

INVESTMENT & EMPLOYMENT IN CONSTRUCTION INDUSTRY

- ROLE OF TRADE UNIONS -

By

K.N. VAID

Meaning

Construction is an all embracing term. Considered in terms of activities, it includes housing, roads, dams, bridges, tunnels, canals, water supply and sewage systems and civil works, component of agriculture, power plants, industry, transporations, communication, education, health, welfare services, scientific research, training institutes etc.

However, the true significance of construction is much deeper. It is, primarily a developmental and infrastructure industry. In describing this industry, Mr. Harshavadan Shah said that "Construction is a social instrument to change and to modify natural environment to meet the needs and requirements of civilization at a given point of time". (1)

Construction is a method discovered by man to harness nature, to overcome physical hazards; to create facilities; to fulfil the urge for ownership, privacy, comfort and aesthetics; and to improve the quality of his life. Construction transforms man's dreams into reality. Construction creates a new society and builds a civilization that is in consonance with its values.

The author is Director, National Institute of Construction Management and Research, Bombay. Bulk of the data for this paper was collected by Mr.C.M. Sankaran Kutty, Research Officer, NICMER.

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Features

Construction is a unique industry much different from the manufacturing. Some of its distinctive features may be mentioned here for a proper understanding of its nature.

First, construction enterprises have no premises; the plant and machinery are not fixed and they are shifted from one project site to another. Second, in construction, the product is first made, then sold, which is different from manufacturing where marketing follows production activity. Three, work is carried out on the project site under natural and often hazardous conditions. Four, barring housing in some cases, in construction each product is unique and made to the specifications of the client. Work standardization is not possible and hardly any repetitive operations are performed by labour. Five, entry into construction activity is easy. It is both unorganised as well as unregulated industry and the initial capital requirement is low. Six, subcontracting is very common and in most cases necessary for execution of jobs. Work is seasonal, labour is casual and hiring is for the duration of the project life. All relationships remain contractual. Seven, since work is temporary and contractual, the employer-employee relationships neither take roots nor get a chance of formalization. Eight, unionization of

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construction workers is difficult and uneconomical to union leaders in terms of cost-benefit ratio. Whatever unions are formed, they remain weak and unstable. Nine, implementation of labour laws is rendered cumbersome due to difficult terrain, poor logistics, too many project sites, migratory labour and seasonal nature of work. Finally, bulk of the contractors as well as workers do not perceive themselves as employers and labour respectively in the accepted sense of the usage of these terms. Contractors may alternate between contracting, trading, money lending, financing etc. and labour may take up construction jobs when there is no work on the farms.

Size by investment

Construction is the second largest economic activity in India, next only to agriculture. Capital invested in construction is much larger than any other industry. Investment made in construction during 30 years after the Independence was more than the total investment on it during the 150 years of the British rule in India. During the period 1951-85, investment on construction was Rs.1,70,239 crores which worked out at 43.2 percent of its total development investment. (2) Investment on construction during the Seventh Five Year Plan is estimated at about 52 percent of the total public sector outlay i.e. Rs. 93,600 crores. The Seventh Plan has estimated that Rs. 1,40,000 crores

will be invested by the private sector during the plan period of which Rs. 72,800 crores will be on construction. According to the Reserve Bank of India, the World Bank and other development banking institutions have planned to invest US \$ 285 billion on construction in developing countries during the period 1985-90. India is likely to get Rs. 1,300 crores. (3) As this investment is project based,, it may not be additional funds. Thus, we are considering an industry on which Rs. 1,70,239 crores was invested during last 35 years and on which Rs.1,66,400 crores are planned to be invested during next five years.

The contribution of construction to national income has also gone up substantially. Gandhi & Kutty estimated its contribution at Rs. 625 crores in 1960-61, Rs.1853 crores in 1970-71 and Rs.6756 crores in 1982-83, and concluded that the value added by its was almost constant at 5 percent. They further estimated that construction added 78 paise to GDP per rupee of investment which was the highest next only to banking and insurance. (4)

Project export is another aspect of the size of the construction industry. Exim Bank financed construction projects abroad were worth Rs. 4250 crores during the period 1975-84-Rs. 1085 crores in 1981 alone. The Bank also estimated that the foreign exchange earnings of

Indian construction companies were Rs. 150 crores in 1982. Profits and overheads repatriated into India by these companies accounted for about 11 percent of the value of projects executed. Over 4 lakh Indian workers were profitably employed abroad who remitted about Rs. 2500 crores home in 1982-83. (5) Another Rs. 33 crores were earned by export of equipment. Thus, construction is a major foreign exchange earner for the country.

Size by employment

Of the 24.46 crore economically active population reported in the 1981 Census, 35.65 lakhs (1.5 percent) were in construction of which 10 percent were women. During the same year, employment in the corporate sector and firms employing 10 or more persons and who submitted 'returns' in construction industry was reported to be 11.61 lakhs and 11.87 lakhs in 1983. (7) The employment of women was 59,000 in 1979 (5 percent). (8)

It is estimated that every one lakh rupees worth of construction generates 3100 mandays of unskilled labour and 1300 mandays of technical/managerial personnel. (9) Based on this estimate, in the year 1978-79 i.e. the last year of the Fifth Five Year Plan for which actual investment data are available, nearly 83 lakh workers would be employed in construction

industry, the figure rose to 1.013 crore in 1979-80. Applying the same basis of estimation to the data released by the Planning Commission on the mid-term appraisal of the Sixth Five Year Plan, (10) nearly 4 lakh workers were added yearly to construction industry. Thus, the economically active population engaged in construction in 1982-83 should be 1.133 crores.

If the available data on public investment in construction is more or less accurate, the employment data available is far from satisfactory. In 1983, one end of the spectrum had 11.87 lakhs persons employed and the other end is 1.133 crores persons economically active in construction industry.

In view of the huge and progressively increasing investment in construction over the years, it is difficult to accept that only 11.87 lakh workers were employed in the industry. The Border Road Organisation alone employed 60,000 persons in 1984-85. (11)

There are many other organisations of this kind who do not report employment data to the Labour Bureau. Over 90,000 contractors estimated to be registered with various government departments and agencies all over India, normally, do not employ 10 or more workers regularly and therefore do not monitor employment data.

In an attempt to explain the incongruency, one might as well assume that 1.133 crores persons were engaged

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in construction activity in 1983. Of these, 11.87 lakhs were regularly employed in the corporate sector and big construction contractors, 23.87 lakhs were employed by non-reporting organisations such as the Border Road Organisation, small contractors etc., and the balance of 34.537 lakhs persons were seasonal workers who worked a part of the year in construction and alternated between construction and agricultural occupations.

Again, using the N.B.O. formula, the construction sector during 1985-90 requires about 2.80 lakh engineers to work with owners, government, contractors and as consultants. Our engineering colleges produce about 15,000 engineers every year; the unmet gap is estimated to be 35,000 engineers.

Structure

The major participants of construction are four, namely, the client, contractor, consultant and labour. The client may be a government authority, department, board, commission or local bodies, factory and house owners etc. who provide funds and designs and select contractors to execute various works. Contractors are the agencies who undertake to execute the jobs as per specifications of the client at an agreed rate and price. These contractors may be multi-crore companies in the public and private sector or thousands of big and small

contracting firms including labour contractors. Consultants include architects, geologists, engineers and specialists who may produce designs, prepare reports on projects and may also supervise project execution. Estimates of the number and size of these participants are not available. Going by thumb rule, there may be about 60 limited companies engaged in construction works- both in the public and private sectors. Head count has not been done of small contractors nor it is possible to do so so under the prevalent system. Entry into contracting is very easy. There are no licensing and regulatory provisions for them in the country. Initial capital required for contracting is very low. Anyone who says he is a contractor has to be accepted as such. (Property developers and builders have not been considered as contractors).

Employment System

In order to execute jobs, a contractor or an authority where work is executed departmentally, must retain a sizeable workforce, or have it available at call. However, the employer- contractor or a department- can provide work only for short durations. But he wants workers to commit themselves to work for him whenever required without having obtained any assurance on continued employment or wages. Ideally, an employer would like to tell his workers, "You work

for the duration of the present contract. If I get another job, you will be transferred there; otherwise you go away. When I need you again, you must come back and work for me".

The contractor obtains this advantage of having labour "at call" through the institution of Jamadar, Mistri, Mukadam or whatever be the regional name and through a system of Peshgi or advances. The Jamadar is responsible to bring labour when required, retains and controls it during the contract period, takes it away when the job is over and brings it back when needed again. The Peshgi system provides the bond between the contractor, jamadar and labour. Contractor advances money to the Jamadar and the latter advances it to labour. Thus all three parties are committed to a future relationship. Jamadar is the guarantor of contractor's money, worker's employment and a continued link between the two. For this service, he may get a monthly pay and commission from the contractor and a cut from the labour wage. The Jamadar is, more or less, like the jobber found in the textile industry in the twenties and early thirties.

However, the jamadari and peshagi systems have encouraged recruitment based on family, caste and village ties. If a Jamadar has to stand guarantee for money advanced to workers, it would be logical for him to look for workers that can be relied upon-

relatives, friends, men of his caste and village-
on whom social and community pressure can be exerted
in case of default. Consequently, it is not uncommon
to be able to identify work-sites by the caste or
the village of the labour-force working there.

This system might appear exploitative or obnoxious
to the votaries of modern management. But this is
the system that works. The Jamadar is the labour
board who retains labour, supplies them jobs, looks
after them during lean days, advances money for
marriages, ceremonies and other social expenses etc.
If the Jamadar is sought to be abolished, an equally
competent, flexible and need-fulfilling system will
have to be devised.

The government departments also indulge in similar
practice of flexibility, though with a different
nomenclature. They have work charged, project charged,
temporary and casual labour. It is not uncommon to
find labour employed by government departments who
have worked all their lives for the department and
still remain project charged, getting a breaking
in service every time the project is over.

The system of payment by work measurement gave rise
to the family as a unit of output. On hiring by the
Jamadar, the worker moves to the project site along with

his family. Men, women and children all labour together to produce the maximum work for measurement. They live at the project site under such conditions as are available. work willingly for longer hours and forego rest days or holidays in order to earn more. The collusion between the labour, jamadar and contractor renders labour laws ineffective. Companies in the organised construction sector who comply with the provisions of various labour laws often suffer from competitive disadvantage. Jamadars also act as buffers against trade union leaders. Only the organised construction sector where the role of jamadars is limited has been unionized to some extent. (12)

Contract Document

The relationships between the participants in construction come into existence through the instrument of a contract document negotiated by the parties for carrying out the project. There is no standard contract document evolved in the country and every contract document stipulates its own conditions. Since the conditions are numerous and they are based on estimates of costs and assumptions on physical conditions, disputes and litigation amongst the participants is more a rule than exception. Project costs and time overruns characterize most projects which cause enormous loss to the country without conferring any real benefit on any participant.

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Legally speaking all agencies and labour working on a project are the employees or retainees, as the case may be, of the client who is the "Principal Employer". In practice, however, the client may seldom get to know all who work of him due to the labyrinth of contractors, sub-contractors, consultants and the like. The institution of Master Contractor is yet to evolve in the country.

Trade Unions

Construction labour is poorly unionized. Data in regard to the degree of unionization in construction industry are not available. In 1983-84, in Maharashtra, the strength of construction labour was reported to be 4.62 lakhs. ⁽¹³⁾ During the same year, the total claimed membership of 45 construction industry unions in the State was 17,260, ⁽¹⁴⁾ (3.7 percent). Maharashtra is a relatively more industrialized State and has a rich tradition of unionization of labour. Unionization of construction labour in other States and for the country as a whole is likely to be much low.

Why is the unionization low in construction industry? There are obvious reasons for it. The industry is unorganised, labour force is unstable and scattered in small numbers across the length and breadth of India, work is seasonal, workers are migratory etc. Implementation of labour laws is of poor quality.

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Transportation, communications and logistics of project sites are impossible to negotiate. So on and so forth. But these very reasons pose a challenge to union leaders.

Trade unionism in India is essentially an urban phenomenon. Unionization commenced and grow rapidly in urban industrial centres and in publically managed services i.e. local bodies, railways, shipping, post and telegraph etc. The primary motive of leaders to organize labour was the commitment to social reform and political ideologies. Political unionism was born, grew and prospered. But it seldom touched the unorganised sector of industry. Today, unions are big power centres and the union leaders are no less able and no less comfortable than corporate executives. They plan their strategies on cost-benefit ratios. Unions in the organised sector, in urban centres and in services are akin to the bread and butter unions found in the industrial societies of the West.

However, unionization of construction labour presently offers neither bread nor butter. It is hard leg work. It involves reaching out to workers in distant and uncomfortable places. It means confronting contractors who are made of tough human quality- engineered by "high risk and roughing out" of their business. The government can be persuaded to pass new and more