Livelihood
And
Employment Creation

Cash-for-work
PREFACE

Proposal of short Operational Guidelines

This collection of short guides describes a number of activities (based upon labour, enterprise and business development, training and local area development) that will contribute to the promotion of both social and economic recovery and livelihoods. Each activity is explained, and ‘why’, ‘how’, and ‘when’ (or when not) to implement them is outlined in a brief guide.

A. Why these guides

These guides provide a practical introduction to employment and business-related interventions. They are written for humanitarian and development field workers working on the promotion of self-reliance and livelihoods of displaced populations and other conflict-affected communities. They highlight opportunities and limitations of different relevant ILO approaches and methodologies for socio-economic empowerment through employment-oriented strategies. They should help field staff decide the suitability and feasibility of adopting these approaches in their particular operations; and will also help identify any need for specific ILO expertise to support relevant UNHCR operations.

These guides will not substitute technical expertise in the field; rather they are programming and decision-making guidelines that will help programme and technical staff oversee the design and implementation of relevant activities. Further technical training or partnerships should be developed as appropriate.

The subjects can be divided into three major categories:

- ‘Cash for work’, ‘Food for work’, ‘Labour-based infrastructure reconstruction’ and ‘Community contracting’ belong to the first. These three areas concentrate on the creation of temporary jobs that can inject cash into a community rapidly. These jobs are not meant to provide sustainable livelihoods, but are designed to revive the local economy, provide a boost to household economies, either in refugee hosting areas or in the reconstruction phase of a post-conflict situation, in order to create the means for further development.

1 These short guides were elaborated by Maria Lazarte G. to be included in the UNHCR Self-reliance Manual and have been derived from consultations with ILO technical departments and based on their relevant publications.
The second category includes micro- and small-enterprise development and its subsections: 'Microfinance', 'Business development services', 'Start and improve your business' and 'Women entrepreneurship development'. This group concentrates on building sustainable self-employment, and on micro- and small-enterprise support and development.

The last group contains general strategies that can be used in combination with strategies above in order to promote individual and communal economic development. These include 'Emergency public employment services', 'Skills-training', and 'Local economic development'.
A. **Who should use them**

These guides are written for middle managers, national and international field experts and associated partners.

B. **How should they be used**

The guides comprise of a combination of briefings and a compilation of major relevant ILO tools on each subject. The guides provide decision-oriented information on each area, and expansive methodological guidelines as well as a reference to an additional online bibliography and contact information for further resources and technical help.

The guides are divided into the following sections:

- A brief summary of each strategy (‘what is’).
- Its main advantages (‘why implement’)
- Information on when to implement each strategy (‘when to’)
- Warnings (‘when not to implement’).
- Problems and challenges to consider before and during implementation (‘problems/challenges’).
- Basic steps or different forms of each particular strategy, and some recommendations to consider during the implementation of each strategy (‘how to’).

C. **Contents**

There are twelve guides

**Building a basis for employment and enterprise development**

1. Vocational and skills-training
2. Local economic development
3. Public employment services

**Short-term employment options**

4. Cash-for-work
5. Food-for-work
6. Labour-based infrastructure projects
7. Community contracting

**Business development options**

8. Micro and small enterprise promotion
9. Microfinance
10. Business development services
11. Start and improve your own business
12. Women entrepreneurship development
Cash-for-work

A. What is cash-for-work

Cash-for-work (CFW) refers to short-term temporary employment usually lasting no more than six months. CFW is often employed in infrastructure reconstruction or other similar temporary jobs such as harvesting, where labourers are paid in short-term intervals. The overall goal is to generate provisional employment rapidly and inject cash into the community.

B. Why implement cash-for-work

- To generate provisional employment rapidly for as many individuals as possible.
- To inject cash into the community. A cash injection can start a chain reaction in various sectors of the market. In particular, the purchasing power of the community will be increased. The use of local resources will provide an added bonus, particularly if these come from the target locality (e.g. by producing bricks locally rather than bringing them from the capital or abroad).
- To stimulate the economy through the strategic provision of services, production of materials and machinery, and the development of infrastructure (e.g. by building roads that grant access to market places).
- Cash is cost-effective and has lower transaction and logistical costs than food-for-work (which has high transport costs, easily disrupts the food market where it exists, and can become a source of exploitation and dependence when there is no food emergency).

C. When to implement cash-for-work

- When there is an urgent need to inject cash into a community and provide a source of rapid income in emergency situations.
- When undertaking public and community works, infrastructure reconstruction and other recovery interventions.

D. When not to implement cash-for-work

- Do not use CFW to pay salaries of civil servants.
- Do not use CFW for long-term ongoing activities such as teacher’s salaries or road maintenance.
E. Problems

CFW provides an unstable short-term income which might prove problematic for labourers seeking long-term job security.

On wage setting

Wages higher than the average local wage can disrupt markets. Other local businesses, in particular poorer ones, might suffer if labourers are drawn away by the prospect of higher wages. Moreover, fixing the wage too high will exclude vulnerable target groups that are rarely incorporated into the average market. Setting a wage lower than the regular labour market will attract more disadvantaged groups. However, it is important that this does not lead to exploitation, particularly in areas where wage labour is not generally available.

In remote (isolated) markets restricted to their respective communities, cash injections can produce local inflation. The rise in prices will benefit local producers selling their produce in the market. However, it will be problematic for poor consumers buying food and goods in the market, unless they can profit in one form or another from CFW activities.

CFW activities might empower men over women, particularly in areas where women have little control over cash, but several measures can be taken to prevent gender discrimination such as:

- Avoid setting distinct remunerations for different jobs (i.e. pay women and men equally for work of equivalent value)
- Establish single-day task rates
- Allow for half-tasks and flexible schedules so women and other disadvantaged groups can accommodate other responsibilities
- Pay women directly for their labour (not to their husbands or other relatives)

On wage payment

Workers must be paid on time. Lack of timely wage payment can lead to exploitation, discontent, and a failure of labourers to return to the work place.
Payment problems can range from delays in getting access to the funds for wages, delays in establishing the wages owed to the labourers (administrative procedures that are especially cumbersome with 'piece work'), insufficient funds of contractors, delays in transferring cash to the worksite or in informing the total amount to the funds provider.

A revolving fund or soft loans endorsed by the client, and a timely coordination of monthly advances to cover salaries, can address administrative bottlenecks. During a pilot phase trials can help determine the time period necessary to process payments. (Short-payment intervals can be more problematic than longer intervals due to administrative, organisational and cash-flow difficulties.)

Paying workers in advance is risky. It can lead to forced labour if a worker spends his/her wage too fast, and is subsequently unable to change employment because of his/her debt. Some workers might also leave the work unfinished.

**F. Partners / Targets**

**Targets**

Targets include potential labourers in the locality with particular focus on groups with special needs. In order to avoid social tension it is important to make recruitment as open as possible, using quotas (careful that they do not become maximums) and wage setting to attract more workers from groups with special needs.

**Partners**

UN agencies (FAO, ILO, UNDP) and other international organisations, NGOs, and local and national authorities.

**G. How to implement cash-for-work**

The wage should be fixed, based on the legally established **minimum wage** (which can be adjusted through formal exemptions in consultation with social partners if deemed necessary).

Apply collectively bargained wages, which include the labour-based sector, wherever they exist.
When there are no minimum wages or collectively bargained wages the following can be used as reference:

- The current wage for unskilled agricultural labour in the area
- The regulated wage (public or private, and collectively bargained or legislated) for other similar types of work
- The ‘cost of living’ index, though it might be misleading in a rural environment
- The incidence of other paid labour in the area.

There are two fundamental systems of remuneration: timed based; and productivity based.

**Figure 13.1: Two Fundamental Systems of Remuneration**

<table>
<thead>
<tr>
<th></th>
<th><strong>Time based</strong> (daily paid)</th>
<th><strong>Productivity based</strong> (daily paid)</th>
<th><strong>(task work)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Typical methods of application</strong></td>
<td>Fixed wage for a fixed number of hours (establish breaks, start time, etc).</td>
<td>Wage fixed according to small quantities of output. No reference to amount of time.</td>
<td>Fixed wage for a fixed quantity of work/task. Usually set to accomplish in 6 hours (can vary).</td>
</tr>
<tr>
<td><strong>Means of assuring production</strong></td>
<td>Production assured by supervision, and disciplinary measures for lack of production.</td>
<td>Assured because payment is only made upon production.</td>
<td>Assured because payment is only made upon production.*</td>
</tr>
<tr>
<td><strong>Units of work per day</strong></td>
<td>One day’s worth; no assurance of quantity.</td>
<td>Many pieces, usually unlimited.</td>
<td>Usually one task. Can set 2 or 3 small ones, or a fraction of a large one per day.**</td>
</tr>
<tr>
<td><strong>Major advantages</strong></td>
<td>Easy book-keeping, simple to organize</td>
<td>Pay relates to output, and output can be maximized each day. Preferred in highly monetized economies.</td>
<td>Where set properly, allows typical worker to finish task and go home (particularly useful in rural areas).</td>
</tr>
<tr>
<td><strong>Major disadvantages</strong></td>
<td>High amount of supervision required. Rate of progress can be extremely variable.</td>
<td>Tendency to self-exploitation. Difficult to control by government administration. Complex to administer, organize, monitor and pay.</td>
<td>Requires close supervision and monitoring in the daily laying out of work and overall setting of task size. Deviations in usual amounts of task can lead to exploitation.</td>
</tr>
</tbody>
</table>

* adaptations are common

** establish a rule to limit the number of tasks per day

(adapted from: *employment intensive infrastructure programmes, labour policies and practices*, ILO 1998. p. 67)
H. Payment systems and management

Productivity based remuneration

This is particularly appropriate in employment-intensive works requiring less supervision whilst maximising productivity, increasing income potential and flexibility for workers.

Bonus systems

These can augment income and boost productivity e.g. for extra productivity, attendance, exceptionally rapid achievement of tasks, etc.

Ensure that the workers understand the system of remuneration. Make work norms (expected productivity and outputs) and wage rates known to workers in a simple form and in the local language. Consider establishing work norms with their participation to gain their confidence.

Records

Records, showing workers' time inputs and outputs (production), are necessary to calculate wages, productivity and production. Keep:
- Daily muster rolls - showing for each day who worked and for how long.
- Monthly pay sheets - monthly records also including information on absences.
- Weekly records - describing the daily progress made on different activities by gangs or individual workers.

Disciplinary systems

The disciplinary system should be transparent, fair and take into account national legislation and collective agreements. Termination of employment should only occur when the project is completed and the period of employment is over, or where there has been an infringement of work rules leading to dismissal.

Workers must be informed of the expected period of employment. For example, 'daily' labour refers to hiring workers on a day-by-day, rather than on a more sustained, basis. Unskilled labour-based workers should only be considered as 'daily', if they are not expected to return to the workplace the next day.
For more detailed and practical info on remuneration see:


Links:

www.ilo.org
www.ilo.org/public/english/employment/recon/eiip/

ILO contacts:

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