade-off between employment, economic development and environmental protection is largely discredited by interventions in such situations, where job creation, environmental protection and settlement upgrading go hand in hand.
- On the whole, there is a strong potential to link private and public sector development, to encourage small- and medium-sized enterprise (SME) development by designing and zoning housing and the urban space in such a way as to not only improve living conditions, but also working conditions. Since the home is the workplace in most informal settlements, upgrading schemes can also be designed to improve job creation and quality of employment in the informal economy.⁷

See case study, Annex 1, Box 2.

⁷ For two cases studies in Tanzania and the Philippines on the linkages between informal settlement upgrading and SME development operating in the informal economy, see: G. Muteta, Ngoi, K. Gideon and S. Sheuya: *Linkages between infrastructure development and improved productivity and working conditions in informal sector enterprises* (Antwerp, Synergie Consultants, 1998); S. Yu: *Infrastructure development and the informal sector in the Philippines* (Geneva, ILO, 2002).

Designing a PEP for urban areas

This section will provide an overview of some of the key design issues to be addressed in designing an urban PEP.

Kinds of work

There are four broad categories of work to consider, namely, infrastructure, environmental improvement, basic urban services and basic social services. These categories are indicative only and there are broad areas of overlap.

Infrastructure

If the broad objective is to maximize employment opportunities, then categories of infrastructure with a high labour content should be chosen. One can envisage several applications of infrastructure development in a PEP, for example:

- regular urban investment programmes can be undertaken in labour-intensively so as to increase the employment impact of already planned and budgeted investment resources;
- additional PEP budgetary resources can be allocated to labour-intensive infrastructure development with set criteria on labour content;⁸
- job creation can be integrated into community-based informal settlement upgrading programmes;
- public employment creation in infrastructure as a safety net approach.

Normally, the labour force for these types of infrastructure works will be drawn from one of several possible labour pools with specific recruitment modalities.

- The regular work force of the municipalities, or national or regional technical departments in the fields of roads, drainage, sanitation or environmental protection.
- The work force of private sector enterprises, which are awarded contracts by municipalities.
- Workers recruited or mobilized by local community organizations where the upgrading projects are undertaken (such community workers can be recruited as regular workers or their participation can involve various combinations of remuneration and community participation, including community contracts).

⁸ These labour content criteria can vary greatly. In South Africa's Community Works Programme, the required labour intensity was set at 65 per cent (see Training Module on Social Services).

- The work force recruited in the framework of a special PEP or an EGS and assigned to work on special projects within the framework of a municipal investment programme.

The work force recruited by private enterprises according to clauses in the contract that may stipulate quotas for youth, women, local community recruitment, etc.

The labour force recruited within the framework of a special PEP or an EGS would normally target the low-income and vulnerable groups of the population, through self-targeting or direct targeting according to eligibility criteria. These participants would normally have low skills and the focus would be more on providing employment and income transfers than on infrastructure assets. This does not mean the jobs do not have any value to society because the service needs are enormous in the urban areas of developing countries.

It is indeed a paradox that there should be such underemployment and wastage of talent where there are needs of incredible magnitude representing hundreds of millions of work-days and so many people available to do the work.⁹

In any case, the focus should be on job creation and, therefore, every effort should be made to increase the labour content of the infrastructure works. This means, as a first step, evaluating the employment impact of the infrastructure works (that is, estimating the number of jobs to be created with the planned or allocated investment resources), and, as a second step, exploring all opportunities for increasing this labour content without

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⁹ ILO. *Cities at work: Employment promotion to fight urban poverty* (Geneva, 2004).

increasing the costs of the infrastructure or compromising its technical quality.

Environmental services

Most urban upgrading programmes also have positive impacts on the urban environment. Poor people without security of tenure often build houses and shacks on marginal lands, such as low-lying areas subject to flooding, hillsides denuded of vegetation and threatened by erosion, polluted waterfronts, dangerous areas next to railroads, etc. Therefore, drainage, reforestation, erosion-control, sanitation and other infrastructure works can be designed to have multiple benefits in terms of job creation, upgrading living and working conditions and environmental improvement.

Furthermore, many infrastructure works require complementary environmental services in order to be sustainable. Drainage canals are often clogged with garbage, and may even be used by the local population as dumping grounds for refuse and solid waste. Therefore, infrastructure works should be accompanied by complementary environmental services in areas, such as garbage collection, waste recycling, cleaning of parks and public spaces, and sanitation. The services can be delivered in a variety of ways, for example, through the municipal workforce, 'special' employment (guarantee) programmes, various forms of community contracting, or through the development of small and micro-enterprises.

Basic urban services

A variety of basic urban services can provide new employment opportunities in the framework of a PEP, for example, street cleaning, park maintenance, library attendances, etc. As indicated above, however, creating these new employment opportunities should not result in the downgrading of employment quality and qualifications. Various modalities can be explored to introduce these new jobs into municipal governments.

- The provision of PEP funding to municipal governments and agencies to hire additional workers to support key municipal functions (as opposed to replacing municipal workers hired under collective agreements with special PEP workers). Such 'wage incentives' will help to avoid creating a parallel set of municipal services funded under the PEP, which might lead to weakening rather than supporting the municipalities' long-term capacity. Wage incentives could be used to hire temporary workers, to contract out certain services to the private sector and to sub-contract to local community organizations. The key element is to keep the municipal governments' ownership over the entire process by providing these employment incentives through municipal budgets rather than through parallel structures.

- In cases where the PEP is managed through a centralized project management unit (PMU), PEP workers can be assigned to various municipal services. Whereas recruitment, wage payments and training might be managed through the PEP PMU, it is important that technical supervision be the responsibility of the municipal government's technical departments to avoid undercutting the latter.
- Public employment programmes could support training and the insertion of the unemployed into small-scale enterprises, cooperatives or community-based organizations, which could then bid for contracts on basic urban service provision (street cleaning, park maintenance, garbage collection, waste recycling, etc.).

Social services

The majority of social services take place in an urban context and can provide many opportunities for job creation in urban PEPs. Social infrastructure (schools, health clinics, playing fields, etc.) could be built into the framework of a PEP, but the programme should work with responsible technical departments to ensure that these facilities are staffed and maintained. There is scope for opening up new employment opportunities in a variety of social fields, such as health, education, social work and in the care economy. On the one hand, social services can help create what Antonopoulos and Fontana (2006) refer to as “hidden vacancies,”¹⁰ that is, transforming women's unpaid work into recognized and remunerated public employment. On the other hand, care should be taken that the regular tasks of government social departments (health, education, social services, etc.) are not undertaken by a PEP workforce remunerated under special or temporary arrangements, leading to a general casualization of employment in the social economy.

In developing countries, deficits in public service delivery are typically compensated for by increased unpaid work performed mostly by women and children as well as kin networks particularly in the case of poor households. These deficits and the resulting increases in the time burden for women are further accentuated during times of crisis as services are cut back. Hence, a focus on public and social service delivery has the potential to positively impact the wellbeing of women in particular. Social and community services of various kinds form important components of South Africa's EPWP and Argentina's *Jefes y Jefas* programmes. The social development pillar of the first phase of South Africa's EPWP had a focus on Home

¹⁰ R. Antonopolous and M. Fontana: *Hidden vacancies? From unpaid work to gender-aware public job creation: Toward a path of gender equality and pro-poor development. Paper prepared for the Levy Institute Conference on Public Emoloyment Guarantee: Theory and Policy, 13–14 October 2006* (New York, NY, Levy Economics Institute, 2006).

Community Based Care (HCBC) and Early Childhood Development (ECD). In its second phase, which began in April 2009, the EPWP is expected to further expand ECD and HCBC services, move into other activities such as school nutrition, voluntary counselling and testing (VCT), school caretakers, etc. as well as explicitly employing and assisting low-income women in tasks which are currently undertaken as unpaid work.¹¹

While these may be critical to women, expanding the focus of a PEP should not be viewed as a substitute for expanding public service delivery. Care should be taken not to lower standards in health, education or other social services by delivering them with a poorly prepared or trained PEP programme workforce. One way to ensure that the programme does not fuel *casualisation* and *informality* in the labour market would be to allocate PEP wage resources to those same technical departments that are responsible for delivering these same services through the regularly established workforce (i.e., trained and unionised teachers, health workers, etc.) and to set clear boundaries and guidelines for PEP workers and for the regularly established workforce, and identify how some portion of PEP work might be 'regularised' as economic conditions improve.¹²

A dedicated module on social services focuses in more depth on this issue.

Institutional arrangements

In developing countries, one of the biggest challenges involves ensuring that municipal governments, which typically have weak institutional and technical capacities, are able to manage and implement high quality infrastructure programmes. As a rule, they award contracts to private sector entrepreneurs and it is important to ensure that these contracts are framed in a way that optimizes job creation. Changing the tried and trusted ways in which municipal governments and private sector contractors operate in order to introduce job creation criteria into their bidding, tendering and monitoring procedures requires extra training and effort.



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¹¹ This text is drawn from S. Miller et al.: *Employment Guarantee Programmes: A response to economic crises, working poverty and unemployment in developing countries*. New York, NY, UNDP, Poverty Reduction Discussion Paper No. 3, 2010).

¹² Ibid.

In principle, municipal governments should be receptive to efforts to create jobs since they are often the first to feel the impact of crime, insecurity, anti-social behaviour, reduced tax base and increased welfare payments, all of which are a direct result of unemployment and underemployment. Moreover, municipalities (which also receive and, at times, manage funding from national and regional governments) should be easily convinced that efforts to promote job creation are worth the extra work entailed, since jobs will bring extra tax revenues as opposed to the additional expenses relating to insecurity, rehabilitation payments and unemployment insurance. Of course, institutional adjustments will be required in order to create incentives for the government units responsible for job creation. Such incentives could take the form of budgetary credits or benefits in the career paths of policy-makers.

Nevertheless, past practice in PEPs has been for implementation to take place outside the regular institutional structure of municipalities or government technical departments. For example, the *Jefes y Jefas de Hogar Desocupados* (Programme for Unemployed Male and Female Heads of Households) implemented following the financial crisis in Argentina used a special labour force recruited solely from amongst unemployed households and paid for from a government budget allocated to the Ministry of Labour. The first phase of South Africa's Expanded Public Works Programme used a specially recruited workforce that was paid a stipend at a rate lower than the prevailing minimum wage leading, it was alleged, to the informalization of employment in certain sectors, such as municipal environmental restoration. It is for this reason that, in its second phase, the EPWP adopted a 'wage incentive' to strengthen the responsible technical departments' ownership of the activities.¹³

Community participation

Community participation can take many forms in urban areas. In any slum-upgrading programme, it is important for the community to be closely involved in programme design. While engineering decisions and procurement may be outside their technical competence, it is important that plans be explained to community members, and that hard choices (i.e. choosing between levels of comfort and quality of housing,



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¹³ S. Miller et al.: *Employment guarantee programmes: A response to economic crises, working poverty and unemployment in developing countries* (New York, NY, UNDP, Poverty Reduction Discussion Paper No. 3, 2010).

sanitation and drainage, on the one hand, and cost and need for demolition, on the other hand) be discussed and appropriated by them. Communities should also be closely involved in the project selection process. Otherwise beneficiaries may perceive infrastructure and improvements to be inadequate and not living up to their expectations.

Community contracting can take many forms ranging from providing a lump sum wage or remuneration package to community workers through representative CBOs, to giving these CBOs full responsibility for procurement, hiring of workers and contracting to public enterprises. Setting up viable CBOs can present a major challenge, especially when local elections are uncommon and when there are high levels of ethnic diversity and inequality in the communities.

See case studies on all these key design issues in Annex 1, boxes 3–5.

Conclusion: The feasibility of implementing an employment guarantee scheme in an urban setting

Whereas most of this module has addressed both PEPs and EGSs, this section is meant to stimulate discussion around some of the key differences between them, what experience gained through the implementation of a PEP in both rural and urban areas can be brought to bear for the implementation of an employment guarantee scheme in rural areas, and how feasible it is to envisage embarking on a full EGS in urban areas. In so doing, some of the key issues and lessons learned from this module on urban PEPs are summarized. It should be kept in mind that the only true employment guarantee currently operational is the exclusively rural-based Mahatma Gandhi National Rural Employment Guarantee Programme in India, although the possibility of extending this programme to urban areas either for a selected state or nationally is under consideration.¹⁴ Furthermore, an urban EGS could be envisaged to cover only urban areas, or to be a national programme, which would not limit its coverage to rural or urban areas.

Three key differences between an EGS and other forms of PEPs are:

1. an EGS provides universal coverage rather than targeted coverage (although it may be self-targeting through a low but basic wage rate and remuneration package);
2. an EGS helps create a real minimum wage or wage floor in the economy, particularly in developing countries;
3. an EGS makes a stronger contribution to eliminating underemployment and exploitative working conditions in the informal economy.

¹⁴ See Box 6 in Annex 1 for further details.

Experience in implementing a PEP is invaluable in creating the capacity to launch a permanent employment guarantee scheme. Otherwise the political support – and the crisis that gave rise to it – quickly fades.

An EGS offers employment to anyone willing and able to work for a fixed wage set by the programme. Other Guidance Notes explore in greater detail both the theory and practical issues (such as affordability, targeting, wage setting and institutional setup)¹⁵ involved in providing guaranteed employment. This concluding section raises a few specific issues related to launching a PEP in an urban context with the potential to eventually move towards an employment guarantee scheme.

- The experience gained in implementing a PEP in rural areas can be transferred to the design of a PEP in urban areas. Some design elements such as wage setting, community participation, activities, institutional structure would have to be adapted to an urban setting, but, in general, rural experiences with a PEP are very useful in launching an urban PEP.
- Generally, the workforce in urban areas has higher levels of educational attainment than in rural areas. Therefore, a PEP should be designed with a greater focus on urban and social services that make use of a more educated workforce.
- Open unemployment and informality tend to be higher in urban settings than in rural settings of developing countries. A large scale PEP, or a truly universal EGS, carries the advantage of effectively eliminating the sub-standard revenues and working conditions, which characterize the informal economy.
- In rural areas of many developing countries, there tends to be a major difference between the going wage commonly applied in smallholding or subsistence agriculture and the national or regional official minimum wage, especially if the latter is based on working conditions in the urban formal economy. Efforts to enforce a minimum wage in rural areas through an employment guarantee scheme might undermine agricultural activities and cause conflicts with local farmers as a result

¹⁵ For further background on employment guarantee programmes and the theory of “Employer of Last Resort,” see L. Randall Wray: *The employer of last resort programme: Could it work for developing countries?* (Geneva, ILO, Economic and Labour Market Papers, 2007), and S. Miller et al.: *Employment guarantee programmes: A response to economic crises, working poverty and unemployment in developing countries* (New York, NY, UNDP, Poverty Reduction Discussion Paper No. 3, 2010).

of labour shortages.¹⁶ However, the spread between the official minimum wage and the going wage in the urban informal economy can, on the whole, be expected to be less important. While this will not always be the case, the lesser wage spread in urban areas can help make an urban PEP or EGS less distorting of the labour market and more affordable.

- Despite arguments to the contrary, a PEP – and even more so, an EGS – represents a form of public sector support or subsidy to the private sector, by: (1) creating assets which can be captured to increase productivity and revenues in the private sector; and (2) maintaining the employability of the workforce (through training, work experience, boosting self-esteem, etc.) making workers more productive for the private sector once it is in a position to hire them.
- Economic activity and unemployment/underemployment in urban areas is less influenced by seasonal fluctuations, making it easier to plan for PEP or EGS activities.
- Whereas poverty in rural areas is often a structural or seasonal phenomenon, it may be more dynamic in urban areas with families moving in and out of poverty frequently and unpredictably. This requires a flexible job creation programme with easy entrance and exit. Public employment programmes, and even more so EGSs, meet this criterion. However, cash transfer schemes tend to have strict means testing and entrance criteria and to be less flexible in reacting to demand (although experience has shown that these two can co-exist and be complementary).
- Whereas affordability is one of the first concerns of politicians and the public at large, the overall costs of a PEP or an EGS will be reduced by the cost savings which can be directly or indirectly attributed to job creation measures. These costs tend to be higher in an urban setting (costs such as decreased fiscal revenues, increased welfare payments, costs associated with higher crime and lack of affordability of basic social services, such as education and health) and, therefore, an urban PEP carries higher cost savings and is particularly attractive.

Measures that can provide a foundation for the future success of an urban employment guarantee scheme include, amongst others:

- preparing a data bank, including requests from beneficiary communities and technical studies of labour-intensive projects and

¹⁶ S. Mehrotra: NREG two years on: Where do we go from here? Economic & Political Weekly, August 2008, http://www.indiaenvironmentportal.org.in/files/2_38.pdf (accessed 9 Apr. 2011) argues that NREG should include the proviso that asset creation begin with the small/marginal farmers but extend to better-off farmers' lands. The latter could help to weaken farmers' resistance to the NREG on the grounds that it is raising agricultural wage rates and, thus, raising their costs. This point has, however, been debated given the experience of the EGS in Maharashtra, India, where there were indications that more well to do farmers were able to 'capture' labour and assets to benefit their farms.



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income-earning activities, which can be quickly rolled out should the political opportunity arise;

- gradually setting and enforcing minimum acceptable standards on remuneration and working conditions in the framework of a PEP so that these standards can be universally applied (rather than targeted only to the poorest of the poor – a well-meaning strategy which can inadvertently undermine social solidarity and political support for an employment guarantee programme) when the time is ripe;
- supporting the development of CBOs that can contribute to local ownership of an urban employment guarantee programme through various functions, such as ensuring transparency in implementation, selecting projects and contributing to its operation and maintenance.

In conclusion, PEPs can play an important role in addressing urban problems in terms of high unemployment, poverty, lack of opportunities for youth, insecurity as well as infrastructure and service deficits. Experience in implementing an urban PEP can be an important stepping-stone in preparing for a longer term, sustainable and universal approach in favour of an employment guarantee programme (see Annex 1, Box 6).

See case studies for designing a PEP in urban areas in Annex 1, boxes 1.4, 1.5 and 1.6.

Annex 1: Case studies and discussion

The following boxes provide case studies, discussion questions and other didactic support for selected sections of the above module. Each box is labelled according to the section of the module that it is intended to support, and provides a discussion question for trainee preparation and class discussion.



Policy challenges in implementing a PEP in urban areas

Box 1: Policy challenges – sites and services or on-site upgrading?

Discussion question: *What are the advantages and disadvantages of relocating the urban poor to new and serviced sites versus upgrading their existing housing and settlements?*

One of the biggest challenges for *in situ* upgrading projects is the enormous trade-off that has to be made between avoiding demolition of existing housing and reducing costs. The failure of many of the large sites and services projects financed by the World Bank and other development partners in the 1970s was often related to the artificial nature of these communities, which lacked social cohesion and were often not designed with respect to the existence and location of employment opportunities for these new residents. Although sites and services schemes were meant to address overcrowding, at times they were put in place at the expense of relocating or simply expelling the original inhabitants. Once in place, these newly developed areas quickly became overcrowded and the population far exceeded the capacity in terms of basic urban services (water supply, sanitation, accessibility, etc.) originally envisaged. In the long run, it may be less costly to invest in on-site upgrading rather than in building new settlements far away. This is because many new settlements have been at best half successful, and many times did not succeed at all – many families have just left them to move back to inner city slums, and/or vandalized them.

On-site upgrading was seen to be an alternative to the master plan sites-and-services approach. It accepted a more gradual and incremental improvement to low-income settlements to be undertaken over time and, at the same time, respected the social and geographical cohesion of the area to be upgraded. Whereas this approach certainly has its advantages, it would be naïve to think that the complex technical challenges, frequently faced by such neighborhoods (flooding, erosion, overcrowding, lack of sanitation facilities and water supply, absence of parks, sports and community facilities and public spaces, etc.), can be addressed without demolishing existing housing units. For example, drainage systems where run-off water has to be channeled around a dense network of informal housing will be infinitely more costly than a drainage system which runs straight down a path liberated by demolishing existing structures. In the end, the final project design will have to be a compromise between community requirements, the individual needs of its inhabitants, available resources from the public and private sectors, contributions from the community itself, and engineering requirements.

Technical challenges and opportunities for implementing a PEP in urban areas

Box 2: Employment aspects of slum upgrading – case study of two South African cities

Discussion questions: What concrete measures can be taken to ensure that urban upgrading and housing development projects prioritize job creation? What are the possible trade-offs between job creation, political pressures for infrastructure delivery and community participation?

Since the mid-1990s, housing has been a major focus of the democratic Government of South Africa; it is the dominant category of state expenditure on infrastructure at the local level. While employment-intensive infrastructure investments are one of the main components of the country's active labour market policy, there are relatively few explicit policy signals linking employment generation to housing at the national level. At the local level, two case studies illustrate how employment concerns were integrated into slum upgrading programmes.

Both cases (Cato Manor in eThekweni/Durban and Vosloorus People's Housing Process near Johannesburg) had very positive employment spin-offs, mainly because **employment creation was part of the vision from the start**. Recognizing the opportunity to provide both housing and jobs, targeted procurement policies were adopted in Cato Manor. In their bids, contractors had to indicate the local content value, i.e. what value would accrue to labour recruited locally and to local enterprises/suppliers. The local labour requirements (80 per cent of total labour) included a gender component and, after initial resistance, teams of women were found to be more efficient in completing the tasks allocated to them than the teams of men. After a while, groups of local artisans started to present themselves as emerging contractors and were given the opportunity to establish themselves through mentoring and performance-based selection (one house to construct in the first contract, then two, then five and so on). In the Vosloorus People's Housing Process, local labourers worked in labour teams (combining skilled and unskilled workers) under the supervision of emerging contractors from the community. Both contractors and workers received training financed by the Department of Labour. It was agreed that at least 30 per cent of the workers should be women. In Phase I, about 30 per cent of the construction costs were paid to local labour (wages). In Phase II, spending on materials was redirected in favour of local suppliers, increasing the local content to 60 per cent of total construction costs.

There are a number of lessons to be learned from these two case studies.

- Employment concerns should be addressed and integrated during the planning stage, and not when construction is ready to begin.
- Political pressure to fast-track housing delivery impacts negatively on community mobilization, training, potential employment creation and linkages with other projects in the area.

- Holistic approaches to slum upgrading, that seek improvements in building, and social, economic and institutional environments, including community empowerment, are more sustainable and create more employment.
- The parcelling of infrastructure and housing projects into sub-projects facilitates the emergence and involvement of local contractors.

Measures to sustain employment in the post-construction phase comprise skills development, targeted procurement in service provision and infrastructure maintenance, improved coordination with local planning, human resources development and private sector promotion activities. In Cato Manor, a Job Opportunities Bureau was established to link local labour and small contractors to job opportunities in and outside the area.

Source: Robbins, G. and Aiello, A. 2005. *Study on employment aspects of slum upgrading: Practices and opportunities identified in two South African case studies* (Geneva, ILO).



Designing a PEP for urban areas (types of work)

Box 3: Types of employment included in public employment programmes

Discussion questions: *What is the appropriate mix of different types of work (kinds of infrastructure development, social, community, environmental and basic urban services within the framework of a job creation programme? What are the trade-offs between the quality of infrastructure and services, and job creation objectives?*

Public works in Korea

In general, the public works projects (put in place following the 1997 financial crisis) fell into four broad categories: infrastructure works (*kongkongsangsung*), projects involving forestation, and new construction of small public facilities, such as community parks, and repairing public property. Public service (*kongkongservice*) projects provided temporary workers to public organizations and community welfare service centres. These public workers engaged in a variety of activities, which ranged from managing cultural assets in national museums to teaching children from low-income families in after-school classes. Maintenance (*HwankyungChunghwa*) projects were mainly composed of such activities as garbage collection and lawn maintenance in national parks, snow removal, and street cleaning. Information technology (*Chungbohwa*) projects, added to the public works programmes in 1999, can be classified as professional or non-manual projects. Relatively young and educated workers were included in this category, and they mostly constructed databases, and provided assistance in resolving the year 2000 computer problems.

Source: Lee, J. "Income assistance and employment creation through public works in Korea", in *Labor market reforms in Korea: Policy options for the future* (Seoul, World Bank/Korean Labor Institute, 2000).

Programme activities in Argentina's *Jefes y Jefas de Hogar* Programme

A large number of projects were designed specifically to cater to community needs by providing a wide range of goods and services. As much as 87 per cent of the *Jefes* programme beneficiaries work in community projects. These include primarily agricultural micro-enterprises and various social and community services. Some specific examples include cleaning and environmental support in the agricultural sector, and improving the sewer systems and water drainages. Much of the community work is performed in local community centres, thus renovation of existing centres or construction of new ones represents many small *Jefes* infrastructure projects. Examples of community services performed in these centres include food kitchens or family attention centres, which address domestic violence issues or provide temporary shelter and other services to abused women or children. Other projects include health promotion programmes, which offer basic education on sanitary issues, for example, how to boil water or how to handle food, and avoid dysentery and other infections. Others deal with mending old clothes that have been donated to poor communities. A similar programme exists for the public libraries, where scrapped books from wealthier regions are repaired and catalogued for public libraries in poorer communities. Large-scale infrastructure projects, primarily under the jurisdiction of the Ministry of Infrastructure, also hire *Jefes* workers for the repair of Argentina's roads and bridges.

Source: Tcherneva, P. and Randall Wray, L. Is Jefes de Hogar an Employer of Last Resort program? An assessment of Argentina's ability to deliver the promise of full employment and price stability (Annandale-on-Hudson, NY, The Levy Economics Institute of Bard College, Working Paper 43, 2005).

Designing a PEP for urban areas (infrastructure)

Box 4: Choices in urban infrastructure development

Discussion question: Name some other technological choices and alternatives that have to be made when undertaking various forms of infrastructure development within the framework of the public employment programme? How might the choices vary depending on the different forms of infrastructure development mentioned above?

Normally, most of the kinds of infrastructure used in urban upgrading programmes in densely populated informal settlements, namely, gravel roads and footpaths, stone and concrete street paving stones, drainage and sanitation systems are well adapted to labour-intensive technologies and can have labour contents ranging from 20 per cent to 40 per cent. In the case of the regular investment programmes of municipal governments, where equipment-based methods are more widely used and accepted, greater efforts will be required to convince city officials of the technical viability and sustainability of labour-based methods, and to train small-scale labour-based contractors who are proficient in high-quality labour-based works. Care should be taken to consider technological alternatives for each category of infrastructure chosen with the overall goal of maximizing labour content without increasing costs and compromising technical quality. There are a number of examples of technical choices that can be made.

- Using hand cut granite paving stones versus prefabricated concrete paving stones. The former will be more durable, create more employment, have lower maintenance costs and over a 10-year time horizon may be less costly to put in place. However, local labour may not have the skills required to cut granite paving stones, and will require prior training. Short-term costs for concrete can be expected to be lower but labour content will also be lower. Carefully weighing these tradeoffs is important to designing the most appropriate infrastructure choices with a view to combining employment creation objectives with cost and technical considerations.
- Putting in place more complex and more expensive drainage systems, which respect the configuration of informal settlements and avoid demolition by bypassing existing houses and structures, versus building major straight-line drainage structures, which require demolition but which cost less allowing a greater coverage within existing budgets.
- Giving more or less control to community development committees, which may involve trade-offs between technical quality of construction and long-term ownership and responsibility of operation and maintenance. Allowing inexperienced communities to take responsibility for construction management may result in poorer quality infrastructure, but through a process of learning by doing, communities are likely to take on greater responsibilities for operation and maintenance, which could result in more sustainable infrastructure over the long term.

Source: S. Miller et al.: Employment guarantee programmes: A response to economic crises, working poverty and unemployment in developing countries (New York, UNDP, Poverty Reduction Discussion Paper No. 3, 2010).

Designing a PEP for urban areas (community participation)

Box 5: Community expectations in the case of Ribeira Azul, Salvador, Brazil

Discussion question: What design features and preparatory activities could have been carried out in Ribeira Azul to mitigate the beneficiary community's negative impressions of the programme?

Ribeira Azul is a relatively small area in Salvador, Bahia, Brazil, covering approximately 4 square kilometres along an inlet with 40,000 families and 135,000 individuals. This represents 6 per cent of Salvador's municipal population. Ribeira Azul is part of a broader area which has been characterized as being situated in a 'high risk' flood prone area, with a large number of squatter settlements, insecure land tenure, a highly polluted environment by household and industrial waste, poor social indicators (the worst in the city), and very limited access to infrastructure and basic services.

At the start of the project, some 2,500 families in the area lived in precarious stilt houses (*palafitas*) informally constructed over the inlet. Conditions were quite dangerous, particularly for children who would frequently fall into the water, in some cases leading to death. The Programa Ribeira Azul combines physical interventions with investments to improve the social and economic conditions of the area's population. This includes housing and infrastructure improvements (roads, water, sanitation, public lighting), and programmes in health care, child nutrition, education, training, and employment generation through cooperatives.

Perspectives from the community

Focus groups and in-depth discussions were carried out with residents during Phase II of the Novos Alagados programme to better understand their perceptions on what had worked well with the integrated urban development approach and what had not. Feedback from the beneficiaries pointed to the many positive aspects of the Ribeira Azul programme. These include a range of perceptions from general improvements in quality of life to reductions in urban violence, health and nutritional improvements from the social programmes, expanding educational and training opportunities for children and youth, positive impacts from having educators in the community, and increased opportunities in the labour market through the cooperatives. All of these elements contributed to an increased sense of dignity, which residents emphasized in many of the discussions.

Among the negative aspects of the programme mentioned by the beneficiaries was a demand for increased opportunities, ultimately a result of the positive perceptions mentioned above. Residents voiced the need for more spaces in the education, nutrition and training programmes so that more people could participate. Issues related to housing generated the most negative views. Beneficiaries complained about the poor quality of materials used, the size of the houses, lack of privacy (and resulting increases in domestic violence), and uncertainty related to the ownership of the housing units.

Source: J. Baker: Integrated urban upgrading for the poor: The experience of Ribeira Azul, Salvador, Brazil, Policy Research Working Paper 3861 (Washington, DC, World Bank, 2006).

Implementing an employment guarantee programme in urban areas

Box 6: An urban public: An urban public employment guarantee scheme

Discussion question: What are the key design differences between a rural and urban employment guarantee scheme?

National governments may be hesitant to put in place an urban employment guarantee scheme because of concerns of affordability and limited resources, and for fear of exacerbating rural to urban migration. A social audit undertaken of the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) in Tamil Nadu, India, in 2007, showed that the programme had been successful in stemming rural to urban migration. The State of Tripura, however, decided to implement a limited urban employment guarantee scheme to address severe and persistent urban unemployment. Each beneficiary is paid a wage of Rs 100¹ and is engaged in either of the eight sectors — water body creation and maintenance, garbage cleaning, repairing of old roads, road construction, roadside jungle cleaning and cleaning of market and parks. Funded by the State Government, this scheme is complementary to rather than a substitute for the Rural Employment Guarantee Scheme, which is funded by Central Government. Furthermore, as outlined below, the idea of expanding the Rural Employment Guarantee Scheme to urban areas on a national level is also being explored.

Given the fair measure of success the ongoing MGNREGA has achieved, it is only appropriate that the 42nd Indian Labour Conference, held recently, should have recommended the launching of a similar scheme for urban employment. Yet, replicating the MGNREGA will not yield the same results because urban realities differ. The success of the MGNREGA is set against the rural-specific milieu characterised by poorer educational attainment levels, lower levels of economically active population, declining employment opportunities in the agriculture sector, and a shift towards the tertiary sector as a job provider. The demographic and economic differences that exist between rural and urban India call for a modification of the MGNREGA design in devising an urban employment guarantee scheme. The National Sample Survey data for 2005-06 point to a pronounced difference in the educational attainment levels of those in the 15-plus age group. While 42 per cent of the urban population completed secondary education, this proportion is a mere 16 per cent in rural India.

An Urban India also has a higher working age population at 65 per cent, compared with 58 per cent in rural areas. The causes of unemployment in rural and urban areas differ, and so do the possible avenues of employment. An employment guarantee scheme should improve upon the current prototype, which hinges on creating jobs largely through public works, such as construction and road maintenance. India's long experience of employment generation programmes has lessons to offer. The lack of comprehensive planning, improper targeting of beneficiaries, and leakages in implementation are some of the major deficiencies. An employment scheme for urban India should go beyond the present scope of public works projects, and address urban demands. For instance, urban renewal and restoration projects that build on the conceptual framework of rural public works but are in tune with urban necessities merit consideration.

¹ Indian Rupee = US\$ 0.0227.










An important requirement for a successful scheme is the involvement of local bodies, as they are closer to the problem. Empowering local bodies to create jobs in education and health care, and other public services, will cater to the varied requirements of urban job seekers and serve as an efficient starting point. However, wage employment schemes supported by Government can only offer transitional solutions. The Government should simultaneously address skills-shortage and create the environment necessary for fostering economic development.

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Checklist

URBAN PEPs

Respond to the following questions



Information is available on the socio-economic dynamics and problems characterizing the urban setting

Discussions were carried out with urban residents to understand their perceptions and priorities

The policy challenges for implementing a PEP in urban areas have been assessed

Local authorities are supportive and capable of handling decentralized projects

The experience gained in implementing a PEP in rural areas can be transferred to the design of a PEP in urban areas

Different options for urban upgrading have been considered as possible PEP components

Technical designs and working methods are adequately set to favour the use of locally available resources

Urban works involve and empower local communities

Urban works offer opportunities to youth

Measures are foreseen to sustain employment in the post-construction phase

The programme can contribute to the reduction of open unemployment and informality in the urban context

Will the PEP focus on public or private assets, or both? Consider the impact of all three

Useful work

Work that contributes to the public good, community goods or social services?

Work that ensures freedom, equity, security and dignity

Absorption capacity of the works

Without sacrificing quality of works

URBAN PEPs

Respond to the following questions



Using available capacity and technical expertise

Is additional training required?

Local resource-based approaches

Community participation

Resources, local material, technology and capacity available

Geographical approaches (e.g. from a certain region, municipality, community, households)

Demographical approaches (e.g. by age, gender)

Level of poverty

Time availability

Work should not displace existing jobs

Work should not include work undertaken by public sector employees



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