

# A STUDY OF CONTRACT LABOUR AT A REAL ESTATE AND CONSTRUCTION COMPANY

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## ABSTRACT

*A review of construction workers management functions has been done to find out gaps / deficiencies, if any, in compliance with provisions of the applicable Acts & Rules and understand the constraints and suggest ways and means to overcome. Also, a survey has been done among construction workers at various project sites of the company in Maharashtra, to ascertain factors mostly affecting their motivation, satisfaction with the employer, efficiency & work hour productivity.*

**Key words:** Contract Labour, Work hour productivity, Satisfaction of Contract Labour

**Cite this Article:** Dr. Hemant J. Katole, A Study of Contract Labour at A Real Estate and Construction Company.

<http://www.iaeme.com/IJM/issues.asp?JType=IJM&VType=7&IType=3>

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## 1. INTRODUCTION

A construction company hires a large number of construction workers other than regular employees, on contract through an intermediary (i.e. contractor). The construction workers are mainly migrant workers from remote villages, often have less education and poor language skills, belonging to the unorganized sector. They have disadvantageous status as compared to the regular employee of the company as they lack bargaining power, have little or no social & employment security, often engaged in hazardous occupations which could endanger their health and safety. They are ignorant about various Government Acts and Rules pertaining to their wages, work conditions, welfare & social security benefits. In spite of such disadvantages, we observe that many of the workers work very hard and give higher output or productivity. Thus, there is a need to ascertain whether it is their disadvantageous status which is responsible for their motivation, satisfaction & higher productivity, or there are some other factors. Timely completion and good quality work are important criteria for success of any project. It depends mainly on efficiency and work hour

Productivity of the contract labour besides technical feasibility & finances required for the Project. Certain obligations are required to be fulfilled by the Labour contractor in terms of timely & correct wage payment, provision of welfare amenities and a safe & healthy working environment as per various relevant Acts & Rules enacted by Central/ State Governments. Generally, it is found that Labour contractors default on full compliance of the Act and Principal employer (the company) has to ensure that workers are provided with statutory welfare benefits so that their motivation and efficiency level is maintained.

## **2. THE REAL ESTATE SECTOR**

The Indian real estate sector is one of the most globally recognised sectors. In the country, it is the second largest employer after agriculture and is slated to grow at 30 per cent over the next decade. It comprises four sub sectors - housing, retail, hospitality, and commercial. The growth of this sector is complemented by the growth of the corporate environment, the demand for office space and urban & semi-urban accommodations. The Indian real estate market size is expected to touch US\$ 180 billion by 2020. The housing sector alone contributes 5-6 per cent to the country's gross domestic product (GDP). Also, the market size of this sector is expected to increase at a compound annual growth rate (CAGR) of 11.2 per cent. Real estate has emerged as the second most active sector, raising US\$ 1.2 billion from private equity (PE) investors in the last 10 months. According to data released by Department of Industrial Policy and Promotion (DIPP), the construction development sector in India has received foreign direct investment (FDI) equity inflows to the tune of US\$ 24,012.87 million in the period April 2000 - December 2014.

### **Government Initiatives for growth of the sector**

(a) Under the Sardar Patel Urban Housing Mission, 30 million houses will be built by 2022, mostly for the economically weaker sections and low-income groups, through public-private-partnership (PPP), interest subsidy and increased flow of resources to housing sector.

(b) The Securities and Exchange Board of India (SEBI) has notified final regulations that will govern real estate investment trusts (REITs) and infrastructure investment trusts (InvITs). This move will enable easier access to funds for cash strapped developers and create a new investment avenue for institutions and high net worth individuals, and eventually ordinary investors.

(c) The Government of India has relaxed the norms to allow 100% foreign direct investment (FDI) in the construction development sector. This move should boost affordable housing projects and smart cities across the country.

### **Contract Labour (Building /construction Workers)**

Contract labour generally refers to “Workers employed by or through an intermediary on work of any establishment”. As per Contract Labour (Regulation and Abolition) Act, 1970, a contract labour is defined as one who is hired in connection with the work of an establishment by a principal employer who is the firm owner or a manager through a contractor. As per Building and other Construction Workers Act, 1996, a “building worker” is normally a contract Labour who is employed to do any skilled, semi-skilled or unskilled, manual, supervisory, technical or clerical work for hire or reward, whether the terms of employment be expressed or implied, in connection with any building or other construction work but does not include any such person- (a)

Who is employed mainly in a managerial or administrative capacity; or (b) Who, being employed in a supervisory capacity, draws wages exceeding one thousand six hundred rupees per menses or exercises, either by the nature of the duties attached of the office or by reason of the power vested in him, function mainly of a managerial nature. In India, Construction industry is a labor-intensive industry, it consists 44% of all urban unorganized workers. This work force comprises 55% of unskilled labour, 27% skilled labour and rest the technical and support staff. Such labour / workers are different from the direct employees in terms of employee-employer relationship and the method of wage payment. The contract system is based on triangular relationship between the user enterprises (Companies), the contractors (intermediaries) including the sub-contractors, and the workers. In India, contract labour / construction workers are protected by the Contract Labour (Regulation and Abolition Act, 1970 and the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and also by various other relevant Acts and Rules along with their amendments. Construction workers as Contract Labour are engaged in activities of Real estate - housing, retail, hospitality, and commercial and infrastructure sector- roads, bridges, Urban Development, Commerce and Industry, Railways, Road Transport and Highways, etc. (9) The work is hard physical labour, often under difficult conditions like adverse weather conditions. The nature of work, hours of work, low pay, poor living conditions with lack of basic amenities and separation from family, lack of job security and lack of access to occupational health services make the situation worse. The division of labour of construction encompasses a diverse range of skilled and manual labour. Among the most common construction trades are those of carpenter, electrician, heavy equipment operator, ironworker, labourer, mason, plasterer, plumber, pipefitter, sheet metal worker, steel fixer (rod-buster or bar bender) and welder.

**Employment of Contract labour:** Supreme Court of India has barred employment of contract labour under four conditions: a) If work is of perennial nature. b) If work is incidental to and necessary for the work of factory. c) If work is sufficient to employ considerable number of whole time workers. d) If work is being done in most concerns through regular men.

**Status of Contract labour / Construction workers:** Post-economic reforms in 1991 in India's economy resulted in growth in both types of employment i.e. permanent as well as contractual. The size of contract workers in the total workforce is significant and large which belong to the unorganized sector. In spite of having so many Acts/ Rules and social security scheme in India, it has been noticed that the contract labour has remained a disadvantaged section of the working class mainly due to lack of bargaining power, have little or no social & employment security, are often engaged in hazardous occupations which could endanger their health and safety, ignorance about various Government enacted Acts and Rules regarding wages, work conditions, welfare and benefits. Factors like lack of continuity of work, difficulty in ensuring closer supervision by the employer, higher output or productivity of such workers, cost effectiveness, flexibility in manpower deployment, facilitation for focusing on core competencies, etc., constitute advantages of the system of contract labour. Apart from this, in most of construction projects the workers employed are unorganized in nature and often not guided by the legislations made for the health and welfare of the workers. In India, they are mostly migrants from remote villages, often are less educated and have poor language skills. Thus, there is a need to ascertain as to what factor is responsible for their motivation, satisfaction & higher productivity, whether it is their disadvantageous status or some other factors.

## Objectives of study

1. To study/review various aspects of Contract Labour management functions
2. To ascertain most relevant factors which affect motivation, labour efficiency & work hour productivity and overall satisfaction with the employer.

## Hypothesis of study

1. Hypothesis 1: Work hour productivity of Contract Labour (Construction workers) depends mostly on fair, correct & timely wage payment, availability of regular & adequate work and Safety & health facilities at work.
2. Hypothesis 2: Satisfaction of Contract Labour (Construction workers) working with present employer depends on opportunities for skill development & training, safety & health facilities, job availability, inter-personal relationship, and attitude of the employer.

## 3. RESEARCH METHODOLOGY

Following approaches have been considered to achieve the desired objectives:-  
Study/Review and collection of information through Primary Data to include visit to the company, interacting with HR head and Chairman/MD of the company and collection of all relevant data related to contract labour management functions. Visit Company's project sites / labour camps located in Madhya Pradesh and in Mumbai suburbs to interact with Project Managers / Project Engineers / Site Supervisors, Labour contractors and various categories of labour employed by the company and understand & collect required data. Study/Review & collection of Secondary Data to include policy manuals, company Annual reports, Company's monthly bulletin, Labour Contract agreements and other relevant documents being maintained by the company & Labour contractors as per Contract Labour (Regulation and Abolition) Act, 1970 and Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 and Central Rules, 1998. Survey of the workforce / Labour at all project sites of the company through a structured questionnaire method and collect their responses individually through personal interview. Testing of Hypothesis to ascertain most relevant factors which affect motivation, labour efficiency, work hour productivity and overall satisfaction. In this study, non probability technique has been used to select the sample. Convenience Sampling: It is a statistical method of drawing representative sample by selecting respondents from the population, because of the ease of their volunteering or selecting units as per their availability and ease of access. A sample size of 100 Contract Labour (construction workers) hired and engaged at various worksites.

## 4. DATA COLLECTION

Primary & secondary Data collected from study/review of Company's profile, its HR policies & practices towards Contract labour Management, Standing order procedures, contract agreements documents, and interaction with employees and management. Also statutory documents, registers and registration certificates being maintained by the contractors and the Principal employer were checked. Survey data collection from Construction workers has been done through a well structured questionnaire to understand factors affecting worker's motivation, efficiency and work hour productivity and overall satisfaction with the present employer. Visit & stay at all the Project worksites of the company located in Bhopal and adjoining districts & Mumbai suburbs was done to collect response of each respondent through

personal interaction after making them understand the entire questionnaire in the language they understand. Help of some employees of the company was also taken who spoke worker's mother tongue. Response was collected from each individual on the questionnaires itself. Progress of Data collection was slow & time consuming as project sites were scattered and far off places. Also, workers were allowed to interact only during recesses and holidays/Sundays.

**Hypothesis Testing:**

**Hypothesis 1:** Work hour productivity of Contract Labour (Construction workers) depends mostly on fair, correct & timely wage payment, availability of regular & adequate work and Safety & health facilities at work.

Linear regression equation:

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + b_6x_6$$

Where, Y = dependent Variable i.e. Worker's motivation level reflecting in their productiveness at work

x<sub>1</sub>, x<sub>2</sub>, x<sub>3</sub>, x<sub>4</sub>, x<sub>5</sub> and x<sub>6</sub> are independent variable, which are factors. 'a' is constant and b<sub>1</sub>, b<sub>2</sub>, b<sub>3</sub>, b<sub>4</sub> and b<sub>5</sub> are coefficients of the Linear Regression equation.

Coefficients <sup>b</sup>						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	4.627	.192		24.090	.000
	Fair, correct & timely payment of wages,	.390	.219	.896	1.781	.078
	Availability of regular & adequate work,	.355	.142	.634	2.494	.014
	Overtime,	-.075	.143	-.185	-.525	.600
	Provision of facilities given by contractor,	-.524	.214	-1.230	-2.453	.016
	Safety & Health facilities at work,	.027	.153	.060	.176	.861
	Company's working cultures	-.080	.138	-.187	-.584	.561

So, putting values of a, b<sub>1</sub>, b<sub>2</sub>, b<sub>3</sub>, b<sub>4</sub>, b<sub>5</sub> and b<sub>6</sub> in the regression equation, we get

$$Y = a + b_1x_1 + b_2x_2 + b_3x_3 + b_4x_4 + b_5x_5 + b_6x_6$$

$$Y = 4.627 + 0.39x_1 + 0.355x_2 + (-)0.075x_3 + (-)0.524x_4 + 0.027x_5 + (-)0.08x_6$$

**Interpretation:** From the above equation, it is found that overall motivation of Contract labour (Construction workers) which reflects into their productivity will increase by one unit, if fair correct & timely payment of wages increases by 39%, Availability of regular & adequate work by 35.5% and Safety & Health facilities at work by 2.7%. Most significant factor from the above analysis appears to be fair, correct & timely payment of wages which contributes maximum to overall motivation and higher productivity of the workers. So economic factor emerges as the most important factor and second one is related to availability of work. Workers need regular and adequate worker as they are daily wage earner of their family. If they do not work regularly, they would not be able to sustain their life. Though, factors like overtime payment by the employer, Provision of other facilities like living shelters, drinking water, cook house and crèche etc showing here negatively affecting the motivation level, but in reality, importance of these factors on enhancing worker's motivation level and productivity cannot be ruled out. Diverse opinion of the employer could be there on effect of overtime payments on workers. Employer may say that workers would slouch or be less productive during actual working hour and

they would be only interested to stretch the working hours so that they could get the overtime payment. It is further concluded that motivation & Work hour productivity of Contract Labour (Construction workers) depends mostly on fair, correct & timely wage payment, availability of regular & adequate work and Safety & health facilities at work. Thus, H1 is accepted and Ho is rejected.

**Hypothesis 2:** Satisfaction of Contract Labour (Construction workers) working with present employer depends on opportunities for skill development & training, safety & health facilities, job availability, inter-personal relationship, attitude of the employer. Linear regression equation:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6$$

Where, Y = dependent Variable i.e. Worker's level of satisfaction while working with present employer

X1, X2, X3, X4, X5 and X6 are independent variable. 'a' is constant and b1, b2, b3, b4 and b5 are coefficients of the Linear Regression equation.

Model	Coefficients <sup>b</sup>				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-.446	.221		-2.020	.046
Attitude of the employer,	.021	.109	.020	.190	.849
Job Availability,	.112	.110	.097	1.015	.313
Inter personal relationship,	.068	.109	.057	.626	.533
Safety & Health facilities,	.158	.085	.144	1.860	.066
Opportunities for Skill development & training,	.774	.095	.692	8.124	.000
Any type of harassment	-.030	.109	-.023	-.274	.785

So, putting values of a, b1, b2, b3, b4, b5 and b6 in the regression equation, we get

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6$$

$$Y = (-) 0.446 + 0.021 X_1 + 0.112 X_2 + 0.068 X_3 + 0.158 X_4 + 0.774 X_5 + (-) 0.30 X_6$$

**Interpretation:** From the above equation, it was found that overall satisfaction of the construction workers with the present employer would be enhanced by one unit, if opportunities for skill development & training increases by 77.4%, safety & health facilities by 15.8%, job availability by 11.2%, inter-personal relationship by 6.8% and attitude of the employer by 2.1%. Most significant factor from the above analysis appears to be opportunities for skill development & training which contributes maximum to overall satisfaction of the construction workers. This also shows concerns and desire of workers who want to upgrade themselves with different skills so as to increase their employability. This trend may be also due to increasing government campaign for skill development to empower youth of the country to face the challenges of the future. Lack of opportunities in skill development & training has been felt by many workers and they felt that whosoever provides these opportunities, they would like to work with them. It is further concluded that overall satisfaction of the contract labour (construction workers) depends on opportunities for skill development & training, safety & health facilities, job availability, inter-personal relationship and attitude of the employer. Thus H1 is accepted and Ho is rejected.

## 5. CONCLUSION

Human Resource Management is all about managing organizational workforce which also includes contract labour (construction workers) hired through a third party on contract for executing a specific project work in a given timeframe for a predetermined remuneration. However, we have seen in this project work, contract labour (construction workers) management functions are not so structured in the real estate sector, inspite of the awareness about the need and importance of it, existing. Though, survey among workers indicates more than 60 % workers satisfied, motivated and giving higher productivity, still about 40% are dissatisfied who may quit the work and move to other employer very soon. Since the construction industry faces acute shortage of trained and skilled workers, contractors / company must adopt suitable measures to retain these workers till the projects gets completed. So, the contractors who are the employers of construction workers need to focus on various aspects as mentioned below and the company which is a principal employer to these workers has to ensure (a) Fair, correct & timely wage Payment. (b) Availability of regular & adequate work. (c) Provision of facilities like rest shelters, Cookhouse, safe drinking Water, Latrines & Bathrooms, washing places and crèche. (d) Provision of social security benefits, safety and health facilities. (e) Opportunities & facilities for skill development and on the job training. (f) Good Company culture, cordial interpersonal relations and right attitude of employer. (g) Increasing awareness among workers about various benefits and social schemes announced by the Central and state Governments and helping them to avail these benefits. (h) Maintenance of Statutory Documents/Registers/records and submission of reports & returns to appropriate authority.

As per findings from this survey, it can be concluded that there are various reasons behind a worker's dissatisfaction that results in lesser productivity. Deficiencies/gaps on Construction workers management functions and recommended actions suggested to the company/contractors as mentioned in this report requires deliberations by the company management as well as by the contractors/sub-contractors so as to take necessary corrective measures. Motivated and satisfied workers contribute more in terms of work hour productivity and also their retention is possible at least till the completion of the project and may be beyond. As the Government is providing various social security benefits, employer must help workers to get these benefits. Workers must be registered for the various schemes and welfare funds as announced by the Government which has already been discussed in this survey. This will be a yeomen's service to migrant & local construction workers who are still disorganized and neglected. Dignity for Labour as envisaged by our Prime Minister Narendra Modi, who has talked about it during his speech to Indian Diaspora in Toronto, Canada on 16<sup>th</sup> April 2015, will be upheld. He said 'Dignity for Labour' has to be entrenched in the minds of Indian people.

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