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Construction Sector Employment in Low-Income Countries: Opportunities and Barriers

Tags: construction, jobs, economic development



This summary paper identifies programming opportunities and barriers for scaling up quality construction employment for workers resident in DFID focus countries/regions that might have the greatest impact based on the current market and governance profile. These also reflect policy recommendations from a global construction policy dialogue, approved by the Governing Body of the International Labour Organisation.¹ This summary is based on a [report](#), commissioned through ICED, that seeks to explore opportunities for, and barriers to, the construction industry as a source of productive and decent job creation in LICs.

Programming opportunities

1. Supporting transition to formality

Interventions promoting transition to formality work best in countries experiencing increased turnover in the construction sector. Increased turnover directly generates employment growth, which means that countries that have high expected employment growth have higher potential when implementing formalisation programmes. Countries with high incidence of informal employment, and also high expected employment growth are India, the Occupied Palestinian Territories, Pakistan, Tanzania and Zambia.²

Potential ways to encourage transition to formality include:

- **Adoption of policy instruments facilitating the formalisation** of Micro, Small and Medium-sized Enterprises, compliance and strong enforcement of the law, and effective social dialogue with social partners. In some countries with high formalisation costs, programmes can focus on working with government institutions to simplify the procedures to formalisation and reduce the costs, should there be a barrier to formalisation.
- **Support workers to organise**, including informal and casual ones, and build links between trade unions and non-trade unions' organisations.³ In countries with a strong civil society, formalised institutions can help in the aggregation of members, and in this way reduce informality.
- **Extend social protection floors** to mitigate the possible negative impact of flexible work arrangements on incomes. Informality is many times associated with negative working conditions, including a poor occupational safety and health (OSH) record. Social protection interventions can be combined with other formalisation interventions to help protect against such negative outcomes.
- **Licensing intermediaries and gangmasters** to ensure that they follow appropriate standards, pay wages due to workers, and increase accountability and transparency in the labour supply chain, potentially drawing upon the model of the Gangmasters Licensing and Abuse Authority in the UK.

2. Harnessing the benefits of foreign participation

Opportunities to harness the potential benefits of foreign participation in the sector could include the following:

- **Skills development for the national workforce**, including women and other vulnerable groups.
- **Raising the awareness of main contractors about the need to engage local sub-contractors.**
- **Promoting cooperation between foreign and national contractors**, through the organisation of sector conventions, conferences and workshops.
- **Approval and enforcement of anti-trust policy tools** and transparency measures to increase competition among contractors.

National, regional and local governments can support the use of local participation in public works through:

- **Use of labour-intensive techniques.** The use of labour-intensive techniques can be promoted in order to increase the general labour demand for construction. Such techniques typically increase the demand for low-skilled workers which are likely to be nationals.

¹ ILO (2015) Points of consensus. Opportunities and challenges faced by the construction sector in promoting decent work and productive employment, specifically in areas such as employment relations, occupational safety and health, and vocational education and training, 19-20 November 2015.

² Other DFID countries of focus may have high incidence of informal employment but unfortunately data was not available for all.

³ ILO (2013)

- **Breakdown of contracts to enable the participation of SMEs.** In many cases MSMEs do not have the managerial, human and financial capacity to participate in large infrastructure tenders. By breaking down construction contracts local enterprises can increase their participation in public works.
- **Instalment of quotas on the engagement of unskilled foreign workers.** Governments can include provisions when selecting a specific tender offer.
- **Preference for using local materials.** With the obligation of procuring locally, local employment related to material production and transformation can be generated.
- **Inclusion of business and social provisions in public procurement processes** requiring a minimum engagement of national contractors, local workers, quotas for women, or specific working conditions.

3. Addressing construction safety and health

Improving OSH is essential to scale up quality employment and reduce fatal and non-fatal accidents and diseases related to construction work. Compliance with health and safety laws in the sector is principally the responsibility of employers, and workers have the responsibility to cooperate with arrangements put in place by the employers. Although there are numerous OSH deficits and compliance is low in most DFID countries, interventions that address OSH problems could be implemented in countries which are experiencing increased construction activity, as fatality rates increase in boom cycles.

Potential policy options to address health and safety in the construction sector include:

- **Supporting effective, transparent and adequately resourced labour inspection systems** to enhance compliance with health and safety laws in the sector.
- **Capacity building of labour inspectors** in sector specific competencies.
- **Improving OSH governance mechanisms** by implementing tripartite committees at national and sectoral levels.
- **Supporting workplace prevention measures** by supporting health and safety workers' representatives and setting up joint health and safety committees.
- **Capacity building in OSH on small working sites** with training programs such as WISCON.⁴
- **Raising the awareness of main contractors** about the relevance of labour standards and their importance in supply chains.
- **Rotating OSH compliance teams to improve awareness of health and safety compliance** in resource-constrained contexts with high degrees of informal employment.

4. Promoting equal access to decent employment for national workers (including women)

Interventions addressing female employment conditions should be implemented in countries where women are suffering poor working conditions. Programs implemented in countries with low female participation yet expected high employment growth can take advantage of the change in the sector status quo. Countries with high expected female employment growth include Myanmar, Yemen, Pakistan, Uganda, Afghanistan, and Tanzania.

Potential opportunities for engagement include:

- **Direct or indirect technical and financial support** of inclusive business models and women cooperatives.
- **Enhancing business development services** supporting the creation and growth of local companies.
- **Cooperation with women's rights organisations** to support engagement in the sector and promote dialogue with other stakeholders.

5. Eliminating child and forced labour in construction supply chains

The global number of children in child labour has declined by one third since 2000, from 246 million to 168 million children, but there is still a long way to go. To maximise outcomes, efforts to eliminate child labour should be directed to the construction supply chain, and specifically to the brick making industry. Afghanistan, Bangladesh, Burma, India, Nigeria, Pakistan, Sierra Leone, Uganda and Zambia have reportedly high amounts of child and forced labour.

Potential paths to eliminate child and forced labour are:

- **Strengthening training and education institutions** to increase children's access to public education.
- **Supporting labour inspection systems** and companies to identify child labour.
- **Implementing and supporting fair trade** or labelling initiatives.
- **Promoting global labour standards** on child and forced labour in trade agreements.
- **Supporting collective bargaining strategies** such as Global Framework Agreements.⁵

⁴ ILO (2003)

⁵ Global Framework Agreements are agreements between MNEs and global union federations representing workers at the global level by sector of activity.

6. Skills and education development

Investing in education and training is vital to closing the skills gap, increasing productivity, and improving OSH compliance. Development and improvement of apprenticeship schemes can also help existing barriers to youth assimilation into the labour market. Improving workers skills is challenging when dealing with child labour or informal workers, as these groups cannot access skills development programmes. Additionally, lack of resources and limited enterprise size limits on-the-job training in many cases.

Potential areas of support are:

- **Supporting capacity development of selected construction training institutions.**
- **Supporting the development of construction development curricula.**
- **Enhancing skills and competency levels of lecturers** in training institutions through exposure to good practice.
- **Improving dialogue and collaboration** between policy-level organisations, industry and training institutions to enhance needs-based skills development.
- **Supporting training institutions and key sector players** to design and implement demand-led training programmes, perform regular training needs assessments and tracer studies.

Overcoming barriers to successful implementation

Successful programming requires an understanding of why some programmes are successful and other fail given a range of market and political economy challenges. Programming interventions often occur against countervailing trends that undermine efforts to encourage structural reform within construction sector employment, such as:

- **Increasing cost pressures:** Public budgets for construction remain under pressure in most DFID-focus countries due to a narrow revenue base and competing spending priorities (e.g. social welfare, health, education). The use of more competitive procurement practices, cost-benchmarking in public sector construction contracts and private sector developers' competitive environment are also driving lower cost provision, often accompanied by lower social and environmental standards where these are not properly enforced.
- **Increasing informalisation:** Linked to the above, there is a growing trend towards declining formalisation of employment contracts, despite ongoing efforts to promote better practice by ILO and others. In LICs, the majority of workers have always been informally employed, the number employed on formal contracts has also declined in both the public and private sectors. Perceptions of increased flexibility, and lower levels of costs / bureaucracy can engender negative perceptions of employment rights, collective bargaining, and greater formalisation.
- **Increasing oversupply of unskilled labour:** High levels of youth unemployment and migration mean that construction firms often have access to large pools of lower-skilled labour. This not only depresses wages, but can encourage an ongoing reliance on less efficient and more dangerous approaches to construction, rather than investing in higher skilled or more capital-intensive approaches that use increased mechanisation or pre-fabrication.
- **Ongoing capacity and knowledge deficits:** There remain basic knowledge and institutional capacity gaps in relation to how to organise and promote good practice in construction employment, including around OSH. The lack of good practice can create uncertainty among construction firms and policy makers as to whether the introduction of new legislation and / or more robust enforcement will damage economic activity by raising costs or exclude informal and poor communities from a valuable source of income.

As a result, there are significant barriers to delivering successful interventions. A number of lessons can be learned from ex-post evaluations of construction labour interventions that are critical to underpinning the delivery of value (i.e. moving from the 'what should be done' to 'how it should be done').⁶ These include:

- **Engagement with high-level stakeholders** (particularly to support regulatory reform and / or the adoption of voluntary best practice).
- **Focussing efforts in a small number of high impact initiatives** (to build visibility and trust).
- **Engaging with both workers and private sector employers** to ensure that incentives are aligned and that proposed solutions are acceptable.
- **Anchoring initiatives in larger scale construction capital investment projects** (to ensure economic viability, labour demand and skills relevance).
- **Adopting a market supply chain based approach** that looks at skill sets beyond pure construction labour, thereby supporting sector viability. Again, strong political economy approaches and robust stakeholder analysis are important.

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⁶ ILO Green Jobs Programme (2015) and ILO (2017c)