

Defiant Labour Costs in Multi Storeyed Building Construction

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Abstract: The Construction Industry in India is gaining paramount importance now. The demonetization has literally shaken the industries, especially the construction sector. Virtually, a blow was slapped on the fast growing industry which came to a standstill. All the troubles are over.

The situation now is gradually getting better. The increased loan availability at decreased rates of interest gives an inducement to first time buyers.

While the common feature in construction sector was buying and selling of apartments for the Sake of investment (thereby shooting up the prices), a welcome scene is visible now in which 'first time buyers' play a prominent role.

This is possible with higher disposable income, thanks to overall development in the economy and with larger apartments for easy comparison and selection.

In effect, the heavily beaten up industry is now vigorously revitalized for a virtual boom.

Keywords: Unprotected Workers, Equipment Utilisation, Affordable Housing, Labour Productivity, Performance Guarantee

Scope of Research

Six construction sites have been visited in the City and the outskirts of same and the availability of secondary data.

Why Multi Storeyed Buildings are on the increase?

All over India, particularly the Metropolis, are witnessing enormous construction of multi storeyed buildings, of late. The concentration is more on cities and the outskirts of cities.

Right from established builders who are in the field for decades to the new entrants in the field, multi storeyed building construction is gaining remarkable importance now.

The mass movement of people from rural areas to urban areas for employment purposes and also the increased disposable income of people enabling them have savings result in need for apartments. The easily available long term housing finance gives them a thrust to embark on purchase of apartments.

The people who are in the teens are making purchase of posh apartments with an extended duration of repayment.

The people's cherished investment opportunity takes shape in purchase of apartments. The surplus income is diverted into apartments buying. This is yet another reason for massive level construction of MSBs in the state.

Classification of Labour Costs

Next to Material Cost, Labour Cost is the major thing in construction sector. While labour cost is a broad terminology, the labour cost can be classified into many sub categories, going by the volume of cost in construction.

RCC Works
Masonry & Plaster
Flooring
Electrical
Painting
Plumbing
Carpentry
Others

The labour cost incurred on the above activities takes a good chunk of the overall cost of construction.

Further classification is also possible going by productive cost and unproductive cost of labour.

Productive Cost

The cost of labour is on the increase of late. The reason is dwindling availability of skilled workforce for construction and the ever increasing demand for labour in construction sector.

Construction labour is a monotonous one and majority of workforce tends to avoid the same. It is an avenue for persons of last choice in their endeavours.

Secondly, only a handful of people get opportunities to become Mason or Maistry (Chief Mason). The Mason should have a good number of people to be behind him which would pave him a way to break away from the main contractor to be on his own with his supporters. This occasionally takes place.

Secondly, no builder would like to take the risk of venturing with a new contractor for the job.

The above two are the main reasons for limited availability of skilled labour force in construction sector.

This leads to shooting up of wages to masons. The demand for carpenters is on the increase. Same is the case for plumbers/electricians.

More the demand and the Lesser the supply, the cost is on the increase. This is the actual reason for spiraling labour costs in construction.

Going by the demand and supply of construction labour, their wages is always on the increase. This is a Productive Cost which the builder has to necessarily incur.

Unproductive Cost

In Construction labour, especially, the unproductive cost is widely prevalent and is also inevitable. The perfect match of men and material must be there throughout the construction activities.

At times, labour absenteeism takes place while materials get heaped up. This is tolerable as only marginal delay is creeping in. On the other hand, when labour is arrived as per schedule and delays occur in delivery of materials, the workers, nevertheless are to be paid the wages for the day, though they may not have any work for the day. This is a peculiar and burdensome situation.

The Author witnessed a situation in one site that a group of workers were paid wages for two days for no work done by them as the materials were not arrived at the site, contrary to the commitment from the supplier.

Apart from the delay, the builder had to meekly accept the wages foregoing his legitimate profit.

This unproductive wages, takes place either occasionally or frequently depending on the mismatch of men and materials. It was also observed that larger the size of construction, more often the occurrence of this is.

Be Doubly Cautious in Labour Contracts

It is a foregone conclusion that uninterrupted supply of labour is to be ensured for smooth going of construction activities. A stop of activities, even for one week, will cost very heavily the builder.

While institutional lending of finance is there, most of the builders resort to private borrowing as it is faster and simpler. There is no upper limit for finance to the builder as the trust worthiness of the builder only matters here. The rate of interest is quite prohibitive and the calculation of it is also alarmingly different from the normal procedure.

An avoidable delay of one week will literally give a big blow to the builder.

Large scale Builders enter into crystal clear agreement with labour contractors.

A Gist of Labour Contracts

- (i) **Single Contract:** Under this, the builder enters into a Single Contract for the entire project with a single contractor. The Prime contractor may hire subcontractors for various phases of projects, directly answerable to him. The responsibility rests with the Prime Contractor only who is accountable to the Builder.

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- (ii) **Phase wise Contract:** The builder has the option of entering into different contracts with different contractors depending on the phase of activities. Plumbing Contractor, Electrical Contractor and General Construction Contractor.
Though the respective contractors are individually accountable for the work assigned to them, the onus rests with the Builder in effectively co-ordinating with all the contractors. While this works out cheaper, it is a bothersome business as the Builder is having the responsibility always.
Hence, almost all the builders prefer to have Single Contract.
- (iii) **Clause of Default:** This is a very important point in the agreement being entered into between the builder and the contractor.

The clause very clearly specifies that for any stoppage of work or otherwise, if the cause is attributable to the contractor, then the same will be borne by him and replenished to the entire satisfaction of the builder. Some builders insist on Performance Bank Guarantee from the Labour Contractors.

This eminently clarifies that for anything due to the builder (or not by the contractor), the same is to be borne only by the builder.

All the Builders have entered into Single Contract only as it greatly relieves them off from burdens and responsibilities.

[1]

What dampens the productivity of labour?

Productivity of labour at the site is of paramount importance in construction projects. Non utilization of labour due to non receipt of material is a colossal waste.

There are also extraneous factors which have a direct bearing on the productivity of labour. A very few important things are listed below.

Job Size and complexity

Site accessibility and condition of site

Equipment utilization

Work knowledge

Leadership qualities of Site In Charge or Engineer.

Change work etc.,

Too much of a complicated job will confuse the workers. They will literally become dizzy at the work. The solution for this is either educate the workers thoroughly on the job to be done by them giving them the comfort of ease and dexterity or simplify the job in such a manner that more people do it with more ease. Both the ways, productivity can be improved.

This equally applies for equipment utilization as well.

If the site is too far away, the workers are fatigued in the journey itself and this will erode their productivity substantially. Workers, in such a situation can be asked to stay there itself. The condition of the site is also equally important.

A very poor site condition will only emit a sense of poor commitment on the part of workers or a sense of despair in work. Hence, site condition is very important.

A negative minded site in charge or an Engineer is a curse on workers. They will only be demoralized. Equally important is the attitude of the work supervisor towards site in charge or site engineer.

Their leadership qualities with reassuring words will definitely induce the workers to give their very best.

[2]

Organise properly and perfectly

It is always advisable to plan early in selection of source of labour. Material procurement is very easy as there are so many suppliers around the city and prices are also fixed everywhere.

In the case of labour, the demand is more and supply is lagging behind, especially in the current context. Even mega construction companies are no exception in this regard, feeling the pinch of the issue.

It is imprudent piling up the materials without adequately having the personnel to execute hassle free execution of the project. Cost of capital is one more serious issue.

While some major builders have dependable labour contractors over a period of time, others are finding it difficult in sourcing of labour. Construction industry is such a business where labour domination is always there.

Even at the slight disturbance in work or meagre increase in wages and other few amenities, the labourers are always ready to switch over the place. Upon personal discussion with some people, they also openly said that they need not be like a bonded labour and have the liberty of choosing the place of employment, as they have “work in their hand”. This gives them a feeling of impudence as well.

Hence, it is very necessary that before embarkation of the project, selection, organisation and ‘procurement of labour’ should be carefully done. This process should be expedient to the builder and that is very essential.

Major Labour Contractors in Chennai

While there are so many labour contractors in the Chennai city, a few of them are listed below, as a ready reference.

Sl No	Name of Agency	Contact No.
1	4 Pillars Construction & Designs	08071591977
2	D K Enterprises	09840745145
3	UltiPrime Technologies	08071648408
4	DDK Contractors	09087883636
5	SML Manpower Suppliers	09962666466
6	Seven Rock Agencies	09677247144
7	Goutham Enterprises	09840200303
8	Seena Drymix Industries	08048555511
9	Shree Agencies	08043256838
10	SGS Civil Contractor	09884335453

[3]

Enhance their potential to reduce costs

One of the reasons for mounting labour costs is that many jobs are not done right at the first time. Perfection is seen only after two or three attempts. Not only does material waste occur but also precious time lost.

The delay compounded by unnecessary wages for unproductive work only adds woes to the builder. It is hence, recommended that treat the labour as a potential source of strength and knowledge and ensure that they deliver their best in the work. Of course, nowadays, all the labour have basic education and they understand their work and what is expected of them, with proper briefing and training.

Some important things are briefed below:

Training: Train them adequately before pressing them into work. This has dual advantages. They know their work thoroughly and with confidence they show their performance. No repetition of work is there and finish is perfect right at the first time. Material waste and Time waste both are avoided.

Brief them before pressing into work: This is very essential. Each and every worker must know clearly what is expected of him in the overall work assignment. It is the responsibility of the Site In Charge or Supervisor to ensure that all the workers are clearly assigned with the responsibilities for their portion of execution.

Health and Safety: Each worker expects that the place of work is safe for him to work. It is the responsibility of the builder to ensure that all the workers have this “safety feeling”. This automatically boosts up their performance.

While all sites had first aid kit, in one site it was observed that not even bandage cloth was there. Construction is the field work which has more scope for injuries. Hence, health and safety aspects are to be given due attention.

[4]

Future Scenario for MSBs

Going by the current trend, it is strongly felt that in the near future, the need for more number of Multi Storeyed Buildings (MSBs) would be keenly felt.

The statistics show that while it has taken about forty years (1971 – 2008) for India's urban population to hit 230 million, the 12th Five Year Plan document from the Planning Commission says that it could take only half that time for the country to add the next 250 million.

Data from Census 2011 suggests that about 10 million people are moving to Indian cities every year. This will give rise to a need for two million additional houses every year in the affordable segment, says a 2015 report on Indian Real Estate from KPMG.

[5]

Investments

The Indian Real Estate Sector has witnessed high growth in recent times with the rise in demand for office as well as residential spaces. 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 \$ 24.28 billion in the period April 2000 – December 2016.

Government Initiatives

The Government of India along with the Governments of the respective states has taken several initiatives to encourage the development in the sector. The Smart City Project, where there is a plan to build 100 smart cities, is a prime opportunity for the real estate companies.

The Ministry of Housing and Urban Poverty Alleviation has sanctioned the construction of 84,460 more affordable houses for urban poor in five states, namely, West Bengal, Jharkhand, Punjab, Kerala and Manipur under the Pradhan Mantri Awas Yojana (Urban) Scheme with a total investment of Rs. 3,073 crores (US \$ 460 million).

[6]

Conclusion

All the builders are aware of the fact that labour is a costly affair and dependence on them is also a sliding one.

Most of the builders opined that more of the use of machines has become the need of the hour. This gives them the twin benefits of cost saving and also fast execution.

The Builders are treating the labour with warmth – no doubt. Perhaps, any riff raff may drive them out of the site. This could be one of the reasons.

The Site In Charge and Supervisors are expected to stay back till the builder comes back in the evening to brief him of the work of the day.

In one site, it was observed that the Site In Charge assured the labour to stay back and finish the work for which they would be paid “sufficient” overtime. Goes without saying that this would definitely do lot of good for speedy execution of the project.

The Site In charge privately opined with the Author that if he pressed them hard, they would have done the job without overtime also – but it would have been a perfunctory one, possibly leading to a patch up work later. It is wise that instead of suffering unproductive cost, it is advisable to have extra cost for extra work, for the day.

In one site, there was a continuous bickering between the workers and the Supervisor. A reflection of ego clash. It is true that not only psychologically, but also factually, a well and warmly addressed labour force would do wonderful thing. This should be the basic lesson for the Supervisor, Site In Charge and Site Engineer.

Recommendation

Considering the technological advancements, it is wise to use as much machines as possible at the project site.

Dependence on labour should be kept at the minimum. First availability of labour is difficult and that too, skilled workers. Use of machines is comparatively cheaper and also faster in execution. This would be the order of the day in the future.

Supply of skilled construction labour is shrinking. It was observed that workers are prepared to stay back and continue the work in night also, provided they are suitably compensated for it. A smart builder would only choose to pay them double overtime for the speedy execution of the project.

Materials should be kept ready at the site before workers assemble at the spot for the job. Any mismatch is only cost pushing to the builder. In fact, the selling price is already determined and declared to the public. Hence, any extra cost is to be only absorbed by the builder, foregoing his profits. As such, an eye on labour is always advisable as unproductive labour cost is a creeping loss to the builder.

However committed the workers are, in the best interest of the business, the builder is expected to have labour contract with very renowned agency only, though bit costly. In a way, having two contractors is safer. Risk of undue dependence is not there.

This equally applies to materials as well. Selection of vendors should also follow suit.

Basic amenities for labour is a must. This would give them a sense of protection and safety. Anything found short in this will have a direct bearing on their performance. Fulfilling of basic needs boosts up one's morale. This is not a psychological issue, but a practical experiment.

Planning and Execution should be just once and there should be no repetition. Anything done more than once, is only adding to unproductive cost.

With fully ready materials and motivated labour, performance will be simply great and more than the expectation.

The Site In Charge should not only be knowledgeable, but also compassionate and with enough common sense. He should be a Motivator to take out the wonderful performance from the labour.

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