# Remuneration systems for labour-intensive investments: Lessons for equity and growth

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## Introduction

Investment in labour-intensive infrastructure can provide new employment opportunities in developing countries for the unemployed and underemployed who have little hope of finding stable wage employment in the near future. Such investment programmes can also facilitate the transition from informal sector employment, which is totally unprotected by labour legislation, to formal sector wage employment.

This article focuses on the remuneration systems[1] used in infrastructure projects, and their potential role in promoting economic growth and social protection in periods of economic decline. There has been a tendency to marginalize such project initiatives, viewing them as special programmes falling outside the scope of a country's mainstream remuneration policies and legislative safeguards. Mainstream policies are often felt to provide a higher level of social protection to workers in the so-called formal sector than special remuneration arrangements applied in a project setting. However, this article will show that for an increasing number of the least developed countries, which are currently undergoing chronic economic, political and institutional decline, top-down legislative safeguards provide little immediate protection for workers, and that they do not contribute significantly to improving basic welfare, human rights and employment opportunities. In fact project-level remuneration systems have frequently been shown to be more advantageous to workers, at least for the foreseeable short-term future, than those applied at national level. By looking at remuneration systems from a field perspective, it is hoped that this article will contribute to a debate on the practical complementary measures which can be taken *now* to improve employment and working conditions in an unfavourable socio-economic environment.

All the projects analysed used labour-intensive technologies, were implemented by host-governments, but were funded by various external donors and received technical advisory services provided by the ILO. They had the double goal of creating basic infrastructure *and* employment for the local community. Though all involved some form of remuneration, in most cases these projects were of immediate benefit to the worker-beneficiaries and hence lay outside the scope of national labour legislation. Many did in fact apply the official minimum wage rates for government workers involved in similar construction and maintenance activities; however, contractual employment relationships were seldom established.[2]

The type of infrastructure involved varied from one country to another. Typically, individual projects involved soil and water conservation works, afforestation, small dams, water supply schemes, unpaved rural access roads and small-scale community buildings such as health centres, primary schools or grain storage facilities. In some cases, e.g. Burkina Faso, there was a mufti-sectoral mix of mutually complementary items of infrastructure within a single community, for example, an access road leading to a school or health centre, or a community well supplied by a small earth dam.

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[1] This analysis is based on a survey of 11 ILO-assisted labour-intensive employment programmes. The preliminary findings of this survey were presented to the Tenth Joint Meeting for Support to Special Public Works Programmes held in Turin in November/December 1989.

[2] Some of the projects were of only indirect benefit to workers, such as rural access road construction and reafforestation of public land in Burundi, Cape Verde and Rwanda. In these cases, the going public sector wages in the infrastructure sector were strictly adhered to.

The employment provided during the construction phase was necessarily short-term and, in a given village, could not be expected to last more than one to three years. The real impact of the projects lay in the improved living conditions and longer-term employment opportunities created through the use of these productive investments. Since the project-induced employment was both temporary and secondary to the workers' main economic activity (usually agricultural self-employment), "special" remuneration arrangements for such schemes were acceptable to workers' organizations, which saw them as positive initiatives for the unemployed rather than as a threat to the employment status of established workers.[3]

The ILO-assisted projects analysed here form only a fraction of the infrastructure investments undertaken with some form of external assistance[4] by temporarily employed local labour, either on an " assisted self-help " basis or with some other "special" remuneration arrangements. Basic infrastructure that benefits poor groups (such as rural roads, water supply, environmental protection and small-scale irrigation) remains a priority need of developing countries as well as a priority for international financing agencies aiding these countries. By demonstrating innovative remuneration terms which encourage greater recourse to labour-intensive methods, the ILO can have a potentially major impact on sustainable employment over a wide range of externally assisted infrastructure investment programmes.

# 1. Self-help and the use of unpaid labour

Before proceeding to an analysis of ILO-assisted projects, this section will focus on the use of unpaid labour in so-called "self-help" projects receiving assistance from international development organizations. Reference is not made here to the numerous, truly autonomous projects that are planned, designed, financed and implemented on the initiative of local communities or interest groups. Although many of these cases have been documented[5], they nearly always fall outside the scope of external assistance programmes supported by international development agencies. The analysis applies, rather, to those all-too-frequent cases where the true meaning of the term "self-help" is distorted by public authorities to justify using unpaid labour in projects where the circle of beneficiaries is much wider than that of the workers. In some cases, this distortion is intentional: "free" labour may be offered in lieu of budgetary resources by government authorities as their "counterpart contribution" to foreign assistance for infrastructural investments which are clearly "public" works (e.g. roads of regional interest, reforestation in public lands, etc.) and where workers benefit at best indirectly, if at all. And even in cases where projects are intended to be of local or community interest, the benefits may nevertheless accrue to a larger public. For example, although erosion control works may protect the individual fields of a group of farmers, increased agricultural production will benefit both the farmers concerned and society as a whole.

Even when they are applied to infrastructure of exclusive benefit to the community supplying labour, there is an unfortunate tendency to view the terms "self-help", "voluntary" and "unpaid" labour as synonymous. In fact, "self-help" should not be used simply to refer to a project undertaken in the interest of a group of workers, but rather to a project undertaken at the ongoing initiative of that group. "Voluntary" applies of course to labour given of the individual's own free will, without threat of constraint. Voluntary labour is the opposite of forced labour, which is clearly proscribed by international labour Conventions, this regardless of whether the worker benefits from the infrastructure in question.[6] In other words, work should not be assumed to be " voluntary " simply because the worker will benefit from it. Similarly, "unpaid" labour is often justified in such projects because it is assumed that the infrastructure itself (for example, a well constructed in a small village) is sufficient incentive for work without the necessity of an additional wage payment.

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[3] In a number of countries (including Burkina Faso, Niger and Sierra Leone), specific consultations took place with organized labour unions. In these and other countries, organizations of rural workers were consulted on project selection and the remuneration systems to be applied.

[4] External assistance can take the form of grant or loan aid given either from government to government, or through multilateral development organizations such as the World Bank or UNDP, or through non-governmental organizations.

[5] For a glimpse of a number of these self-help projects in West Africa, see Egger, 1990.

[6] According to the ILO's Forced Labour Convention, 1930 (No. 29), only limited forms of compulsory service are admissible. These are compulsory military service, the performing of certain civic obligations, prison labour, work exacted in cases of emergency, and minor communal services. However, the more recent Abolition of Forced Labour Convention, 1957 (No. 105), specifically prohibits compulsory labour in particular situations such as "mobilizing and using labour for purposes of economic development". For a detailed discussion of this question, see Picard, 1991.

Despite the distinctions between them, in practice these quite different concepts are frequently associated when applied to infrastructure projects of local community interest. How does this come about?

Certain donor and government agencies feel it is wrong to pay people who are working on projects of immediate benefit to themselves. If they are paid, workers will perceive themselves as working for outsiders - whether the "government", the "project", or the "expert" - rather than for themselves. In fact, it is sometimes regarded as positively risky to pay wages (although incentives of various kinds are often admitted) to participants in such projects. Payment might then also be demanded to maintain the infrastructure once it had been constructed, and the " contagion " might spread to other rural development projects based on the self-help principle, thereby compromising ongoing projects and undermining development policy. In any case, the project, or government, might not have sufficient funds to cover labour costs, which are often not included in the external donor funding package.

The self-help approach has been espoused by a host of developing countries and development organizations. Lofty, moralistic images of populations " taking in hand their own development " are often used to support top-down national development policies based on the use of unpaid labour. And even when development organizations support local initiatives, " helping people to help themselves ", once they assume the form of " development projects ", most of these initiatives are in fact transformed into a combination of local needs and public interests. While it may be acceptable to ask for some contribution by groups of potential beneficiaries, it is certainly unacceptable to generalize the use of unpaid labour in such projects.

Since projects in basic infrastructure usually combine community and wider public interests, there is also a danger in such a context of imposing the “self-help" formula (community interest) as a means of mobilizing unpaid labour to carry out works of economic development (public interest). The Abolition of Force Labour Convention, 1957 (No. 105), clearly forbids such practices, although what may be seen by some as " mobilizing labour for economic development " may be justified by others as using it for " minor communal services.[7]

The applicability of the self-help-cum-unpaid-labour approach is further reduced when the following factors are also taken into consideration. In practice it may be difficult for external agencies to determine precisely what a local community really wants or what its priorities are. There is a tendency to think of beneficiaries in an abstract way rather than as ordinary people with conflicting interests and differing priorities, and not necessarily displaying a high degree of solidarity with their fellow beneficiaries. Consequently, it may be difficult even for the local communities themselves to identify projects that are in their common interest and organize their own labour to carry them out.

While relatively coherent interest groups (for example, cotton growers setting out to repair or maintain a storage facility or an access road) may be able to mobilize their own unpaid labour around certain priority needs, external development organizations run the risk of assuming common interests and motivations which do not actually exist.

Despite all the rhetoric in favour of self-determination for the rural poor, the evidence suggests rural economies are inextricably linked with the national and world economies, through labour markets, migration and the production of agricultural commodities. While self-determination for local communities is a commendable ideal, the facts point to local communities which for better or for worse are tied to and dependent on forces outside their control.

Furthermore, given the heterogeneity and stratification of local societies, it is difficult and costly for outside organizations to ensure that project workers are also project beneficiaries, and that undue social pressure is not called into play to encourage otherwise reluctant participants. Even the best-intentioned development projects may resort to using pressure to mobilize labour: once a project is under way and tied to outside assistance, with its own delivery targets and organizational requirements, there have been cases of traditional chiefs, Members of Parliament, local administrators and even village development committees being called on to turn out the labour necessary to get the job done.

From a purely technical point of view (and contrary to popular opinion), labour-intensive technologies should not be associated with "make-work" or social relief programmes, but rather be perceived as a means to

[7] See the preceding footnote for an explanation of the two international labour Conventions on the use of forced labour.

create additional employment with a given amount of investment resources, without sacrificing cost, quality or quantity of infrastructure. Although labour-intensive technologies sometimes conjure up images of hordes of manual labourers working like ants, in fact they require appropriate handtools and light equipment for the labour to be productive. Furthermore, one cannot expect an organized and productive workforce with unpaid labour and its use is not conducive to the promotion of labour-intensive technologies as an alternative to capital-intensive approaches.

The use of unpaid labour is difficult to sustain except in micro projects carried out over short periods. When it is used over longer periods, enthusiasm slackens and pressure mounts, both from workers and from supervisory staff, to bring on the machines to get the job done quickly. Thus, while governments and external agencies are sometimes tempted to use so-called "self-help" labour as a cheap form of development input, it often in fact becomes more expensive not to pay workers than to pay them. Low productivity and costly delays, together with high fixed costs of foreign expertise and ultimate recourse to more capital-intensive methods, are all factors which can inflate the costs of projects planned on an over-optirnistic self-help basis.

To argue that some form of incentive or wage payment should be introduced in almost all community-based infrastructure projects with external assistance should certainly not, however, be construed to mean that a participatory approach is irrelevant. On the contrary, if workers are consulted during the planning stage, and participate in identifying what infrastructure is needed, then there is little danger that payment for work will be demotivating. Paying a worker to do a job does not mean that the results are of no interest to that worker. While unpaid labour has rarely given satisfactory results, popular participation in all stages remains a precondition of success. Linking some form of remuneration to a participatory approach is *de facto* recognition that most infrastructure development projects combine community and wider public interests, and that workers will benefit to varying degrees from the infrastructure produced.

# 2. Forms, methods and levels of remuneration

This section draws on a questionnaire sent out to ILO field advisers and national counterpart staff in 1988 focusing on the forms, methods and levels of remuneration used in their projects.

## Forms of remuneration

Forms of remuneration include cash and " in-kind " payments. Many projects used a mixture of these. In certain projects using World Food Programme (WFP) inputs in conjunction with wage labour, for example, food and cash payments were combined. According to an agreement between the WFP and the ILO on projects employing wage labour, "*a cash payment of not less than 50 per cent of the wage prevailing in the locality for the kind of work to be done*" should be paid to workers in addition to the food provided.[8] This agreement is intended to avoid abuse of in-kind payments and the negative impact on agricultural production arising from the resale of WFP foodstuffs by workers "*to meet essential non-food needs*". Amongst those ILO-supported projects being studied, the agreement applied to "*public works*" type projects only, particularly in the roads sector, where the infrastructure was not of immediate or primary benefit to workers. Food payments have, however, been used as incentives in many infrastructure projects where workers are the prime beneficiaries, although in many cases it is difficult to draw a clear line between individual, community and wider public benefits. Since much has already been written on the advantages and disadvantages of food aid programmes in general, and food-for-work programmes specifically,[9] the following section will focus on the attractiveness of such food payments for workers, that is their usefulness either as a partial wage payment or as an incentive in labour-intensive infrastructure projects.

## Food for work

In an ILO-supported labour-intensive project in Burkina Faso, the local government authorities in Yatenga Province had originally insisted that payments be made entirely in food, their logic being that this would not be a salary but an incentive for participation in a self-help project. It was felt that any cash payments would

[8] See Sarnson, 1975; and Picard, 1992.

[9] See, for example, Dawson, 1985; World Bank and World Food Programme, 1991; Jackson and Eade, 1982; Lapp6 and Collins, 1977; and Morgan@1980.

lead workers to think of themselves as employees, and furthermore would create a bad precedent for other development projects in the region. The national food supply was ample at the time, so in order to encourage local production, food was purchased from the National Cereals Board with project funds and distributed to beneficiaries. However, when it appeared likely that this food was being resold in local markets with a view to recouping at least part of the cash used to purchase it in the first place, the government authorities finally relented and dropped the requirement that payments be made *entirely* in kind.

Cash and food payments were thus combined. Eventually, the remuneration was given entirely in cash, while similar World Bank-financed rural infrastructure programmes continued to operate on the basis of “food for work". The introduction of cash remuneration allowed for a greater multiplier effect on local employment, particularly in agriculture. It also provided *de facto* recognition of the high degree of monetization in rural areas. Although it would be misleading to consider infrastructure projects benefiting the local community as wage employment, cash incentives in the context of self-help type projects are one step in the direction of expanding the scope of remunerated employment.

In other countries, such as Sierra Leone, the Sudan and Uganda, where the real value of official minimum wages is low, food or other in-kind payments have been much more attractive to beneficiaries than government wages. Here, either food is scarce or the local currency is overvalued in relation to its real purchasing power, or both.

In the case of a rural infrastructure project in Sierra Leone, for example, the food component of the wage package was worth twice as much as the statutory wage for unskilled construction workers.[10] At its this project was known as the Self-Help Rural Works Programme and only food incentives were used. However, following a joint evaluation in 1986, cash incentives were introduced in addition to food payments, in recognition of the fact that the workers were not necessarily the principal or exclusive beneficiaries of the new infrastructure, which included feeder roads, health centres, schools and wells. However, the cash component was more of a symbolic precedent than a significant increase in the remuneration package because the so-called " self-help " incentives were still worth much more than government wages for similar work. It is for this reason that the project agreed to the Government's request to distribute project rations to its skilled workers as well. Otherwise project workers receiving self-help incentives would have had a remuneration package worth more than that paid to the government employees responsible for their technical supervision.

An evaluation of the Special Public Works Programmes in the Sudan arrived at similar conclusions:

> *in areas of food shortages ... the typical [project] Family Ration is considerably more valuable than the typical daily wage of an unskilled worker ... This is likely to become even more so ... the communities want a combination of food and cash wages. Tentative estimates would seem to suggest that [workers would prefer to receive somewhere between one-half and two-thirds of their total remuneration in the form of food]. However... if the unit ration for unskilled labour is ... unduly generous, then the anomaly arises whereby unskilled labour is being paid more than skilled labour, supervisors and technical staff.*[11]

Other types of in-kind payment have also been used, as in Uganda where civil unrest and economic decline led to a lack of most consumer goods in local markets for a good part of the 1980s. During that period, the project provided workers with clothing, agricultural tools, and even credits which could be used to rent the project tractor. In some project zones cash payments were virtually worthless, and therefore of little interest to workers.

In many of the countries studied, then, food aid or other in-kind payments provide project workers with a total remuneration package which is worth considerably more than that provided to government workers employed on a permanent basis. Food payments have often been seen as an incentive to encourage poor and undernourished populations to participate in self-help projects. In an increasing number of cases, however, food has become a wage good which, in the context of overvalued currencies, scarce agricultural production and galloping inflation, appeals to workers more than cash.

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[10] Kargbo et al., 1988.
[11] Dalton et al., 1990.

In such situations the resale of foodstuffs in local markets to meet essential non-food needs, with its potentially negative impact on local agricultural production, unfortunately becomes virtually inevitable. Although food payments are attractive to workers, the availability of food as a wage good should not distract policy-makers from the fundamental issue of increasing the purchasing power of cash wages.

## Methods of remuneration

Apart from using these varying *forms* of remuneration, the projects studied used different remuneration *methods.* Whatever method is used, a premium should be placed on the prompt payment of wages as this increases both participation and productivity. While in the early 1970s the first generation of ILO-supported labour-intensive employment programmes generally remunerated workers on the basis of a six- to eight-hour working day, other methods such as *daily task or piece-work* have become increasingly common. Under the daily task system, workers can leave the work-site once they have completed a predefined task, for which they receive a daily wage. In the second case, workers are paid simply on the basis of output, and can therefore combine in a given day several tasks - and payments - according to their productivity and the time worked. Such systems usually result in productivity gains, although they require more intensive site supervision in order to set tasks and check that they have been completed.

Governments have often resisted the introduction of such systems. For one thing, they go against ingrained administrative practices. In addition, they can create problems for the government officials responsible for verifying the payment of legal minimum wages since it is site technicians - *not* labour ministry officials - who monitor the daily tasks and work performed, thereby indirectly determining wage rates.

Output-based remuneration systems which supersede time-based systems (i.e. a daily wage rate) may appear, with some justification, to go against the grain of long-standing principles of labour movements. Traditionally, labour movements have favoured time-based remuneration, given their concern to ensure guaranteed stable incomes. Furthermore, they are concerned that output-based systems may open the door to continual re-evaluations of productivity norms by employers to the disadvantage of workers. With time-based systems, productivity is the employer's as well as the worker' responsibility. However, while these methods might seem to pose a threat to workers by providing a way to avoid adhering to minimum wage legislation, in many of the projects studied they have resulted in increased take-home pay, coupled with both higher productivity and greater job satisfaction. Statutory minimum wage rates are usually abysmally low, and often the minimum wage is treated as a *de facto* maximum or ceiling wage. In such cases, output-based remuneration systems provide a means of actually *increasing* wage payments, to the degree necessary to obtain acceptable levels of productivity.

Such remuneration methods have been successfully used in ILO- supported labour-intensive programmes, one of the first being the Rural Access Roads Programme in Kenya. Since then, a number of special works programmes previously based on daily wages have introduced output-based systems.

Their potential impact can be illustrated by an example observed on a government worksite during an ILO employment policy mission to Trinidad and Tobago. A technical supervisor was faced with a team of workers who, in order to receive their daily wage, put in the required eight-hour day, but virtually refused to work. The supervisor then introduced a system of daily tasks, which when completed would entitle the worker to a daily wage and permission to leave. Productivity increased dramatically; workers usually left after completing their work in about four hours and were free to carry out their secondary (usually income-earning) activities. The result was a very marked increase in both worker productivity and satisfaction.

This example should not be interpreted as condoning a blanket application of output-based remuneration systems for all types of work or sectors of an economy. Furthermore, it would be advisable to associate a basic guaranteed fall-back wage with daily task work, in order to avoid abuse by employers. However, for much work carried out with government-supervised workers in infrastructure projects, the fact remains that productivity may be higher for half a day's work performed on an output-based system than for a full day's work performed on a time-based system. By placing greater emphasis on the connection between wages and productivity, such systems have provided one answer to breaking the vicious circle of deteriorating wages and output in developing countries.

Such output-based remuneration methods can provide a stepping stone towards privatization of certain infrastructure construction, rehabilitation or maintenance activities traditionally carried out by government-employed labour. In effect, daily task or piece-work remuneration represents a type of individual contract to produce a specified volume of output. In labour-intensive infrastructure programmes in Ghana (rural access roads) and Nepal (small-scale irrigation), the ILO has been instrumental in introducing new simplified procedures for small-scale contracting and in training both contractors and the government officials who administer such contracts. By privatization of well-defined small-scale tasks a window of employment opportunity is created for poorer target groups who in the past have been unable either to find government employment or to compete with the large public works contractors who have traditionally dominated the sector.

## Levels of remuneration

This section compares the remuneration levels prevailing in 11 ILO- supported programmes with those in both formal and informal wage employment in the same country (see table 1). The project remuneration reported in table 1 is the daily wage paid for unskilled labour. The amount reported includes not only cash payments but also the estimated monetary value of any payments in kind, usually food. Where remuneration is output-based (piece-work or daily task system), then the amount received for an average daily task is given. These payments are compared with those prevailing in informal sector agriculture, that is, the daily wage which one small farmer would pay another for a day's work, again including the value of any meals provided. The figures refer to male agricultural labour during the high season, which means that average wage payments in the sector are usually lower. Project remuneration rates are also compared with the statutory wages for unskilled labour for similar occupations. In countries where a legal minimum wage is applied, that rate is used. Otherwise, daily wage rates are given for unskilled workers at the bottom end of the pay-scale. Wherever possible, statutory wage rates in related occupations, such as road construction or maintenance, have been used. In order to facilitate comparison between countries, all wage rates have been converted from local currency to US dollars, using unofficial exchange rates as provided by the *World Currency Yearbook.* Given the often wide variation between official and parallel exchange rates, the latter have been chosen as a better reflection of the real purchasing power of the local wages.

The average statutory daily wage rate for these 11 countries is US$1.05 per day; the rates prevalent in informal sector agriculture are 12 per cent less at US$0.92, while project wage rates are US$0.83, or 21 per cent less than the official minimum wages. This ranking thus conforms with normal expectations for developing countries: the minimum wage in formal sector occupations would normally be slightly higher than the wages paid to the poorest groups working in the informal sector. Likewise, for projects where workers are the ultimate beneficiaries, the remuneration received would be expected to be even less, close to what may be considered a subsistence wage providing them simply with the means to sustain their participation.

However, these global average figures hide a number of important departures from this "expected norm". In examining the official minimum wages, a distinction can be made between two groups of countries, those with formal sector minimum daily wages higher than US$1 per day and those where they are lower. The first category includes two countries (Burkina Faso and Togo) in the CFA (African Financial Community) franc zone, where there is little discrepancy between official and free marketexchange rates. In these countries, the real value of the statutory minimum wage is high compared to that of most of the other countries in the sample, where the currency is overvalued. The other two countries in this group (Cape Verde and Rwanda) have high population densities and the large majority of the population is either underemployed in subsistence agriculture or working outside the country. Therefore, although the statutory minimum wages are high, they have an impact on only a small proportion of the total workforce.

The official minimum wage rates in the second category of countries average only US$0.49 per day, or less than half of the total sample average. This group of countries has suffered from an alarming erosion of real wages over the past 30 years as well as from low productivity, inappropriate macro-economic policies, mismanagement and declining terms of trade. In three of these countries (Sierra Leone, Tanzania and Uganda) wages are less than US$0.26 per day, which is less than 1 per cent of comparable wage rates in industrialized countries.

In comparing the three categories of remuneration given in table 1 for this second group of countries, the average levels provide a completely different picture from that of the "expected norm" referred to above: wage levels in informal sector agriculture and even in the sample projects are now higher than formal sector minimum wages. This phenomenon points to a growing inability of governments to enforce normative standards, or to influence the quality and quantity of employment in society.

**Table 1. Levels of daily remuneration in countries surveyed, 1988 (US dollars)**

| Country | Statutory minimum wages (formal sector) | Agricultural wages (informal sector) [1] | Remuneration in projects surveyed [2] | Exchange rates (local currency/US dollars) | | % difference between parallel and official exchange rates |
|---|---|---|---|---|---|---|
| | | | | Parallel | Official | |
| Burkina Faso | 3.37 | 1.13 | 0.97 | 310.00 | 302.95 | 2 |
| Burundi | 0.47 | 0.47 | 0.59 | 188.00 | 149.94 | 25 |
| Cape Verde | 1.54 | 1.79 | 0.77 | 140.00 | 73.67 | 90 |
| India | 0.92 | 1.15 | 0.92 | 17.00 | 14.95 | 14 |
| Nepal | 0.77 | 0.93 | 0.77 | 40.50 | 25.20 | 61 |
| Rwanda | 1.27 | 0.93 | 1.27 | 100.00 | 76.71 | 30 |
| Sierra Leone | 0.25 | 0.57 | 0.51 | 65.00 | 39.06 | 66 |
| Sudan | 0.72 | 0.90 | 0.60 | 16.67 | 4.50 | 270 |
| Tanzania | 0.16 | 0.33 | 0.18 | 250.00 | 125.00 | 100 |
| Togo | 1.95 | 1.15 | 2.16 | 310.00 | 302.95 | 2 |
| Uganda | 0.12 | 0.76 | 0.42 | 595.00 | 165.00 | 261 |
| Average | 1.05 | 0.92 | 0.83 | | | |
| Average for countries with minimum wage greater than US$1 per day | 2.03 | 1.25 | 1.29 | | | |
| Average for countries with wages less than US$1 per day | 0.49 | 0.73 | 0.57 | | | |

[1] Male agricultural labourers in high season. [2] Cash payments plus estimated value of any payments in kind; see also text.

Source: Based on table in J. Majeres and S. Miller: "La rémunération dans les programmes d'investissement-travail: entraide, rétribution ou salaire?", in Revue *Tiers-Monde (Paris),* Vol. XXXII, No. 127, July-Sep. 1991, p. 582.

Despite the extreme poverty of those earning a living from agriculture, they are still better off than those who rely on employment in the formal sector. Since many public sector workers earn wages which are not only below the poverty line but also below subsistence level, they are obliged to supplement their earnings through a variety of strategies ranging from secondary jobs in the informal sector or in agriculture on the urban periphery to a reliance on agricultural produce sent by family members living in rural areas. Absenteeism, short working hours, low productivity and corruption can also be seen as self-protecting responses by workers who are otherwise powerless to increase their incomes.

Notwithstanding the precarious situation of workers in formal sector infrastructure programmes, it appears futile for policy-makers in this second group of countries to take unilateral steps to dictate higher minimum wages without first investing in the economic base necessary to support higher output. Such measures would likewise be politically difficult to implement, given the crisis situation, if not outright bankruptcy, facing government budgets, as well as the additional pressures being imposed by structural adjustment programmes. Nevertheless, the dilemma remains that in basic infrastructure sectors productivity and growth - which are the final objectives of most structural adjustment programmes - will remain dependent on higher levels of remuneration in these sectors. The development of practical means to raise wages should therefore be a priority concern in such countries.

The higher remuneration rates in many ILO-supported infrastructure programmes not only provide marginalized populations with a certain subsistence income, but also help achieve the minimum levels of productivity necessary to demonstrate that labour-intensive methods are economically viable and competitive compared with other approaches. If wage rates are too high in comparison to those applied in capital-intensive projects, the latter may prevail, leading to a decrease in overall employment. However, if wages are so low that productivity is compromised, then the infrastructure created, even in a self-help situation, may actually cost more than would be the case if wages were higher.

In many of the projects surveyed, government officials insisted that statutory wage scales be applied. This was the case in India, Nepal, Rwanda and Tanzania. In Tanzania, the imposition of low minimum wages certainly compromised the efficiency of the labour-intensive approach. In fact, such minimum wages often became maximum wages since the Government did not want to create unsustainable expectations amongst public sector construction workers outside the project. For this reason, the Government also resisted the systematic recourse to piece-work or daily task payment systems, even though these would have been financed by outside sources and would have resulted in both higher real wages and improved productivity and efficiency. Particularly in areas where agricultural wage rates were markedly higher than those offered by the project - often, ironically, as a result of the project's success in creating additional employment in irrigated agriculture ~ it became increasingly difficult to mobilize the necessary workforce for the project. However, these delays in project implementation must equally be ascribed to lengthy payment procedures, and to low worker motivation due to a lack of consultation during the selection and implementation of the project.

In only three of the 11 projects surveyed were project remuneration levels lower than those provided by the formal sector, despite the additional medium- to long-term benefits to workers from the new infrastructure. Burkina Faso was one of these exceptions. When the project began, incentives were set at half the value of the legal minimum wage; this was based on the view that workers should provide the other half of their labour as a self-help contribution. Nevertheless, the project caused an outcry amongst many development agencies, including one World Bank-supported Rural Development Fund: any remuneration at all was considered too much, and likely to result in the "theft" of labour from other development projects. Most of the self-help "purists" were calling at the time for entirely unpaid and voluntary labour contribution as a condition for outside assistance. The Burkina Faso programme was a catalyst for a national debate on the issue of cash remuneration in participatory infrastructure projects. Increasingly the cash remuneration level of approximately US$1 per day (300 C17A francs), or one-third of the statutory minimum wage, has been adopted as a reference point for similar programmes.[12]

The projects surveyed have thus mostly provided a higher level of remuneration for workers than that available in the surrounding labour market. Where unpaid labour or "self-help" incentives were the rule, the principle of cash remuneration for community-based infrastructure projects was introduced. Where statutory wage rates were so low as to compromise the efficiency and even the cost-effectiveness of labour-intensive methods, remuneration levels were increased through a variety of approaches including privatization, the introduction of output-based remuneration systems, and even the use of food payments as a guard against inflation. For certain infrastructure construction and maintenance activities in countries facing severe public sector restrictions, these innovative approaches to remuneration can be an effective way of raising incomes and social protection, on the one hand, and productivity and growth, on the other.

## 3. Investing for the poor: A strategy of equity and growth

The examples presented here diverge markedly from the conventional wisdom regarding remuneration systems. Given the alarming erosion of the purchasing power of cash wages in many developing countries, food payments, usually regarded as a second-rate form of wages, have become a valuable and even preferred wage good. Increasing recourse to food-for-work can be seen as a politically expedient form of assistance, from both the donor and the recipient standpoints, which makes the best of a bad situation. However, there is a danger that increasing use of food-for-work will become a crutch relied upon by policy-makers in developing countries to sidestep the central issue of declining wages and productivity.

In the real world of development projects, the otherwise commendable notion of " self-help " can easily be transformed, often with the best of intentions, into a mechanism which puts the main burden of development on the backs of those who can least afford it. All too often, Orwellian situations are encountered where terms such as " voluntary " are used to describe unpaid forced labour, and where the term "self-help" is applied to projects in fact initiated from above by people who think they know what is best for others. Indeed, despite the popularity of the concept of self-help, from a hard-nosed economic point of view, it often proves inefficient and wasteful.

The State is assumed to provide protection to workers through legislative and standard-setting mechanisms, yet it has done little to prevent the chronic decline of incomes and wages in the least developed countries; on the contrary, in some instances it has actually set a negative example. This article does not pretend to

[12] See ILO / UNDP, 1989.

analyze the causes of this decline in incomes, but does point towards some modest but promising field experiences (limited to the basic infrastructure sector) which can be applied by governments to put upward pressure on wages and working conditions.

Many of the projects surveyed were able to demonstrate the success of innovative remuneration systems because they operated somewhere between the formal and informal infrastructure sectors. If they were often placed outside the context of formal sector employment, this was because most of the infrastructure was of immediate benefit to the workers who depended on farming for their main source of revenue. On the other hand, their methods of operation differed from those prevailing in the informal sector in that projects were able to introduce increased levels of income and productivity as well as certain elements of social protection similar to working conditions in the formal sector.

When the ILO launched its first technical support to labour-intensive infrastructure programmes in developing countries over a decade ago, they were commonly known as " emergency employment schemes ". Special remuneration arrangements, often enjoying a measure of independence from formal sector labour legislation and suited to the self-help character of the projects, were devised with the aim of providing subsistence incentives while at the same time meeting some of the infrastructure needs of marginalized populations. It was therefore understandable that such short-term “arrangements” might fall short of the basic level of protection assured by the state for recognized formal sector employment. However, the survey has shown that, in an increasing number of countries suffering from severe socio-economic decline, such remuneration systems have in fact led to higher levels of incomes and social protection, as well as to greater productivity, than those provided through government regulatory mechanisms.

From the standpoint of a great many of the least developed countries, efforts to protect the employment conditions of workers through legislative measures enforced from above are insufficient. It is rather from the bottom up - or with a phased approach, starting with demonstration projects and leading to macro level policy advice - that developing countries can increase employment and remuneration in a sustainable way. By stressing the vital link between wages and productivity, remuneration systems can help break the vicious circle of deteriorating wages and growth in developing countries.

Economic theorists have often seen. a trade-off between equity and growth. Social programmes to assist the poor are seen to take up scarce resources which could otherwise be used for productive investments leading to economic growth. Structural adjustment programmes aim at stimulating economic growth, whereas parallel programmes are enacted to compensate " the poor for the negative impact of structural adjustment. However, conditions in many developing countries have deteriorated such that a large proportion of the total population now lives in conditions of poverty and low labour productivity. In such a context, it makes little sense to enact, on the one hand, a set of policies designed to stimulate economic growth and, on the other, a series of measures designed to compensate the poor for the negative side-effects of such policies. Since the poor form the majority of the population, they must be at the centre, not on the sidelines, of policies to stimulate economic growth. Direct measures to protect or compensate the poor will be largely ineffective and at best short-lived if they do not simultaneously provide a sustainable basis for increasing their incomes and productivity. Therefore investments for the poor are what is required, not compensation. Investments in basic infrastructure benefiting the poor provide an opportunity of achieving *both* growth and equity in many least-developed countries. Remuneration systems which are designed to increase the incomes, productivity and employment of marginalized groups are the keystone of such investment policies.

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