Better jobs in Africa’s booming construction sector

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Steve Hartrich
ILO lab

Alexander Twahirwa
ILO Rwanda
WHAT’S IN STORE FOR TODAY

1. Why is construction important for MSD practitioners?
2. What can market systems analyses tell us about construction in Africa?
3. Finding the opportunities: Looking to Rwanda
4. Discussion
Why is construction important?
• Poorer countries have high population growth and urbanisation strains poor infrastructure
• 90% of global urbanisation forecast in Africa and Asia by 2050
• Pressure to build quickly (and cheaply)
What does this mean for employment?

% Change share of employment 2005-2015, Asia & Pacific

Comparatively poor working conditions

- High informality
- Poor contract stability - workers expendable
- Poor OSH: Incurred by manual labour and high exposure to hazards (big and small)
- Poor upward mobility
- Many gender challenges

"If we have informal workers, we either fire them every three months or rotate them to another site."
- Medium-sized contractor

"If a woman is pregnant she'll never get a job. If she gets pregnant she will be forced off the site."
- Site foreman
What can MSAs tell us about building construction in Africa?
THE BASIS FOR THE DISCUSSION

Zambia (2014)

Mozambique (2015)

Rwanda (2018)

Synthesis Brief (2018)
Step 1: Map out the sector

CLIENT

CLIENT SUPERVISOR

CONTRACTOR

ENGINEERS

Sub-contracted

FINISHING WORK
USD 7-22/day

Permanente

SUPERVISOR
USD 330/month

HEAD MASONs
USD 8-13/day

Mostly Informal

MASONs
USD 4.50-5.50/day
all men

Informal

CASUALS
USD 2.20-2.80/day
30%-50% women;
Manual Labour

Source: Rwanda MSA (ILO 2018)
Step 2: Understand the Workers & Contractors

Workers

- Attracts the poorly educated as it has low entry barriers for low-skilled positions
- Few low-skilled workers view the sector as a career, but as a means of survival
- Workers feel powerless to improve the situation – if they complain they get rotated off the site.
Contractors

- Competition forces cost-cutting to win contracts: limiting investment in labour
- Contracts are variable – they come in waves, need different skills and resource amounts at different times, rewarding flexibility of workforce (informality)
- Perceived benefits derived from formalising workers do not off-set costs
STEP 3: MAP THE MARKET SYSTEM

Core Value Chain

1. CLIENT
2. ARCHITECT/ENGINEER
3. BUILDING CONTRACTOR
4. Customer/Client

Supporting Functions
1. Financial Services
2. Skills

Rules and Regulations
1. Employers Associations & Unions
2. Labour laws
3. Enforcement
4. Procurement & Contracting
Step 4: Understand the Constraints - Finance

- Lending constraints: Poor account history, lack of bankable business plan, lack of collateral – though irregular contracts affect regular repayments
- Contract guarantees are costly and limit MSEs in participating in procurement and thus developing skills and competencies
- Maintaining favourable lending conditions are important for getting better rates. They can drive investment decisions toward serving loans not workers.
Step 4: Understand the Constraints - Skills

- Insufficient supply for higher skilled workers
- Poor existing training offer and curricula and poorly qualified trainers
- Not accessible to low-skilled workers most in need of upskilling – too costly, too long and not possible
- Informality limits loyalty between contractor and worker and thus investment into skills upgrading

"If you want good finishing work, you need to import (labour) – we need skills to develop the sector!"
– Architect
Step 4: Understand the Constraints - Procurement

- Procurement is not accessible to smaller/domestic contractors it pushes work to large international firms who:
  - have little incentive to develop local skills
  - sub-contract least profitable parts to local contractors

- Award of contracts not evaluated to cover components of working conditions – even though they are part of the labour law!
Finding the Opportunities: Looking to Rwanda
**Project Snapshot**

**Name:** Promoting Decent Work in Rwanda’s Informal Economy

**Sectors:** Building Construction & Tailoring/Garments

**Timeframe:** Implementation Jul. 2018 - Nov. 2021

**Approach:** MSD – targeting informal workers and improving working conditions and employment opportunities
Finding the opportunities - Skills

• **Problem:** Lack of skilled workers in trades

• **Key underlying cause:** Cost and duration of formal trainings make training unreachable for low-skilled workers

• **The idea:** *Train workers through material suppliers.* Material suppliers have an incentive to buy-in market share and ensure that workers/companies use their materials properly.

• **Project support:** *Expand existing model which trains painters through paint supplier to include “non-painters”.* Project to make the case for how training unskilled workers can enhance the number of painters who can actually put their product on walls. Enhancing product loyalty and market share and also upgrading skills.

• **Next steps:** Test model and use as demonstration case to expand to competitors and/or other material suppliers
**Finding the Opportunities - Skills**

- **Problem:** Lack of skilled workers in trades

- **Key underlying cause:** Cost and duration of formal trainings make training unreachable for low-skilled workers

- **The idea:** Develop the market for short-courses which provide enough skills for workers to get on construction sites and learn remaining skills there.

- **Project support:** Working with Rwanda Polytechnic to identify skills needed in identified trades, test model of short courses through TVETs
  - Develop **business case** around short-courses on identified trades
  - Work with TVET Institutions to take on new-model train workers using short-courses in high-demand trades.

- **Next steps:** Check skills and employability of trained workers, modify models, and expand to other trades.
Finding the opportunities – Rules & Regulations

- **Problem**: Contractor’s obligations are focused on meeting building standard regulations at the lowest possible cost rather than investing in workers.

- **Key underlying causes**: Limited recognition of Labour Law in building codes and regulations (where strong enforcement exists) and limited enforcement of labour law.

- **The idea**: Protect contractors. Contractors don’t invest in workers because their clients don’t want to invest in them. If the law mandates and enforces better conditions, contractors will provide them and clients will be forced to pay for them.

- **Project support**: Work with regulatory agencies to enhance visibility of working conditions in building code and revise key building code inspection checklists to make enforce better working conditions.

- **Next steps**: Test impact and see how checklist and building code changes could be more effective.

*If the law covers contractors then they can push back against the client.*
– Architect
Conclusion: A future opportunity for MSD Practitioners?

Some key takeaways

1. Sector will continue to grow in most developing countries and poor working conditions will remain.
2. Challenges and opportunities are context specific but solid analysis can point you in the right direction.
3. Analysis should understand competitive pressures for contractors and factors that attract and keep workers in vulnerable jobs.
4. Implementation should look to the sector’s supporting services (in particular, skills development) and rules and regulations to incentivise contractor and worker decisions.

What do you think?
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