Employment-Intensive Investment Strategies:

Linking Sustainable Infrastructure Development and Social Transfers

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Geneva
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”
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
- 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

- 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

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
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
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
  - Differents Forms of Community Contracts
- In operation and maintenance
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
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%)

<table>
<thead>
<tr>
<th>Country</th>
<th>Type of Construction</th>
<th>Financial costs (US$/km)</th>
<th>Economic costs (US$/km)</th>
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</thead>
<tbody>
<tr>
<td>Lesotho,</td>
<td>Labour-based</td>
<td>51,000</td>
<td>40,000</td>
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<tr>
<td></td>
<td>Equipment-based</td>
<td>81,000</td>
<td>78,500</td>
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<tr>
<td>Zimbabwe,</td>
<td>Labour-based</td>
<td>19,000</td>
<td>14,000</td>
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<tr>
<td></td>
<td>Equipment-based</td>
<td>19,700</td>
<td>18,100</td>
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</tbody>
</table>

Equipment-based almost twice the cost of labour-based.

Equipment-based almost 30% more costly than labour-based.
Financial and Economic Costs

Cost in 1000 US$/km and Labour Component in %

Les, lb
Les, eb
Zim, lb
Zim, eb

Financial
Economic
Labour %
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.
Increase labour component of infrastructure investments from 12% to 24%

24% × 23.9 billion UM = 5.7 billion UM

5.7 billion ÷ 250,000. UM [annual base salary] = 23,000 direct job creation and 34,400 indirect job creation, or 57,400 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
<table>
<thead>
<tr>
<th>In billions of FCFA</th>
<th>Equipment based</th>
<th>Labour intensive</th>
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<tr>
<td></td>
<td>Total</td>
<td>Direct Effet</td>
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<tr>
<td>GNP</td>
<td>25,62</td>
<td>2,13</td>
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<tr>
<td>Household consumption</td>
<td>32,74</td>
<td>1,64</td>
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<td>Gross household Income</td>
<td>38,42</td>
<td>2,13</td>
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<tr>
<td>Private Investment</td>
<td>7,49</td>
<td>4,10</td>
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<td>Public deficit</td>
<td>-11,33</td>
<td>-27,64</td>
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<td>Investment Expenditure</td>
<td>30,00</td>
<td>30,00</td>
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<tr>
<td>Revenue</td>
<td>18,67</td>
<td>2,36</td>
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<td>Taxes/consumption</td>
<td>3,83</td>
<td>1,46</td>
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<td>Taxes/foreign trade</td>
<td>1,92</td>
<td>0,81</td>
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<td>Taxes/income</td>
<td>12,92</td>
<td>0,09</td>
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<td>Balance of payments</td>
<td>-16,74</td>
<td>-7,04</td>
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<tr>
<td>Imports</td>
<td>16,74</td>
<td>7,04</td>
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<tr>
<td>Employment creation (full time equivalents)</td>
<td>38 599</td>
<td>2 175</td>
</tr>
<tr>
<td>Multiplier</td>
<td></td>
<td>0,85</td>
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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