Employment Impact Assessments

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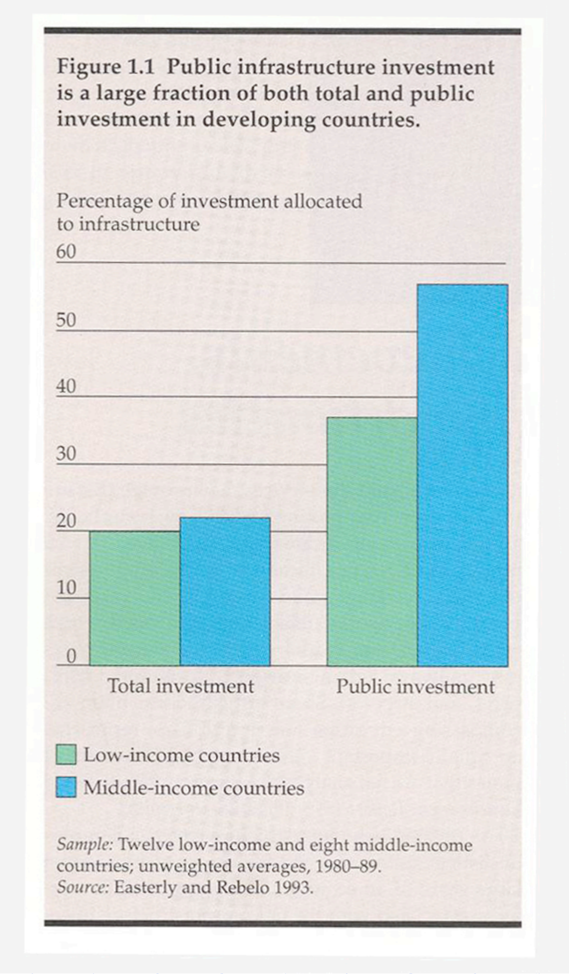
Employment guarantee policies:

Responding to the current economic crisis and Contributing to long-term development

(Session 6)

The role of public investments in job creation



•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.

Evaluating the employment impact of infrastructure investments

- Comparative project-level studies comparing labour-based with equipment-based methodologies
- Public investment budget analysis
- Simulations of employment impact of infrastructure investments on the macro-economy

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

"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)
Lesotho,		
Labour-based	51,000	40,000
Equipment-based	81,000	78,500
Zimbabwe,		
Labour-based	19,000	14,000
Equipment-based	19,700	18,100

Equipment-based almost twice the cost of labour-based

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

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* Mauritanian Ouguiyas (MRO) devoted to infrastructure: 23.9 billion

*197 million USD

Potential Impact of Labour-Based Infrastructure Development in Mauritania

- Increase labour component of infrastructure investments from 12% to 24%
- 24% X 23.9 billion MRO = 5,7 billion MRO
- 5.7 billion ÷ 250,000. MRO* [annual base salary] = 23,000 direct job creation and 34,400 indirect job creation, or 57,400 total job creation

*approximately 1,300 USD

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.

Simulation of the macro-economic impacts of a 30 billion FCFA investment in rural road rehabilitation in Cameroon*

- « Evaluating the impact of labour-intensive investments: the case of Cameroon, » Samuel Yemene, ILO, 2007
- 30 billion FCFA* is equivalent to the amount earmarked annually for rural road rehabilitation in the public investment budget and HIPC funds
- Use of fixed-price input output model

*70,6 million USD

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		