



# Solution Pre-Requisites for Construction Labour's Problems in India

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## ABSTRACT

Construction is basically a manufacturing process, in which product is immobile. Among the four factors of production the labour is a mobile and living factor. Although the construction technologies are changing day by day but in India traditional method of construction are still being used. In the construction process labour is the only factor having minimum bargaining power. The construction workers who depend on city labour market face the most serious problem of lack of continuous employment, inadequate wages and absence of social security. If an individual or any agency can help the construction worker in this direction, will be great contribution to the cause of labour as in construction industry entrepreneur or builder hardly pays any attention to the any of the problem faced by labour. In this paper problems faced by construction worker and possible existing feasible solution, have been highlighted. This paper gives an insight on the issue of construction labour economics and provides base knowledge for the solution.

**KEYWORDS :** Construction labour, Laboureconomics, Wages, Constructionentreprise

**1.1 Introduction** In any production process labor can be seen as one of the factor of production. Labour, cost which constitutes a major portion of construction cost not only generates income by way of payments for services rendered but also consumes the output. Therefore, basic knowledge of labour economics is necessary for the proper utilization, growth and development of human resource in construction industry.

In the strategic planning of human resource our primary concern is the wages paid. The wage rate is primarily determined by the forces of demand for and supply of labour and tends towards equality in each labour market. The free movement of labour from lower wage market ultimately results in a ruling wage rate. This very phenomenon optimally allocates labour resources to various occupation, industries and regions in an economy. Therefore, it can be said that economics of labour is broadly a set of principles of economics, which emphasizes operation of market forces. In India construction labour market is not guided by institutional framework. To develop any long term solution to hardships of labour, a thorough understanding of problems of labour and functioning of labour market is necessary. The major problems faced by construction worker can be summarized as under

- (1) Lack of continuous employment
- (2) Poverty
- (3) Poor working and living conditions
- (4) Unorganized
- (5) Remote location of sites
- (6) Poor legal literacy
- (7) Poor bargaining power
- (8) Ignorance of potentialities
- (9) Prevalence of occupational disease
- (10) Premature aging and low life expectancy
- (11) Lack of financial support during illness
- (12) Fatal accidents at sites
- (13) Liquor consumption

The list can be an exhaustive one. When one starts thinking of solution the very first question arises from where to start, author feels that a thorough understanding of labour market is necessary for any solution finder.

**1.2 Understanding the labour Market** The concept of labour market has varied interpretations but there is a general agreement that it balances the forces of demand and supply in any economic activity. Understanding of labour market involves knowledge of behavioral patterns of employers and workers. This approach has three significant features.

- (1) The construction labour market works as a platform for allocating human resources to various construction activities and fixes the price at which such resources can be employed.
- (2) The behavioral attitude of employer and worker implies uneven rates of adjustment in the market forces, which are specific to an organization, individual, industry, in a region.

- (3) The short run unbalances in the supply and demand forces require an active manpower policy to develop a committed labour force for the smooth construction activity

Theoretically demand for and supply of labour simultaneously determine the wages and employment of labour but in reality many factors influence the fixation of wages and employment. After understanding labour market, the next understanding needed is of wage concept.

The formal models of labour market can be represented by Fig 1.1. On inspection we find that pattern of curve is almost same in all types of markets only slope of the line changes.

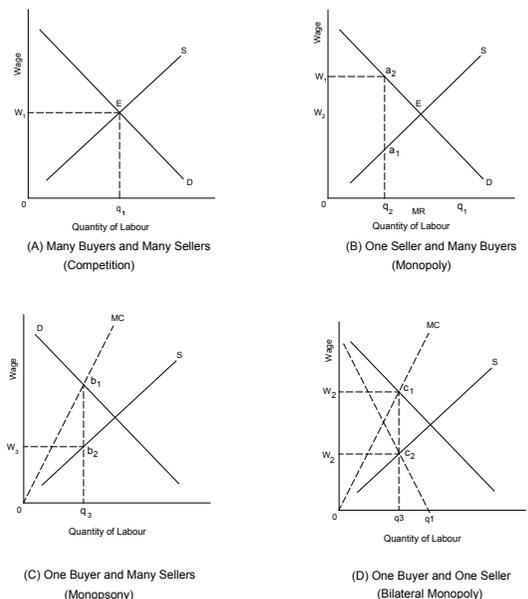


Fig 8.1 Wage and labour supply relationship in various types of market

## Fig 1.1 Wage and Labour Supply Relationship in Various Types of Market

### 1.3 Inherent Nature of Construction Labour:

First, construction worker are ordinarily short sighted and do not understand the long term implication of any decision. Second, the construction worker may be skillful but may be lacking in analytical ability.

Third, if the labour has land holding in village, they practice dualism in employment. If they do not report to their native village in harvesting

season, they will lose income in agriculture produce.

Fourth they do not bother for any obligation rendered on them, in form of financial help or service in the hour of crisis e.g. during illness.

Fifth construction worker form a temporary organization at the site they work and after completion of the project they move in different directions where they get new opportunity. Hardly have they ever met the old contractor or owner. The third understanding needed is of strategic human resource management in construction industry.

#### 1.4 WAGES DETERMINATION

Wage fixation had been a problem for the managers and state both. At micro level, institutional and market variables determine the terms and condition of employment. In entire labour economics the wages is the most critical issue. Adequacy of wages is an everyday problem for managers. To deal with this problem, one needs thorough insight in wage concepts, criteria and basis for wage determination, the components of wage payment, and the methods of wage fixation.

#### 1.5 THE WAGE CONCEPTS

If we trace the wage concept of colonial rule, we recall that a piece of land called feud was given to the labourer in lieu of wages. Another way was paying the wages by cash. However in under developed countries like India where labour may be available on the state of starvation wages, but such acts can not be encouraged or favoured in democratic welfare state. Thus such situation leads to intervention of state and Supreme Court, which ensures minimum wages to a labourer. A number of laws and programme are there to protect the labour from such exploitations but because of poor implementation, the true spirit of the law has to be realised.

##### 1.5.1 THE MINIMUM WAGES

Minimum wages has legal implication. It is the lowest wage limit, which cannot be allowed to sink in all humanity. This is the bare minimum wages, which is essential for the subsistence. If an employer cannot maintain his enterprise without slashing the wages of his employee below than the subsistence or minimum wage, he has no right to conduct his enterprise on such terms. When the company is capable of paying minimum wages then the wage paid over and above is called fair wages.

##### 1.5.2 THE FAIR WAGES

As per the principle of fair wage the amount paid should be sufficient enough to provide a living standard, to a family with food, shelter, clothing, health care and education to children appropriate to the work man but not at rate exceeding his wage earning capacity in the group of establishment to which he belongs. Thus it can be concluded that fair wage has a relationship with earning capacity and workload. Now any wage paid over and above the fair wage is called living wage.

##### 1.5.3 THE LIVING WAGE

Living wage means a wage in which worker can live over and above the basic need with frugal comfort enjoying leisure, old age benefits and coverage during evil days. Thus living wage is goal, which a workman desires to achieve. It is a really difficult task to fix the living wages. The upper limit of living wage will also depend upon the capacity of industry.

##### 1.5.4 CAPACITY TO PAY

The maximum possible wages, which a company can pay, is called a capacity to pay. This capacity depends not only on the present economic position of the industry but also on its future prospects. The real wages will depend on following factors.

- Productivity of individual labour
- Prevailing wage rate in the same or similar occupation in same or neighboring area.
- Distribution pattern and level of national income.
- Place of the industry in the economy of the country.

#### 1.6 CRITERIA FOR THE WAGE DETERMINATION

In a manufacturing unit, profitability trends of any company over a period of time indicate firm's paying capacity. This also depends on competition faced by the company in the market and company's future plans. The ratio of net profit to net worth, capital investment and the share of the market held by the company are the overall pointers.

Construction worker market, fall in category of pure market condition. In construction industry technology nature of job in hand, technology used, wage cost to total cost of production or productivity guides the wage paying capacity of employer.

Labour productivity in quantitative terms can be defined as statistical ratio of output to labour input. It includes all factors like labour, capital and technology to the final output. Labour input has direct impact on productivity but it cannot be considered as sole impact of labour effort. Thus productivity is a useful pointer but it cannot be considered as a major instrument or only factor for the wage determination.

As rise in consumer's price index is a pointer of rising cost of living and a fall in the purchasing power of money leading to lowering of living standard. So rising prices or inflation directly affects wages of self employed persons.

Comparable wages in same or similar industries in the neighboring area can also be considered as criteria for wage determination. This criterion ensures that organisation is in a position to retain the employees within the context of labour market pressures. Individual labour and individual company or labour has no direct control over wages. Ordinarily two systems of wage payment prevail in construction industry one is called time payment or day work payment another is piece rate or item rate basis.

#### 1.6 Solutions

Problems of construction worker can be solved at three levels stated as under

- (1) At government level
- (2) At community level
- (3) At individual level

The government initiates any programme by making law. The law which covers construction labour are as under.

- (1) Contract Labour (Regulation and Abolition) Act 1970
- (2) The Interstate Migrant Labour (Regulation of Employment and Condition of Service) Act 1973
- (3) Building and Construction Workers (Regulation of Employment and Condition of Service) Act 1996
- (4) Building and other Construction Workers Welfare Cess Ordinance 1996

It is not much difficult to make a law the question arises about the extent of implementation of law. In this regard the efforts of Maharashtra Government is commendable. They are pursuing the system of tripartite welfare board by collecting a cess of 1 percent of material cost of construction to provide health insurance and other benefit to construction workers.

Taking cognizance of importance of construction industry, The planning commission and Govt. of India have jointly formed Construction Industry Development Council (CIDC) which started functioning in 1996

NGOs have also started working for the welfare of construction worker, glaring example is facilities offered by Mumbai Mobile Creches which provides facilities to children of construction worker at site.

At individual level, a change in thinking of house owner and builder is also taking place. They are also offering helping hand in the hour of need but a lot is to be done in this direction.

#### 1.7 Conclusion

Labour cost constitute in building construction work around 35%. A strategic human resource planning is necessary along with materials management planning to optimize the cost and complete the project on time. The practice of holding the earned wages to retain the labourer has to be discouraged and abandoned, after all construction labour does herculean task and remains poor. In this direction ILO has issued a clear cut guide lines to member states to adopt minimum wage policy as way of reducing working poverty and provide social protection for vulnerable employees. Minimum wages should be fixed on the basis of basic needs of worker along with level of productivity with objective of long term employment.

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