

Setting Wage Rates *Source: Tajzman, D. and de Veen (1998)*

Key issue:

What is the appropriate remuneration for unskilled labourers?

Information required and considerations:

- minimum wage regulations for this group of workers;
- comparable minimum wages, i.e., public sector unskilled rates;
- collectively bargained wage rates for this group of workers;
- comparable collectively bargained wages, i.e., private sector construction industry;
- going (i.e., market) wage, for unskilled labour in the project area;
- availability of labour (i.e., surplus active population) in the project area;
- remuneration basis, i.e., productivity or time;
- avoidance of sex discrimination;
- social targeting objectives, if any;
- acceptable level of daily absenteeism (daily no-shows for work);
- acceptable level of overall turnover (leaving work voluntarily).

Project experience indicates that:

- regulated wages used as comparators can be either too high compared with prevailing unskilled market wages for similar work in the areas concerned, or too low to attract and motivate adequate numbers of workers;
- where legislated minimum wage levels are used, they are often considered a maximum, and so can hold down wages where they should be raised;
- where no regulated or collectively bargained wages cover the workers, the starting point for wage setting is the going agricultural wage in the area;
- where extremely low relative wages are offered in an attempt to reduce the number of jobseekers, average productivity is reduced because the type of job applicant changes (to less productive workers) before the numbers fall;
- wages must be reviewed frequently to ensure their continuing attractiveness.

Avoiding Wage Systems Which Discriminate Between Men And Women	
Avoid different wage rates for different jobs	If women tend to take certain jobs and men tend to take other jobs - and both jobs have equal value but different pay - the result is discrimination. For example, the wage given to an earth carrier (often a job done by women) and the earth digger (often a job done by men) should be the same. Both types of work are essential to completing the excavation job.
Set single-day task rates	With this system, a wage is offered for an amount of production which can be accomplished in a working day. Two elements are fixed: the wage and the amount of production. The time it takes for either a person or a group of persons to finish the task varies. By setting a task which can be finished by most groups or persons within six to eight hours the problem caused by one sex taking home substantially more at the end of the day is eliminated, although individual workers may have to work longer for the same wage. Each person or group must leave the site when the task is completed and may not do more work.
Insist on the mixing of sexes in group task work	By combining sexes in group task work, more and less able persons depend upon each other to complete the task. Practice shows a tendency to arrange work within the group with this in mind. The practice can eliminate the possibility of discrimination

Section 2.3 of the guide covers how levels of remuneration can be used to (i) allow the prevention of abuse, and (ii) optimize productivity; the section covers the options of time-based and productivity based payments.

Tajzman D. and de Veen J (2005) Employment-Intensive Infrastructure Programmes: Labour Policies and Practices, ILO Geneva. C:\Documents and Settings\Lisley\My Documents\ODI cash learning project\OUTPUTS\5 RESOURCES - public\Resources - ILO blue_guide1.pdf