



Employment-Intensive Investment Strategies:

Linking Sustainable Infrastructure Development and Social Transfers

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The ILO's Employment Intensive Investment Programme: Multiple and Evolving Strategies



Over the past 25 years the Programme has evolved and embraced the following:

- “Emergency Employment Schemes”
- “Special Public Works Programmes”
- “Employment and Technology”
- “Employment and Infrastructure”
- “Employment-Intensive Investment”



Focus on employment

- Linking public investments in infrastructure
 - with Employment creation,
 - Poverty reduction, and
 - Local Economic Development
- Integrate economic and social policy objectives



Focus on Investment

- Focus of this presentation:
 - How can we contribute, in practical terms, to putting employment at the centre of macro-economic policies?
 - How can we increase the impact of public investments in infrastructure on Employment and Decent Work
 - How can we improve the cost effectiveness, quality of employment and impact of public and community works and special employment programmes when these are adopted by governments as a policy instrument?

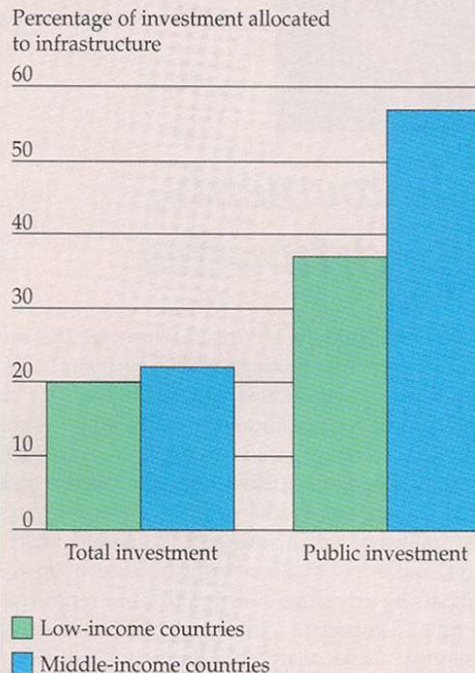


Recent International Mandates

- 2005 World Summit recommendations on Investment and Employment
- Recommendations of African Finance Ministers on Employment and Investment (Ouagadougou, May 2006)
- ILO Governing Body Decision (November 2005) on Sustainable Development
 - *the development of methodologies and approaches, such as impact assessments for integrated environmental and employment outcomes of investment plans and programmes.*

Infrastructure Investments

Figure 1.1 Public infrastructure investment is a large fraction of both total and public investment in developing countries.



Sample: Twelve low-income and eight middle-income countries; unweighted averages, 1980–89.
Source: Easterly and Rebelo 1993.

- Public investments – a policy instrument still available to Governments to create employment
- Infrastructure investments:
 - Over 20% of total investment
 - 38% to 58% of public investment
 - Even higher for countries emerging from crisis

Source: Infrastructure for Development, World Development Report, World Bank, 1994.

What kinds of infrastructure?



- Productive infrastructure:
 - access: roads, paths, tracks, bridges
 - rural: land development, irrigation schemes, wells, minor dams, agricultural support infrastructure
- Protection of the resource base:
 - afforestation
 - soil and water conservation
 - environmental protection – rural and urban



What kinds of infrastructure?



- Urban Infrastructure
 - Street paving, slum upgrading, urban drainage, road construction and accessibility
- Social infrastructure:
 - construction and rehabilitation of schools, health centres
 - water supply schemes





Infrastructure and Employment: What is the potential impact?

- 3 to 5 times more direct employment creation
- 1.6 to 2.0 times more indirect employment creation through multiplier effects (upstream and downstream linkages)
- 50% savings in foreign exchange
- Financial costs typically 20% less
- Impact of infrastructure on output, productivity and employment

Strategic Priorities for ILO's work on employment and investment



- Public Procurement and Contracting: the Private Sector's Role in Employment Creation
- Combining Employment and Social Protection: Public and community works programmes as a social transfer mechanism
- Employment-Impact Assessments

Role of Private Sector in Employment Creation



- Supporting small contractor development
- Procurement and contracting procedures
 - Review and modify bidding and tendering documentation (cahiers de charges): integration of employment and social policy concerns
- Community Contracting
- For future work
 - Integrating employment concerns into Performance Standards of Development Finance Institutions
 - Review investment codes and FDI proposals with a view to integrating employment and social policy concerns (labour standards)

Public and Community Works a Social Transfer Mechanism



- Combining Employment Creation with Social Protection
- Sustainability: Impact of training and work experience
- Targeting
- Technology choice, designing subsidies and institutional arrangements
- Decentralization and local economic development
- Crisis response



Design and Implementation Issues for Public and Community Works

- Expected Benefits
 - Assets
 - Employment
 - Training
 - Work Experience



Design and Implementation Issues for Public and Community Works

- Kinds of Employment
 - Unskilled and skilled labour
 - Worksite management
 - Moving women into paid employment and into management positions
 - Youth Employment (those with little or no education, school leavers, university graduates)
 - Small enterprise development
 - Community contracts
 - Engineering and management consultants



Design and Implementation Issues for Public and Community Works

- Remuneration and Infrastructure Delivery Issues
 - Self-help
 - Food for work
 - Daily wage
 - Wage levels (official minimum wage or going wage for unskilled labour)
 - Productivity-based remuneration
 - Force account or use of contractors
 - Community contracting



Design and Implementation Issues for Public and Community Works

- Community participation
 - Project selection
 - Project design
 - As workforce
 - As contractors
 - ❖ Different Forms of Community Contracts
 - In operation and maintenance



Design and Implementation Issues for Public and Community Works

- Institutional issues
 - Responsible technical ministry / Department
 - Decentralization
 - Role of Employment/labour ministries, technical line ministries and ministries of Finance or Planning



Employment-Impact Analysis

- Methodologies assessing the employment impact of investment policies and programmes;
- Institutional mechanisms for assessing and monitoring employment impacts: employment-investment policy units
- Introducing Employment Criteria into investment budget allocation processing and into development finance criteria



Different Categories of Employment Impact Analysis

- Employment impact studies
 - Comparative project-based studies of labour-based versus equipment based infrastructure projects
 - Public investment budget analysis
 - Analyse and simulate actual and potential impact of public investment programmes (PIP) on job creation – input-output model
 - Studies on longer-term development impacts

Labour-based Technology in Roadworks

The Macro-Economic Dimension – UGANDA

Gary Taylor and Moses Bekabye, ILO, 1999



Road standards

- Technically feasible, at least same quality

Cost advantages of labour based over equipment-based (financial and economic)

- Full rehabilitation 18% and 38% less respectively
- Spot improvement 52% and 60% less respectively

Employment creation

- 3 times as much direct employment
- 1.6 jobs per job as indirect employment
- Competitive for wages up to around 4 US\$

Expenditure (procurement and wages) local goods and services

- About two times more for labour-based (77% vs. 39%)



“Technology Choice: 10 years on. An Update on the Experiences of Lesotho and Zimbabwe with Labour-based Technology,” D. Stiedl, February 2005.

Country and Type of Construction	Financial costs (US\$/km)	Economic costs (US\$/km)
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Lesotho,

Labour-based

51,000

40,000

Equipment-based

81,000

78,500

Equipment-based
almost twice the
cost of labour-
based

Zimbabwe,

Labour-based

19,000

14,000

Equipment-based

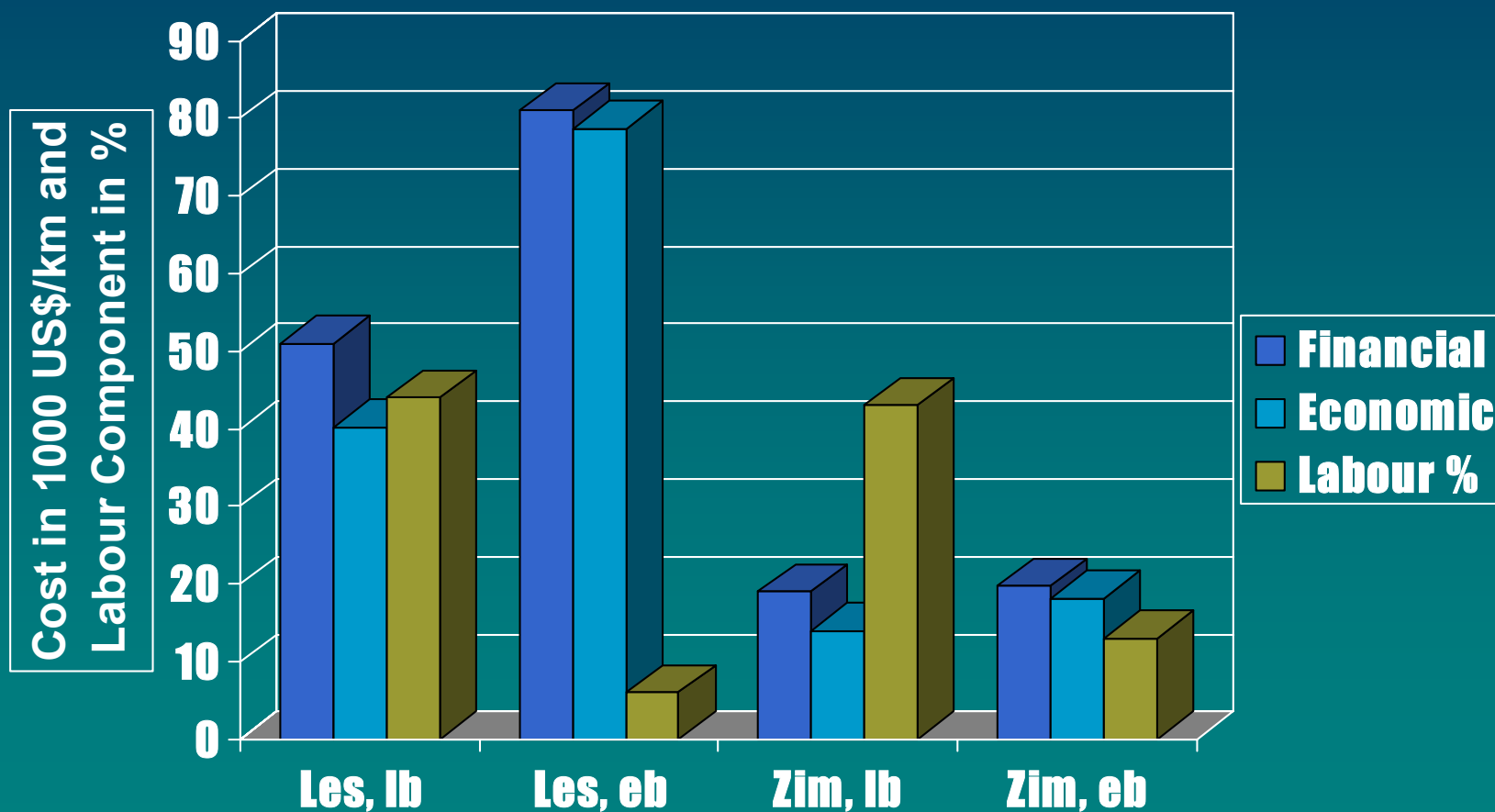
19,700

18,100

Equipment-based
almost 30% more
costly than
labour-based



Financial and Economic Costs



Public Investment Budget Analysis in Mauritania



- During the period 2004-2006 public investment expenditures rose from 5.6% to 10.8% of GDP
- Linked to adoption of the country's PRSP and its key sectors: education, health, water resources, rural and urban development
- Assume one half of the total public investment budget of 47.8 billion UM devoted to infrastructure: 23.9 billion

Potential Impact of Labour-Based Infrastructure Development



- Increase labour component of infrastructure investments from 12% to 24%
- $24\% \times 23.9 \text{ billion UM} = 5,7 \text{ billion UM}$
- $5.7 \text{ billion} \div 250,000 \text{ UM [annual base salary]} = 23,000 \text{ direct job creation and } 34,400 \text{ indirect job creation, or } 57,400 \text{ total job creation.}$

Potential Impact of Labour-Based Infrastructure Development



- Current level of unemployment estimated at 282,951
- Potential increase in employment through labour-based infrastructure development: 28,700.
- Potential 10.1 % decrease in the unemployment rate.



Study on Integration of Employment in Public Investment Programmes in Cameroon

Agnès Deshormes and
Samuel Yemene
February 2006



In billions of FCFA	Equipment based			Labour intensive		
	Total	Direct Effet	Indirect Effet	Total	Direct Effect	Indirect Effect
GNP	25,62	2,13	23,49	50,91	12,00	38,91
Household consumption	32,74	1,64	31,10	46,36	9,24	37,11
Gross household Income	38,42	2,13	36,29	56,09	12,00	44,09
Private Investment	7,49	4,10	3,38	8,37	2,70	5,67
Public deficit	-11,33	-27,64	16,31	-10,21	-28,04	17,83
Investment Expenditure	30,00	30,00	0,00	30,00	30,00	0,00
Revenue	18,67	2,36	16,31	19,79	1,96	17,83
Taxes/consumption	3,83	1,46	2,36	4,32	0,95	3,38
Taxes/foreign trade	1,92	0,81	1,11	1,82	0,52	1,30
Taxes/income	12,92	0,09	12,83	13,65	0,49	13,15
Balance of payments	-16,74	-7,04	-9,70	-15,82	-4,50	-11,32
Imports	16,74	7,04	9,70	15,82	4,50	11,32
Employment creation (full time equivalents)	38 599	2 175	36 424	62 184	18 116	44 069
Multiplier	0.85			1,7		



How to carry forward this work?

- Develop standardised methodologies and guides on evaluating employment impact of investment projects and of Public Investment Programmes,
- Support creation of employment-investment policy units within Ministries of Finance
- National and regional training centres for labour-based infrastructure development
- Use employment-intensive programmes as a starting point for National Action Plans on Youth Employment

Possible areas for future work on employment-investment linkages



- From infrastructure in the construction sector to work on other lead sectors
- From public investments in infrastructure to public investments overall
- From public investments to public and private investments
- Comparative studies of domestic versus foreign direct investment