

Managing Social Impacts of Labour Influx

**Daniel Owen (World Bank) with
Jay Wagner; Susan Dowse; Murray Jones; Marla Orenstein (Plexus Energy)**

This paper summarizes the results of a recent global portfolio review focused on the social impacts of labor influx commissioned by the World Bank and carried out in 2017. The review was initiated as one of several actions resulting from the Uganda Transport Sector Development Project and associated Inspection Panel case which concerned labor influx, and, in particular, its impacts related to Sexual and Gender Based Violence. The review highlighted the risks associated with labor influx as being strategic but often overlooked as an aspect of project risk management, and assesses the adequacy and relevance of the social risk management mitigation measures applied.

What is Labor Influx?

Labor influx consists of the rapid migration to and settlement of workers in the project area, typically in circumstances where labor/skills and goods and services required for a project are not available locally. Projects also stimulate speculative influx (“followers”), including those seeking employment or enterprises hoping to sell goods and services to the temporary project workforce, as well as “associates” who often follow the first two groups to exploit opportunities for criminal or illicit behavior (e.g. prostitution and crime).

Labor influx is temporary and transient. It typically occurs during or just prior to construction of a project or over a finite time-period when significant excess labor capacity is required. In this context, “temporary” does not necessarily mean ‘short-term’, as construction or major works can occur over a number of years. Influx often occurs rapidly. Over a matter of weeks, a significant number of people may come to reside in a project area, unlike natural demographic changes that typically evolve more gradually. And labor influx can scale both up and down during the course of construction, resulting in unpredictability. These factors often conspire to leave firms, project management teams, governments and local service providers with insufficient time or resources to adapt and respond.

Project-induced labor influx may be direct, indirect or associated, as follows:

- **Direct labor influx:** non-local people induced to the project area by employment just before or during the construction stage, and who are hired or contracted directly by the proponent and/or the main contractors.
- **Indirect labor influx:** non-local people who have been induced to the project area by the prospect of employment and are hired by sub-contractors and local businesses who provide goods and services to the main contractors or to the mobile workforce.
- **Labor-associated influx:** non-local people induced to the project area who have or are seeking association with the direct or indirect project workforce and may include: workers’ families or relations, sex trade workers, local businesses, speculative job seekers and others.

Types of Impacts

Labor influx can have a positive impact on community wellbeing through supporting local enterprise, local content support (community capacity and human capital) and employment opportunities for local communities. More typically, labor influx is associated with negative impacts. The interplay between labor influx and social impacts is complex and context-specific, underlining the importance of understanding local context and designing mitigation measures with local context and dynamics in mind. Some of the key impacts include the following:

- **Environmental:** population pressure due to labor influx may lead to expanded use of natural resources, such as forests and aquatic resources. Influx may induce increased deforestation and collection of fuel wood, or forest conversion as newcomers seek land for housing or agriculture. There may also be impacts on biodiversity and wildlife from increased hunting and foraging or the siting of work camps in sensitive areas. Changing land use patterns may result in increased demand on water resources or introduction of invasive species. Changes in land and resource use may in turn affect local food systems and nutritional outcomes. Worker camps, without appropriate wastewater discharge, may pollute nearby water sources. And the potable water needs of worker camps can result in increased pressure on freshwater resources in the project or camp area.
- **Economic and Livelihood Strategies:** influx, when significant in relation to local community size, often results in inflationary pressures due to increases in the demand for food, fuel, housing and land. Price pressures on food, land and housing may impact greatest on the most vulnerable in the location and exacerbate the economic vulnerability of marginal groups (e.g., women, ethnic minorities, elderly). Pressures on land and water systems may also have economic impacts for those with resource-based livelihoods (e.g., agriculture, forestry, fisheries, commercial recreation). Speculators and new businesses looking to capitalize on direct and indirect labor influx may create market distortions and force existing suppliers out of business. Communities, for their part, may experience “boom/bust” cycles associated with sharp growth during construction and decline due to project closure.
- **Pressure on Infrastructure, Services and Utilities:** population surges can stretch the capacities of social infrastructure such as housing, schools and health care and lead to additional pressures on waste management, sanitation, water, power, and transport. The extent of the impact will depend on the population threshold for which services are designed. Work camps to house labor influx will have site-specific needs for water, waste, fuel and power. Labor influx can also create direct demands on social, health and emergency services. Housing pressures; for example, may lead to overcrowding and inflationary pressures that change the cost of living or lead to effects on housing quality and availability. Lack of adequate housing may also lead to unplanned and controlled development of squatter settlements in the project area.
- **Health:** labor influx can provoke higher rates of violence, injury, alcohol and drug consumption and sexually transmitted diseases in the local population. Influx-related environmental impacts that affect subsistence agriculture or harvesting may change nutritional choices and affect health outcomes. Overcrowded or camp-based living conditions can significantly alter existing levels of communicable diseases including respiratory problems, diarrheal and vector-borne diseases and tuberculosis, which also increases the risks of disease being introduced and spreading through host communities. This can strain public resources and affect overall service capacity.

- **Social and Community Wellbeing:** labor influx, depending on the size of the host community, can have grave affects on community cohesion. This can be particularly acute in smaller communities hosting a largely male workforce, and/or a workforce from other regions or countries – which may result in conflicts between locals and non-locals concerning employment opportunities, wages, and natural resources. Mobile workers can also contribute significantly to gender-based social impacts and risks. A mostly male workforce away from families and normal social environments may lead to increases in unplanned pregnancies, and ultimately to more single parent households and changes in family structure. While crime rates may increase generally, increases in crime and violence against women and girls may be particularly acute in socio-economic settings where there is an existing gender differentiation in terms of power and norms, coupled with limited governance capacity. In locations with pre-existing sexual and gender-based violence (SGBV) issues, labor influx can exacerbate SGBV risks.

What Drives the Risk?

The specific causality, magnitude and interconnectedness of effects related to labor influx depends on each project’s attributes and the local project context. Careful consideration is required in every case to understand the drivers that influence influx.

Project configuration and activities that drive labor influx include (but are not limited to):

- size and skill needs of the construction workforce
- mobility requirements of construction workforce (geographic spread of the project)
- types of goods and services needed during construction
- approaches to local hiring and procurement
- land required (e.g., opportunities for compensation)
- service needs and plans of the project, including waste, water, and worker accommodation.

Local socio-economic context drivers, on the other hand, include:

- size, skill mix and unemployment level of the local labor market
- mix and structure of local businesses and industries
- population density (rural versus urban context)
- mobility/transiency of local population
- geographic context, including proximity to other locations and regions
- accessibility and transport routes
- political climate and governance structures and capacity
- overall absorptive capacity of host communities
- existing social patterns such as poverty, crime or vulnerability patterns.

For example, areas with a small labor pool or a lack of skills in the labor market are unlikely to be able to meet a project’s full needs, especially for highly skilled workers and a project will necessarily need to bring in workers from outside the project area.

World Bank Study on Labor Influx

Plexus Energy carried out the WB study (*Labor Influx – Select Portfolio Review and Case Study Situation Analysis*) from January to June, 2017. It involved a review of select WB-financed projects from across the Bank’s global portfolio covering urban infrastructure, roads, energy, transport and water supply. The

purpose of the study was to examine the extent to which social impacts associated with labor influx are identified and managed during project planning and implementation, and to make recommendations how to improve these processes. The study analyzed 20 projects: 8 projects in Africa, 5 in the East Asia-Pacific region, 1 in the Europe and Central Asia region, 3 in Latin America and the Caribbean, 2 in the Middle East and North Africa, and 1 in South Asia. Projects represented a range of sectors including gas pipelines, ports, urban infrastructure, water supply, roads, airports and power production. The methodology employed included a desktop review, task team interviews and field visits to 6 projects.

Key Findings

Several of the WB projects identified influx and were well equipped to deal with associated social impacts. Typically, this was due to: (i) sufficient lead-time and adequate oversight of planning; (iii) importance of the project to the client (e.g., a high-profile project), and; (iv) regular supervision by both the WB and client of the social and environmental aspects of the project during implementation. Other factors that influenced the adequacy of risk assessment and mitigation design included the experience of ESIA contractors and project contract supervisors, and access to and guidance provided by specialist social advice during project preparation (e.g., anthropologists, indigenous peoples specialists, gender specialists, sociologists). The study identified several opportunities for improvements to address influx risks around risk identification, analysis, documentation and monitoring, including:

- project planning documents (e.g.; ESIA, ESMPs) largely were silent on aspects of the baseline socio-economic context that may drive influx or may be impacted by influx such as urban versus rural location; mobility/transiency of local population; geographic context (e.g. proximity to other locations and regions); accessibility and transport routes; political climate and governance capacity; overall absorptive capacity of host communities; and existing social patterns such as poverty, crime or vulnerability patterns. Weaknesses were also encountered with regard to contractor ESMPs, with most failing to ensure that ESMP recommendations are translated into specific actions. Few projects included construction phase workforce estimates in their project description, such as size, timing and location of workforce; type of skills required; approach to and type of project services accommodation; and approach to local hiring and procurement.
- gender based violence was only considered, either as a line of inquiry in risk considerations or in terms of outcomes, in the context of two of 20 projects.
- appropriate mitigation steps were identified in a number of projects reviewed. Even with limited direct evaluation of labor influx risk, some projects identified appropriate mitigation measures. This varied considerably across projects and was often linked to general labor impacts.
- there was a noticeable absence of documentation relating to incidence of influx during project implementation. Only 3 projects had a documented social mitigation compliance monitoring system. Field visits recorded appropriate mitigations (use and siting of camps, worker sensitization, codes of conduct, appropriately scaled health and medical services in camps, local hiring principles). However, in many cases mitigation measures were *ad hoc* and generic rather than systematic and bespoke, and not necessarily linked to an assessment of the likelihood of, or contributing factors to, potential influx-related issues.

Lessons Learned: Risk Management Approaches for Labor Influx

- **Conduct Labor Influx Risk Screening Early On**, during project planning and ESIA scoping.
- **Comprehensive Baseline**: prepare a comprehensive baseline with sufficient detail on local labor market dynamics so as to characterize the likelihood, significance and level of risk of labor influx.
- **Timely Availability of Workforce Estimates**: ensure that project information and planning documentation includes project workforce estimates (e.g. the size, origin, phasing and duration of the required workforce), range of skills required, workforce recruitment policy and management, procurement of goods and services, and approaches to worker housing and other utilities/services.
- **Relevance of Mitigation to Identified Risk**: mitigation measures need to be appropriately scaled to the identified risk. In high risk cases, the project characteristics and the socio-economic setting warrant preparing a specific Influx Management Plan, though in most cases it would be sufficient to consider influx-related issues as part of the ESIA process.
- **Carry out Regular Monitoring**: monitor for change throughout the project cycle on labor influx-related mitigation compliance and on mitigation effectiveness from projects/contractors. Ensure a documented monitoring program that tracks key social outcomes, changes and issues at regular intervals throughout the project lifecycle is in place. The approach, scale and indicators used in monitoring should be proportionate to the level of risk of the project. Specify contractor obligations and commitments related to labor influx mitigation, worker management and compliance reporting in contractor documentation.
- **Training**: Ensure key staff, including contractors, receive training regarding the likelihood, significance and management of influx-related issues.

References

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