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MANAGEMENT OF LABOUR ONLY CONTRACTS IN THE NIGERIAN CONSTRUCTION INDUSTRY: BASIS OF AWARD AND EXECUTION

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ABSTRACT

Globalisation, the down turn in the economy, with the resultant lean economic resources in Nigeria have led many clients, to adopt the labour-only contracting system as a means of saving cost. This is not only for piecework's such as alteration and refurbishment, but for the construction of new projects.

The paper focused on the management of the labour-only contracting system by examining its method of planning, organization, control, coordination and implementation. The scheduling of the resources were also examined. Performances were monitored in the area of cost, time and quality. Opinions of the parties involved consisting of clients, contractors and consultants were sampled.

Selective sampling procedures were adopted for the targeted population. The data collected were analyzed using descriptive statistics.

From the analysis, the paper concluded that the system is becoming an increasingly prominent feature of the construction labour market. The success largely depends on the cooperation between the parties involved.

The paper also revealed that the system is innovative and cost effective, but it could be confrontational, complex and uninspiring. When there is a breach of contract, this could result into delay and cost over-run.

Keywords: *Globalization, lean economic, labour only contracting system, procurement methods, pieceworks.*

INTRODUCTION

Labour only Contract, as a procurement method, is one of several terms which are widely used to describe work arrangement, which do not fall within the traditional understanding or definition of employment. (International Labour Organisation Conference, 1997).

According to International Labour Organisation, "Labour Only Contract" should mean work performed for a natural or legal person referred to as a "user enterprise" by a person (referred to as a "contract worker"), pursuant to a contractual arrangement other than a contract of employment with the user enterprise, under actual conditions of dependency on or subordination to the user enterprise, where these conditions are similar to those that characterize, an employment relationship under national law and practice.

In a labour only contract, the client prepares and provides all materials for the execution of a project and then invites a builder to carry out labour only construction on the project. The contractor is often allowed to purchase consumables. There are grey areas as to who hires or rents plant for the works. The client may choose to carry out this aspect or he may leave it to the contractor.

Surveys of national law and practice on the use of labour only contract reveal that there are two consistent elements which must be present for a work arrangement to be a contract labour situation. Firstly, there should be a contractual arrangement under which a worker undertakes work for a person or organization other than under a contract of employment. In other words, there is an agreement to perform work but the worker is not employed by the person for whom he/she performs the work. Secondly, there should be some element of economic or organizational subordination or dependency between the worker and the person for whom the work is performed. It is clear that labour only contract is not an employment relationship but neither is it a commercial arrangement.

Clients readily embrace labour only mode of procurement because it affords them the opportunity to control the quality of materials used. Moreover there is the general feeling of achieving savings through trade discounts obtained from bulk purchasing. Taking the materials components out also demystifies unit-rate pricing. The client is able to appreciate what he is paying the contractor better.

It is a common knowledge that labour factor is one of the most predominant factors in the construction production process, without which the process cannot hold (Onolemhen, 1990). Therefore in managing labour only contract, for the contractor to successfully achieve his objectives, his ability in labour management is of immense importance.

CLIENT'S PERFORMANCE CRITERIA

The performance criteria considered by clients vary based on the types of clients and what they think matter most to them when executing projects.

Some of the criteria considered when selecting procurement methods include the following:

Completion time – Is early completion necessary?

Flexibility – Are variations necessary after work has begun on site?

Certainty – Is completion on time necessary?

Technical complexity – Does the project require a high level of structural or mechanical services or other complexity?

Quality – Is high quality important?

- **TIME**

Time is an important factor with construction projects. Generally the more time spent on a project the more money is incurred on overheads. Moreover for commercial projects where early completion is desired delay translates into loss of earnings.

- **PRICE CERTAINTY**

Another important criteria is cost. It is believed that some procurement methods far better in guaranteeing the final cost of project than others. Procurement methods that discourage variations during the construction stage like design and build should rank well in this regard.

- **QUALITY**

Apart from time and cost, another important criteria is quality.

Sidwell (1984) pointed out that quality was a difficult variable to define. However he proposed that it should be seen as a need for client satisfaction with architectural excellence, standard of finish and utility.

Naoum and Langford (1990) also expressed the view that the quality of construction was difficult to compare because it is difficult to define. However they measured it subjectively as the function of client satisfaction in respect of quality.

- **TECHNICAL COMPLEXITY**

Some projects are more complex than others especially when viewed from the perspective of the level of mechanical, structural or other complexities involved. Usually complexity and size go together and it may require the use of different specialists appointed by the client to carry-out construction work.

- **FLEXIBILITY**

Some procurement methods have in-built in them the facility with which the client can order changes during the design and construction stages and hence create some degree of flexibility.

Other selection factors or criteria which may be influential in determining which procurement method to use are:

Conflict reduction – the extent to which litigation is avoided or reduced

Reliability of original price

Buildability

Maintenance cost

Cost-in-use

Single-point responsibility

Finance

Risk – amount of risk to be borne by client and contractor.

MANAGEMENT

Management generally can be defined as the art and science of planning, organizing, controlling, coordinating, motivating, communicating and forecasting in order to achieve a predetermined and real objectives or set of objectives.

For construction site, management can be defined as the effective utilization of resources available in the construction industry such as:-

Men

Material

Machine

Money and Method.

In order to realize a project at Optimum cost and within a reasonable time frame.

But to have a proper project management, it entails some management functions which are concerned with planning, organizing, communicating, coordinating, motivating, forecasting and controlling key activities connected with and related to actualization of the project and with utilization of the resources mentioned above.

THE MODEL OF MANAGEMENT COMPONENT IN LABOUR ONLY CONTRACT

The importance of the four defined components (planning, organizing, coordinating and controlling) of management and the apparent interdependence among these key components necessitate the need to develop a model for this study, in view of the numerous problems besetting the labour only method of procurement. This method defines the nature of the relationship among these vital components and shows how they all influence the management of labour only contract. This model is as represented below.



Figure 1: Model Of Management Components In Labour Only Contract

SOURCE: Management of Construction Resources. Omotosho, S. T. (1999)

CONDITIONS WHICH FAVOUR LABOUR-ONLY BASED METHOD

Before a final decision is taken to implement labour-only contract, the following important factors must be considered:

Availability of Labour: The project manager (Client's representative) must determine in advance how many workers will be needed and for how long. A detailed programme of work must be drawn up. Copies of the programme of work must be distributed to sub-contractor, suppliers etc.

Designs must be "neutralized" Designs must be modified to suit labour-only based method. When projects are being formulated, those aspects of design, specification and contractual procedures must be defined in such a way that any bias is removed and alternative methods can be considered on a comparative basis.

Experience with labour-based methods will ensure good results: correct management techniques must be enforced so that large number of people may be effectively employed. The supervisory staff must be conversant with allocation of resource, manpower to a construction activity on a daily basis and defining the pre-measured activities to be performed by each gang in a measured time interval.

Transportation Facilities: Lateness and absenteeism can be substantially reduced by providing transport for workers to and from the site. The collection points and times when each group of workers are to be picked up should be communicated to the workers or their gang leaders.

First – Aid Kit On Site: First aid kit on site may save very serious situations. Such facilities which tend to improve the welfare of workers help to improve productivity.

Subsidised Meals: Subsidized meals for the workers may mean extra expenditure for the client or employer, yet in the end, workers may return from break on time. This also ensures that workers are well fed during the critical days of the month when most workers do not have money to buy food.

AIM AND OBJECTIVES OF THE STUDY

This study investigated the basis of award and execution of labour only contract through the following objectives:

Analyzes various methods of contract procurement

Examination of management of resources input (men, materials, money and machines) during execution.

Monitoring key performance measures during execution.

Identification of the factors affecting project execution/delivery under labour only contract from client's perspective, consultants, and the contractor.

Investigation of the basis of payment, the impact on both the client and the Contractor.

LITERATURE REVIEWS

2.1 PROCUREMENT METHODS

Ogunsanmi and Bamisile (1997), defined procurement method as the management of the total process involved in construction project delivery, that is the management of the design and production from inception to completion.

According to Mojekwu (1998), EL-Rufai (1992) and Ogunsanmi (1997) procurement methods that can be identified in the Nigerian construction industry include the following :-

the traditional method

the design and build

management procurement methods

direct labour

labour only.

