

Investment, Employment and Urban Community Development: Lessons from ILO experience and their relevance for employment guarantee programmes

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Outline of the presentation

- Strategies for increasing the employment impact of infrastructure investments
- ILO experiences in urban community development
- Some lessons learned in urban employment creation in Brazil
- Relevance of these experiences for employment guarantee programmes

Employment and Infrastructure Investments

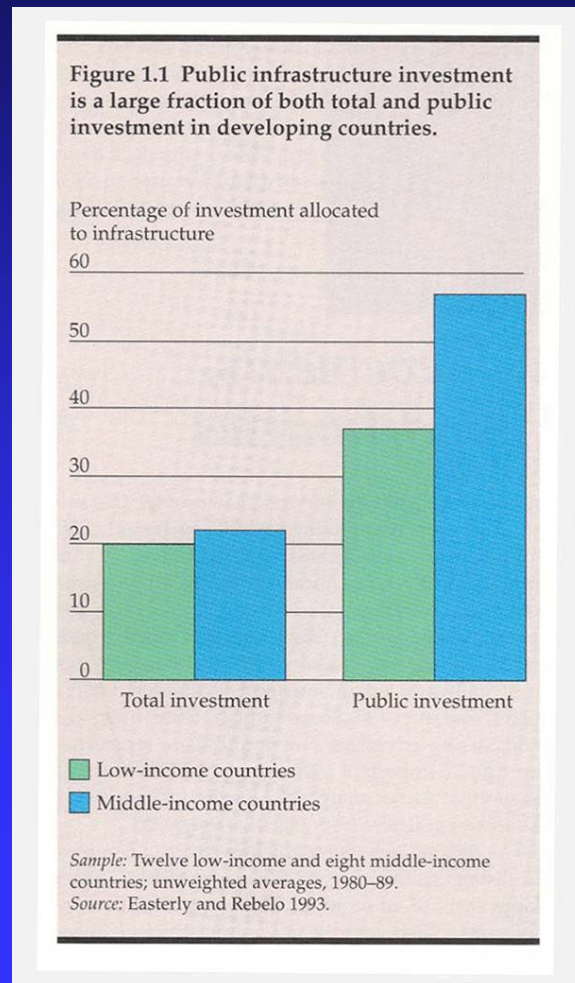
- Role of public investments in job creation
- The ILO's employment-intensive investment programme
- Evaluating and increasing the impact of infrastructure investments on employment
- Advantages and limits to supply-side approaches

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.

The ILO's Employment-Intensive Investment Programme

- Improve the delivery of **high-quality** and **cost-effective** infrastructure with **labour-based methods**
- Both **sectoral** (rural roads, irrigation) and **multi-sectoral** (environmental works, slum upgrading, afforestation, water supply, schools, health centres) programmes
- Evolution from disparate projects to systematic efforts to **increase the employment-impact of infrastructure**

Dispelling some stereotypes

- Labour-based is not a panacea: not appropriate to all kinds of infrastructure
- Labour-based should imply a cost-effective mix of labour and equipment based on local factor prices, i.e., it should not privilege use of labour at all costs
- Labour-based should result in infrastructure of comparable quality to that constructed with equipment-based methods

What are the constraints to wider-scale adoption of labour-based methods?

- Prejudice: belief that labour-based methods result in low quality infrastructure
- Complexity of managing workers as compared with equipment: labour-based methods are management-intensive
- Lack of trained engineers and supervisory personnel
- Lack of trained government supervisory personnel
- Lack of small-scale construction enterprises
- Inappropriate procurement procedures and regulations
- Need to introduce productivity-based remuneration systems

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

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

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%
- $24\% \times 23.9 \text{ billion MRO} = 5,7 \text{ billion MRO}$
- $5.7 \text{ billion} \div 250,000 \text{ MRO}^* \text{ [annual base salary]} = 23,000 \text{ direct job creation and } 34,400 \text{ indirect job creation, or } 57,400 \text{ total job creation}$

*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		

Advantages and Limitations to supply-side approaches

■ Advantages

- ◆ Focus is on reorientation of existing investment allocations: requires no new resources
- ◆ Usually can be implemented by existing institutional structures

■ Disadvantages

- ◆ Usually reaches only a small proportion of the unemployed

ILO experiences in Urban Community Development

- Community ownership or community entitlement?
- Community consultations in project selection and design
- Community involvement in construction activities
- Community involvement in operation and maintenance

ILO Study on Employment Aspects of Slum Upgrading in South Africa

- Review of Employment Creation and Housing Policy in Cato Manor and Vosloorus People's Housing Project
- Many missed opportunities for employment creation throughout the process:
 - ◆ Community Development Planning
 - ◆ Bulk infrastructure
 - ◆ Shelter upgrade and/or housing delivery
 - ◆ Community/social facilities and service provision
 - ◆ Private investment in home or business
 - ◆ Urban management and maintenance

Community Contracting: main actors

- Beneficiaries
- Community Development Committee
- Community Construction Committee
- The Contracting Authority
- Funder
- Technical Services Provider

Community contracting

- Two case studies from East Africa: Hanna Nassif from Dar es Salaam, Tanzania and Kalerwe, from Kampala, Uganda
- Forms of community contracting:
 - ◆ Labour-only contracting
 - ◆ Labour and materials
 - ◆ Full community contract
 - ◆ Petty contracts
 - ◆ Bills of quantities

Brazilian experiences with urban employment creation

- FUNACOM: 1988-92 São Paulo
- Ribeira Azul, Salvador
- Solid waste management cooperatives in Santo André supported by BNDES
- Chamber of the ABC Region of São Paulo

Relevance of these experiences for employment guarantee programmes

- Need to link community ownership with entitlement or right to work
- Clarify responsibilities for operation and maintenance
- Appropriate procurement and remuneration practices
- Undertake employment impact analysis of all project proposals and investment plans
- Address sustainability issues of any institutional arrangements set up