



# **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

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



# Focus on Investment

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- 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

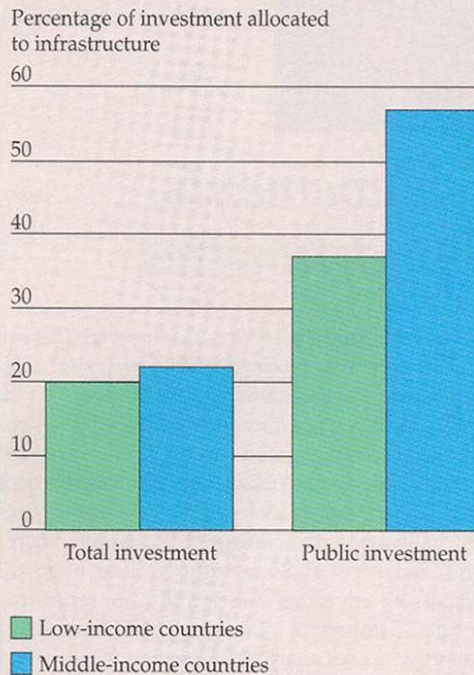
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- 2005 World Summit recommendations on Investment and Employment
- Recommendations of African Finance Ministers on Employment and Investment (Ouagadougou, May 2006)
- ILO Governing Body Decision (November 2005) on Sustainable Development
  - *the development 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?

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- 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

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- 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

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- 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

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- 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

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- 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

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



# Employment-Impact Analysis

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- 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

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- 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<br>Type of<br>Construction | Financial<br>costs<br>(US\$/km) | Economic<br>costs<br>(US\$/km) |
|--|---------------------------------|--------------------------------|
|--|---------------------------------|--------------------------------|

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

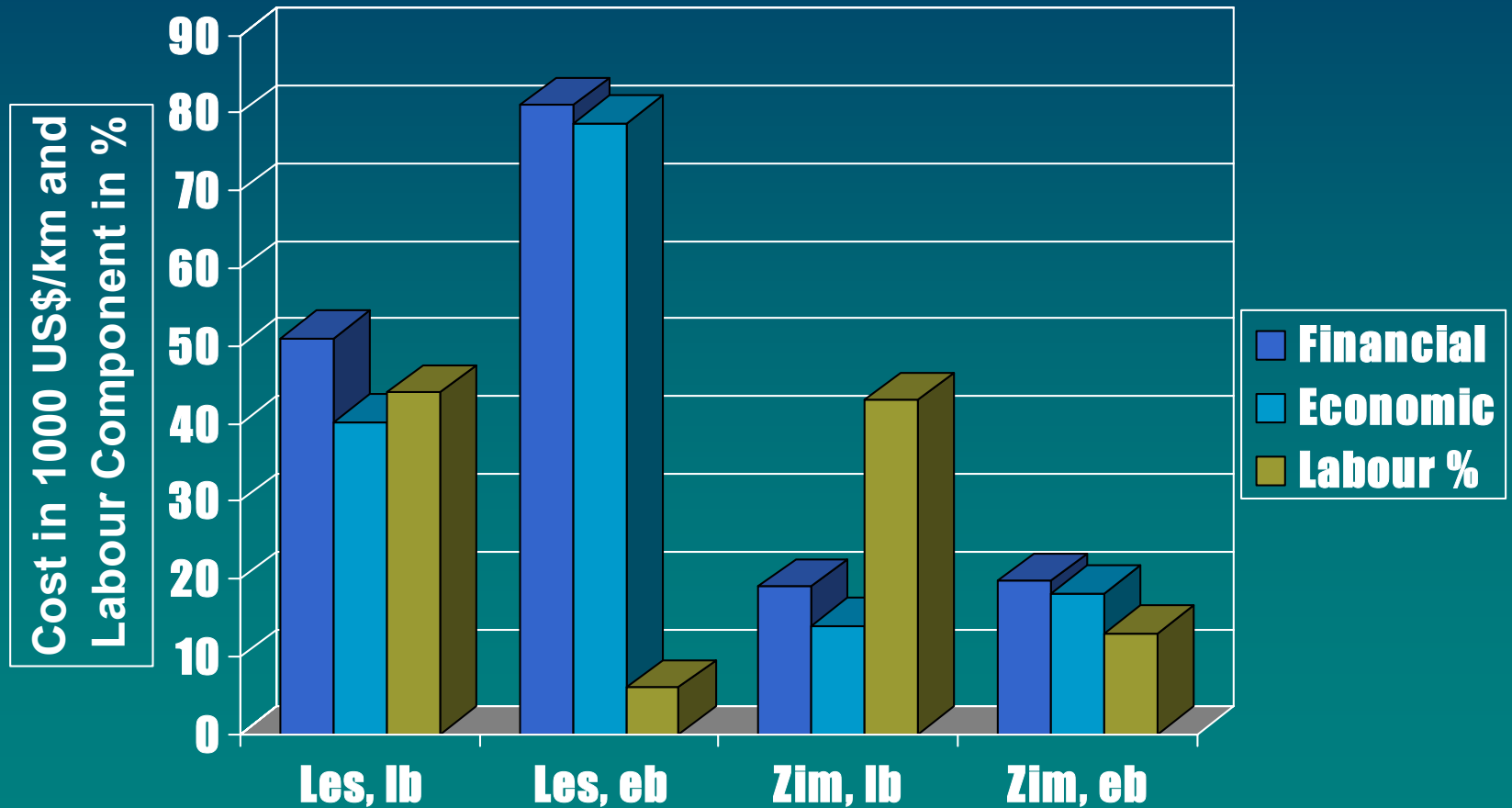
19,700

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

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- 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?

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- 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

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- 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