

**Critical analysis of factors
affecting labour
productivity in construction
industry**

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Abstract

This research paper discusses the unique nature of the construction industry and the state of labourers prevalent there. It majorly emphasizes on the factors affecting productivity of the workers. These factors include low payment of wages, absence of social security benefits, delayed payments, and lack of recognition and appreciation of work. The present state and conditions of the labourers in this industry have been discussed . Various kinds of challenges in improving productivity have been analyzed.

There are various schemes and provisions that have been implemented by the Government of India for the workers of construction sites. Due to poor implementation of such schemes, new policies and provisions are required. After thorough analysis and understanding of the bottlenecks in the existing policies, new recommendations have been made which can lead to increased productivity of labourers working on the construction site.

Introduction

Labor productivity is a crucial economic statistic that is strongly linked to an economy's economic growth, competitiveness, and living standards. The total volume of output (measured in terms of GDP) produced per unit of labour (measured in terms of the number of employed workers) during a specific time reference period is referred to as labour productivity. India's construction industry accounts for roughly 9% of the country's GDP. It employs more than 51 million people, making it the second largest employer after agriculture.

Commercial construction, residential construction, industrial construction, infrastructure, transportation construction, and energy and utility construction are the many types of construction industries in India.

According to the 2001 Census, interstate migrant workers account for 35.4 percent of all construction workers in the country's urban areas. Construction absorbs roughly 9.8% of all interstate migrants in India who leave the farm sector, making it the second most favored industry for migrant workers after retail. Furthermore, 26% of all households with migrant workers employed in the construction sector have at least three members, including at least two working adults of different genders, indicating nuclear families with children who might be seen as associational migrants in construction. The Jan Sahas Survey conducted at the beginning of

the lockdown (March 27-29, 2020), found that 54 per cent of construction workers support three to five people, while 32 per cent support more than five people.¹

Increased construction activity in India's rural sector has resulted in more individuals working in the construction sector rather than the services or industrial areas. The vast majority of the almost 12 million net additions to the employed workforce in January 2022 are assisting rural India in the construction of dwellings and roads. The construction and real estate sectors in rural India employed more than 8.23 million people in January, according to figures from the Center for Monitoring Indian Economy (CMIE). In urban India, the labor-intensive construction sector recruited only about 350,000 people. Following the pandemic, a major trend has emerged: more people returning from the cities are now working in the real estate and construction industries. Individual building construction, repairs of existing houses and structures, and rural road development are all contributing to the rebound in real estate and construction activities in the rural sector.²

Over the course of five years, employment in India's real estate and construction sector fell by 25% to over 54 million people in fiscal year 2021. This was also a 12 percent decrease from the previous fiscal year's employment data. The recent coronavirus outbreak, as well as long-term difficulties such as inventory pileups, delivery delays, and developer failures, have all contributed to the drop in employment.

State of labourers in the construction sector.

Numerous challenges are faced by the labourers working in the construction industry. The state and working circumstances of construction workers are a key source of concern. The construction industry brings up certain important issues such as working conditions, recruitment patterns, migration, and exploitation cycles.

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<https://www.downtoearth.org.in/news/governance/india-s-migrant-construction-workers-an-analysis-of-their-welfare-framework-79551>

2

<https://www.livemint.com/industry/infrastructure/construction-fuels-jobs-revival-in-rural-india-cities-struggle-11612718038800.html>

2.1.Labour recruitment conditions.

Legal procedures such as government tenders, legal contracts, and supervision are involved in building projects, yet labourers are employed on a fairly casual basis. Finding labourers to work on building projects is handled through middlemen. Contractors might use middlemen to source cheap labour while earning a commission. Laborers enter into exploitative agreements with contractors due to a desperate need for work. Basic norm violations are common, and protective actions for workers are rarely taken.

The three sorts of labourers are unskilled, skilled, and specialised labourers. The majority of the labourers are not registered with the Labour Commission and thus have no legal rights. In the event of an injury, workers are not entitled to compensation. Whenever a construction worker dies, his family is not cared for. New migrants cannot readily gain access to the labour market unless they use middlemen's exploitative methods.

2.2.Delayed payments to workers.

Workers on construction sites are in urgent need of work in order to provide for themselves and their families. One of the few key reasons why they work on construction sites is for the money. However, they do not receive timely payment. Delayed wage payments by contractors or firms are caused by delays in projects affected by natural conditions such as the rainy season or water scarcity during the summer. Payment delays can also be caused by a lack of adequate process execution, personal financial benefits, and proper funding arrangements.

2.3.Workplace Injuries

Workers on construction sites are largely unaware of their own safety and well-being. Construction workers are not provided PPEs (Personal Protective Equipment) since they are not registered with the Labour Commission and enter the industry through contractors and middlemen. The majority of these workers are illiterate and unaware of the health concerns linked with their jobs. Because workers are unaware of their working hours, they are exploited and forced to work excessive hours, resulting in exhaustion and insufficient sleep. This causes disease and unwelcome injuries among the employees.

Construction sites have high rates of accidents due to a lack of understanding of construction-related hazards, a lack of supervision, human error, and a lack of sufficient safety training. Exposure to hazardous materials, electrical shock, being struck by moving equipment, falling from a height, vehicle accidents, fractures, burns, sunstroke, amputation, being struck

by heavy construction equipment, bruising, fainting, coma, and death are all common construction accidents and injuries.

2.4.Lack of Social Securities

The Building and Other Construction Worker's Welfare Board (BOCW)³ is critical in providing legal protection and social security to construction workers. The construction industry employs both formal and informal employees. The formal workers are registered with BOCW and thus have access to a variety of benefits. Because the informal migrant workers have not registered with BOCW, they are ineligible for any benefits. Because of their non-registered status, they are invisible to many stakeholders, who deny and exclude them. On paper, their invisibility makes them one of the most vulnerable workers

Cash support of Rs 2000 was approved by Maharashtra Cabinet for each registered construction worker during the first nationwide shutdown.⁴ Almost 12 lakh construction employees were benefited by this cash support amount in Maharashtra. They also had access to subsidised food under the "One Nation, One Ration Card" programme. In April, the Maharashtra government imposed severe restrictions in the state, similar to the previous year's lockdown, and granted construction employees with cash support of 1,500. However, during the massive devastation caused by the COVID-19 pandemic, a huge number of undocumented construction workers were denied such benefits. Permanent end of workspace, a lack of jobs, fear of contagion, and acute food scarcity have prompted people to panic and flee the city. Their expulsion was mostly due to their lack of registration and the improper application of labour rules.

2.5.Low level of payment

Minimum wage laws are routinely broken. Unskilled employees' wages in the NCR are found to be below the legally mandated minimum, while being greater than the prevalent rate at origin. Surprisingly, salaries in the unorganized sector are higher than in the organized sector. Actual working hours per day are frequently discovered to be higher than 8 hours—usually around 12 hours—increasing workers' daily compensation. However, instead of receiving a higher salary rate for overtime work, labourers are paid at the same hourly rate as normal. In the construction industry, there is no impact in terms of skill acquisition due to woefully inadequate provision.

Migrant workers' and their families' living conditions are appalling. Employers rarely take on other responsibilities and do not internalize the genuine expenses of recruiting labour, other than providing wage sustenance requirements for migrants and basic accommodation at the

³ https://legislative.gov.in/sites/default/files/A1996-27_0.pdf

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<https://economictimes.indiatimes.com/news/politics-and-nation/over-12-lakh-construction-workers-in-maharashtra-to-get-rs-2000-each/articleshow/75221175.cms?from=mdr>

sites. There is no provision for youngsters accompanying migrant workers and their families at work sites. The per capita daily consumption expenditures of skilled and unskilled migrant workers are Rs38 and Rs55, respectively, putting them marginally above the official urban poverty level of '32 per day declared by the Planning Commission in 2009–2010. This is associated with the living standards of migrant workers in the construction industry, particularly those employed as unskilled workers, who make up the majority of the working population.

5 **Factors affecting productivity of labourers.**

One of the primary factors influencing project performance in the construction industry has been identified as labour productivity. Productivity, which is linked to labour performance, is one of the most important elements affecting the construction industry's growth. The following are some of the factors that have a significant impact on labourer productivity:

1. Low level of skills and experience - Because the majority of the workers on the building site are illiterate and without prior experience or formal abilities, they are unable to create value.
2. Inefficiency is caused by a lack of abilities. There are no formal training or skill development sessions scheduled. Certain government initiatives, such as the Pradhan Mantri Kaushal Vikas Yojana (PMKVY), Rozgar Mela, and Capacity Building Schemes, have been created to promote skill development. However, a lack of awareness of such programmes among construction site workers, as well as limited access to these programmes, is a major factor in the construction industry's diminishing prolificacy.
3. Low wage rate and payments- Wages based on the amount of work completed by labourers serve as an incentive and motivation to increase productivity. Workers continuously put in more effort in response to greater compensation, according to efficiency wage theory. Providing minimum wages to workers, makes sure that they are likely to stay in the business, increasing their chances of getting more experience and thereby upgrading their skills.
4. Poor health conditions-Many workers suffer from bad health as a result of recurrent building site risks and continual exposure to allergens, preventing them from contributing to the manufacturing process. The lack of social programmes and plans to protect the health of construction workers exacerbates the problem.
5. Lack of labour safety-Safety measures that are followed correctly can save lives, decrease accidents, reduce downtime, and boost productivity. The workers will continue staying in the same factory or industry only if they feel that the working conditions are comfortable. Poor safety facilities can lead to poorly managed workers, who are then less motivated, resulting in inefficiency.

⁵ <http://www.ihdindia.org/1.pdf>

6. Poor Equipment Control-When needed tools and equipment are unavailable or malfunction as a result of inadequate control and management, workers' morale can suffer as they are unable to accomplish their work on time. This can result in a drop in overall growth and production.

Government Programmes and Schemes

1.Contractual Provisions for Delayed Payment

If the Contractor is not paid in accordance with Sub-Clause 14.7 [Payment], the Contractor is entitled to interest compounded monthly on the amount not paid during the time of delay. Unless otherwise specified in the Particular Conditions, these financing charges will be computed at a three-percentage-point annual rate above the central bank's discount rate in the country of payment and paid in that currency.

Without formal notification or certification, and without prejudice to any other right or remedy, the Contractor is entitled to this payment. In the event that the Employer defaults, the Contractor is entitled to increase financing costs without having to produce any official notification or confirmation. In addition to the foregoing, the contract gives the contractor the authority to interrupt or reduce the rate of work if payments are late. If the contractor considers that the situation requires drastic steps, he or she has the right to terminate the contract.

2. The BOCW Act, 1996

Specific to construction industrial operations that may or may not fit within the concept of "manufacturing" as defined by the Factories Act of 1948, The BOCW Act, 1996 was enacted for building and construction workers in India on August 20, 1996, with the goal of protecting them from the high danger of death that comes with construction, alteration, rectification, maintenance, repair, and demolition work. The purpose of the BOCW Act and Rules is to regulate the working conditions of BOCW workers and to provide for their safety, health, welfare, and other concerns related to their job work, such as labourers' social safety.⁶

⁶ <https://blog.ipleaders.in/construction-workers-associated-labour-laws-compliance/>

3. Welfare Related Provisions

Every construction worker (between the ages of 18 and 60) who has worked on a building or other construction project for at least ninety days (90) in the previous twelve months (12) is eligible to sign in as a recipient. Every such building worker who has been registered as a beneficiary is entitled to receive benefits (such as reimbursement of medical expenses, maternity advantages educational benefits to children, payment of pensions, free medical care, and financial assistance in the event of an accident, among other things) from the welfare fund managed by the BOCW's Welfare Board, which was established under the provisions of this Act. With the assistance of the appropriate government, this revenue is collected in the form of a 1-2 percent welfare cess from enterprises employing 10 or more workers and having projects costing more than Rs 10 lakh.⁷

4. Skill Development Programmes

Construction Sector Development Council (CIDC) was established by the Planning Commission of India, now Niti Aayog, in collaboration with the Indian construction industry. For the first time in the country, the Council provides the incentive and organizational infrastructure necessary to increase industrial quality standards. This contributes to government, industry, and peer groups in society appreciating the interests of the construction industry. Increased awareness of the importance of quality and safety has resulted in persistent and ongoing initiatives to improve employee skills.

Barriers involved in improving productivity of the labourers

1. Inadequate information and organization: Collective bargaining is harmed by an inconsistent level of organization. Most construction workers in MSEs are not organized, whereas construction workers in major enterprises are. Furthermore, many construction employees, particularly those with a low level of education or migrant workers, are uninformed of their rights.

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https://www.upbcw.in/english/staticpages/act_rules5.aspx#:~:text=Every%20building%20worker%20who%20is,Other%20Construction%20Workers'%20Welfare%20Fund.

2.Lack of implementation and management: Because of their considerable mobility, it is often difficult for labour administrations to locate workers, follow up on their participation, and assure compliance with the plan. Furthermore, the complexities of subcontracting arrangements make establishing an employment relationship more difficult.

3.Administrative barriers: Due to the nature of the construction industry, employers and employees lack the capacity to deal with complex and time-consuming administrative procedures. When construction employees shift between sectors of the economy, their problems are amplified. Individuals are put in difficulties due to such job mobility, especially if the government has the capacity to track these changes.

4.Legal exclusion: Construction employees may be specifically exempt from labour and social security legislation (for example, the self-employed). Furthermore, legislative frameworks include minimum thresholds for company size, duration of employment, working hours, and salary, which can effectively exclude workers who do not satisfy these minimum standards, such as seasonal or casual workers. They may be denied access to social security programmes as a result of their exclusion, which has a severe impact on productivity.

Recommendations to improve labour productivity.

Given the strong link between compensation and productivity, it is critical for government policy to seek to increase productivity among workers, particularly low-wage workers. Workers must have policies in place to improve their skills and access to training. Earnings subsidies should be increased to encourage more individuals to work. Labor market laws that create impediments for workers and limit the quality of employment matches should be eliminated.

Expansion of Skill Development Programmes

- Construction workers in India continue to be trained by traditional master artisans due to a lack of an institutional structure for skill formation. As a result, if the sector is to capitalize on future growth potential, skill development programmes must be extended.

- A policy initiative that aims to provide training to persons interested in entering the construction sector, filling the skills gap and making them site ready, must be implemented.
- In order to make the entrants site ready and skilled as early as feasible, training centers should be established near construction sites or within construction development sites.
- The worker should be offered financial aid during this training period.

Machinery for Registration of Workers-

- Every state should assign a Unique Identification Number to registered BOC workers and upload complete details of the registered workers and their families, as well as the status of registration and renewal, to the State web portal and the National BOCW Portal, so that it can be accessed by other states.
- This would make welfare payments more portable.
- The BOCW board has the authority to select officers at the local/municipal/panchayat level to register BOC workers in their jurisdiction.

Health and Maternity related provisions-

Workers' productivity might be boosted by looking after their health and social security advantages. These advantages also serve as motivators for employees. BOC employees must be given the following:

- (i) In the case of major disorders listed by the Ministry of Health & Family Welfare, reimbursement of expenses up to a prescribed amount.
- (ii) Paid maternity leave for registered construction workers for up to two deliveries, ranging from 90 days to 26 weeks.
- (iii) Rs.6000 per delivery for up to two deliveries to the registered construction workers' wives, in addition to any other benefit received from any Government Scheme in this regard.

Awareness Programmes-

It is highlighted that rather than advertisements in newspapers or on television, promoting awareness of the welfare systems for construction site workers should be done through grassroots awareness campaigns. The precautions listed below should be taken in this regard:

- (i) Advertisements and videos of benefit schemes should be broadcast on workers' smartphones.
- (ii) Workers' mobile phone numbers should be recorded so that they can be notified about welfare schemes, registration procedures, and other important information on a regular basis.
- (iii) In rural regions, painted awareness messages on the walls of government buildings should be used instead of printed advertisements because they are more lasting.
- (iv) Employers may engage in public relations initiatives.

Incentive Compensation Program

Incentive compensation systems are mostly used to boost employee efficiency and productivity. As a result, the construction sector must implement an incentive scheme that functions as motivation, resulting in increased labourer efficiency.

A yearly incentive programme can be implemented that provides monetary or in-kind rewards for achieving particular goals.

Spot awards may be given to labourers who make exceptional contributions to a work or project.

Conclusion

As a result, productivity becomes the highest criterion for profitability and, as a result, the key to construction industry investment. Despite the government's various schemes and programmes for the benefit of construction workers and labourers, the majority of these schemes fail to reach their target groups and beneficiaries due to inadequate implementation and planning. Workers' understanding of their legal labor-related rights is quite limited. The expansion of legal protection to construction workers must be accompanied by additional measures to guarantee that the rules are effectively implemented in practice.

Adjusting registration systems and other administrative procedures, expanding access to social protection, and adapting labour inspection mechanisms in the construction sector are all possible additional approaches. It is also vital to educate workers and employers in the field on the need for social protection, as well as current programmes and how to access them. Construction companies must monitor labour productivity by implementing schedules for material procurement, safety programmes, motivating systems, and regular meetings with project managers.

