Labour & Work Conditions
IN THE SOUTH AFRICAN
Construction Industry
– Status and Recommendations –
LABOUR AND WORK CONDITIONS IN THE SOUTH AFRICAN CONSTRUCTION INDUSTRY; STATUS AND RECOMMENDATIONS

EXECUTIVE SUMMARY

Productivity has been deteriorating on construction sites due to labour unrest, leading to a negative impact on the cost and quality of construction as well as the livelihood and morale of workers. According to the Department of Labour’s most recent statistics, the number of strikes recorded in 2013 is more than the total number of strikes recorded in the previous five years, and represents an increase of 15.1% between 2012 and 2013. Wages, bonus and other compensation disputes remains the main reason for work stoppages in 2013, accounting for around 76.6% of working days lost with some of the longest strikes lasting for more than 60 days.

Given the important role of labour productivity and industrial action to workers and to the economy, government is playing an increasingly active role in mitigating the damages resulting from industrial action. It is against this background that the cidb has undertaken this review of Labour and Work Conditions in the South African Construction Industry. The aim of the study was to investigate the working conditions, labour productivity and factors that may influence productivity in the construction industry with a view of developing interventions that will help improve productivity and quality on construction sites. The focus of the study was on semi-skilled and unskilled workers in the contracting sector.

The study was based on secondary data and reports as well as collection of primary data using questionnaires and face-to-face interviews covering employers and employees. Further to this, detailed face-to-face interviews were conducted with employers to validate the results of the questionnaires and to develop an in-depth understanding of comments made during the survey.

The study notes that construction industry is an important employer of labour in South Africa – accounting for around 8% of total formal employment and around 17% of total informal employment. Around 70% of the labour employed in the construction industry is semi-skilled and unskilled. However, deteriorating labour productivity, arising from amongst others labour unrest, is having a negative impact on the cost and quality of construction, as well as on the livelihood and morale of the workers themselves.

The study then examines key factors affecting labour productivity, and notes that the dominant factors identified in the study influencing labour productivity are (i) industrial action and (ii) the negative impact of the Community Liaison Officers and Ward Councillors in public sector contracts.
Specifically, the most predominant type of strikes by number is unprotected strikes by non-unionised members, which can have a significant impact on the project profitability. On the other hand, the largest number of worker days lost is associated with protected strikes. Legal, union initiated strikes are usually more protracted leading to significant production delays due to the number of man-days lost.

Unprotected work stoppages and labour issues are largely due to unrealistic community expectations or to other community based political issues – usually involving Community Liaison Officers (CLOs) and Ward Councillors. Furthermore, discrepancies in wages between members of same company affiliated to different unions operating together on the same construction site often leads to unprotected industrial action. Contractors did however also acknowledge that many of the unprotected legal actions could have been avoided by better industrial relations within the company or on the site.

The report notes that given the important role of labour productivity and industrial action to workers and to the economy, government is playing an increasingly active role in mitigating the damages resulting from industrial action. Charged with providing leadership in the construction industry, the cidb should, where appropriate, also seek to mitigate the impact of industrial action through consultations with relevant parties. Furthermore, it is noted that in the interest of enhanced value for money, public sector clients should encourage productivity improvements from contractors, and should procure from contractors that demonstrate satisfactory performance in managing issues that impact on labour productivity.

The report concludes with specific recommendations for the cidb and other parties to take forward, namely:

a) The cidb Standard for Contractor Performance Reports should be extended to include a contractor’s skill and commitment in managing labour productivity.

b) The cidb should develop a Standard for Contract Participation Goals to achieve uniformity and consistency in the specification of CPGs on public sector contracts.

c) The cidb Standard for Developing Skills through Infrastructure Contracts should be mandated and promoted on construction works contracts.

d) The cidb should expedite regulation amendments and implements best practice requirements requiring proof of good standing with relevant bargaining councils for prime contractors and subcontractors on public sector contracts.

e) The cidb should develop and promote a Practice Note defining the roles and responsibilities of CLOs and Ward Councillors on community projects, which must not encroach on the contractors’ employment relationship with his employee, and the client’s role in promoting these objectives.
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LABOUR AND WORK CONDITIONS IN THE SOUTH AFRICAN CONSTRUCTION INDUSTRY; STATUS AND RECOMMENDATIONS

1. BACKGROUND AND INTRODUCTION

1.1 Background and Objectives

Deteriorating labour productivity, arising from amongst others labour unrest, is having a negative impact on the cost and quality of construction, as well as on the livelihood and morale of workers themselves. According to the Department of Labour’s most recent statistics, the number of strikes recorded in 2013 is more than the total number of strikes recorded in the previous five years, and represents an increase of 15.1% between 2012 and 2013. Within South Africa, across all sectors, about R6.7 billion in wages were lost in 2013 due to the participation of workers in strikes. Wages, bonus and other compensation disputes remains the main reason for work stoppages in 2013, accounting for around 76.6% of working days lost with some of the longest strikes lasting for more than 60 days.

Industrial action, and in particular in the mining sector, has had a negative impact on the economy and investor confidence. Industrial action has also resulted in job losses, and economist Roelof Venter has estimated that Cosatu has had a direct and indirect role in the destruction of around one-million jobs in the South African economy over the last five years.

Of concern is that strikes have recently been characterized by violence and intimidation, which Gordon Angus, industrial relations executive at SEIFSA has attributed to “a lack of progress in education and upliftment, and the attitude and views of workers”.

Given the important role of labour productivity and industrial action to workers and to the economy, government is playing an increasingly active role in mitigating the damages resulting from industrial action. It is against this background that the cidb has undertaken this review of Labour and Work Conditions in the South African Construction Industry. The aim of the study is to investigate the working conditions, labour productivity and factors that may influence productivity in the construction industry with a view of developing interventions that will help improve productivity and quality on

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construction sites. The focus of the study is on semi-skilled and unskilled workers in the contracting sector.

1.2 Study Methodology

The study undertaken was based on a desktop study of secondary data and reports as well as collection of primary data using questionnaires and face-to-face interviews. The study was conducted in three distinct phases covering the respondent categories of interest namely employers and employees. Further to this, detailed face-to-face interviews were conducted with employers to validate the results of the questionnaires and to develop an in-depth understanding of comments made during the survey. These face-to-face interviews were conducted as a detailed interview with representatives of companies that had experienced major unrests on their sites resulting in significant time delays.

i) Employer Survey

To investigate the employer’s adherence to legislated employment conditions and their perception of worker productivity, an electronic survey was sent out to all contractors registered on Grades 2 to 9 on the cidb Register of Contractors. About 9,000 questionnaires were e-mailed to all active Grades 2 to 9 contractors using the e-mail addresses registered on the cidb database. 2,500 questionnaires were opened, 600 returned blank and 131 were completed in full. 20% of the respondents were on cidb Grades 7 to 9, 22% in Grades 5 and 6, and the remaining 50% in Grades 2 to 4. This profile of contractors surveyed is representative of the distribution of contractors on cidb Register of Contractors. The client base of the majority of these contractors surveyed was public sector clients at national, provincial and municipal level.

ii) Employee Survey

The second phase of the study comprised of face-to-face interviews with employees on construction sites. Briefly, a questionnaire covering the areas of interest was developed and piloted in the Gauteng Province. A team of interviewers was then trained and deployed into the provinces. A sample of 700 employees was selected by convenience sampling in the nine provinces. After obtaining permission from the employers, the employees were interviewed at their places of work. At least four employees were interviewed per construction site. The interviews were conducted with employees of both prime contractors and subcontractors, in formal employment contract and workers in informal or short duration contract.
iii) In-depth Interviews

In-depth interviews were conducted with three selected contractors in Grades 7 and 9. The contractor selection was based on reported labour unrest on construction sites and significant reported work stoppages. The purpose of the interview was to validate the survey results and get an in-depth understanding of the causes and consequences of labour unrest on construction sites. The interviews were conducted at the company premises with the company executive in charge of human resources and industrial relations, site-based supervisory personnel or company owner. The data from the interviews are used to validate the survey results.

1.3 Structure of Report

The structure of the report is outlined below:

- **Section 2** presents a context for assessing productivity in the construction industry, including construction output and employment, and resulting macro-industry productivity. Section 2 also includes an overview of industrial action in the construction industry and comparisons with other economic sectors.
- **Section 3** unpacks labour productivity in the industry, including employment conditions, recruitment practices, employee benefits, training and skills development, unionization and collective bargaining and industrial action.
- **Section 4** presents a synthesis of the study, together with recommendations for the cidb and other parties to take forward.

1.4 Acknowledgements

The cidb acknowledges the cidb registered contractors that completed the email surveys and the employees that participated in the face-to-face interviews. A special word of thanks is also extended to the contractors and industry associations that provided the time for and the valuable insights in the face-to-face interviews.
2. **Productivity in the Construction Industry; An Overview**

2.1 Employment in the Construction Industry

The construction industry is a significant employer in South Africa. This is illustrated in the figure below, in which the total construction works spend is shown in real terms (2010 Rands), together with the total formal employment obtained from the quarterly labour force survey\(^5\) (QLFS). It is seen that the total construction works spend in 2013 amounted to about R262 billion in 2010 Rands (or R310 billion in nominal Rands), and currently employs around 820 000 people in the formal sector. The informal sector currently accounts for a further 340 000 jobs.

By comparison with other industry sectors, construction works accounts for around 8% of total formal employment and around 17% of total informal employment.

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Contribution to Formal and Informal Employment (Non-Agriculture)

The contribution of construction works industry to total employment in 2014 in absolute terms is shown below. Note that in addition to construction works, further substantial employment is created in the materials manufacturing and supply sector, as well as in the services sector.

The construction industry is an important employer of labour in South Africa – accounting for around 8% of total formal employment and around 17% of total informal employment.

An estimate breakdown of the labour force profile in the contracting sector as obtained from the Workplace Skills Plan submissions and the CETA database\(^6\) is given below.

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Around 70% of the labour employed in the construction industry is semi-, low- and un-skilled.

<table>
<thead>
<tr>
<th>Occupational Major Group</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>10%</td>
</tr>
<tr>
<td>Professionals</td>
<td>8%</td>
</tr>
<tr>
<td>Technicians and Associate Professionals</td>
<td>10%</td>
</tr>
<tr>
<td>Clerical Support Workers</td>
<td>4%</td>
</tr>
<tr>
<td>Service and Sales Workers</td>
<td>1%</td>
</tr>
<tr>
<td>Trade Workers</td>
<td>19%</td>
</tr>
<tr>
<td>Plant and Machine Operators and Assemblers</td>
<td>21%</td>
</tr>
<tr>
<td>Elementary Occupations</td>
<td>28%</td>
</tr>
</tbody>
</table>

It is seen that the semi-, low- and un-skilled occupations of Trade Workers, Plant and Machine Operators and Assemblers, and Elementary Occupations account for around 70% of the total construction workforce. Of interest is that the construction worker skills profile aligns with the median skills profile of the country, namely 46% of the workforce is semi-skilled and 29% of the workforce is low- and un-skilled. The construction sector is a significant contributor to employment and job opportunities in the semi-, low- and un-skilled sector.

2.2 Productivity Trends in the Construction Industry

A formal assessment of productivity in the construction sector is produced annually by ProductivitySA – although it is stated at the outset that the data and interpretation must be treated with some caution. Specifically, productivity is defined as the rate at which work is performed, or the total output per unit of total input. At the component or site level, it is often difficult to compare or benchmark productivity, as production methods are usually non-standardised with each company using their own measurements. Moreover, in an industry with variable labour skills and experience as well as production methods, it is difficult to quantify productivity at an industry or national level.

In terms of labour, the ProductivitySA assessment is based on the Quarterly Employment Survey (QES), which only records labour employed by employers (contractors), and excludes employment by subcontractors. The Quarterly Labour Force Survey (QLFS) is however a household survey recording the employee’s view on the sector that the employee is working in. This distinction is important in interpreting the ProductivitySA statistics.

A comparison between the QES and QLFS is given below.

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The real output of contractors (normalized to 100 for 2005) is shown below, together with total employment. The real growth in output in the industry is clearly seen, with real output standing at an index of 154 in 2012, compared to an index of 100 in 2005. (See also the construction spend shown previously.) Significantly, the Quarterly Employment Survey (QES) shows a decrease in employment from a peak of around 800,000 in 1975 to around 420,000 in 2013 – which will translate into a substantial growth in productivity. It is postulated however that the differences between the QLFS and the QES employment data is due to subcontracting – which is not captured in the QES.
The real output of contractors together with labour productivity\textsuperscript{10} presented below shows that labour productivity has risen as real output has risen – even though the number of people employed in the construction sector has decreased compared to 1970. This shows that there has been a technical change\textsuperscript{11}, or progress in the construction sector. Most notably, the increase in productivity is likely to be due to increased sub-contracting and improved utilization of plant and equipment.

Note that according to ProductivitySA, labour productivity does not measure the specific contribution of labour as a single factor of production, it reflects the joint effect of many influences including new technology, capital investment, capacity utilization, energy use, managerial skills as well as the efforts of the workforce. The increase in labour productivity reflects that the joint effect of factors such as technology, capital combined with labour inputs has been positive.

Real earnings per employer and labour productivity are shown in the following figure – from which it is seen that real earnings per employer and labour productivity has almost doubled since 1970.

\textsuperscript{10} Labour Productivity is conventionally measured as a ratio of real output to labour input (ProductivitySA 2012).

\textsuperscript{11} Technical change is a change in the amount of outputs produced from the same inputs. Such change is not necessarily technological, it might be organisational, or the result of a change in a constraint such as regulation, prices or quantities of input (ProductivitySA 2012).
The year-on-year change in real earnings per employer and labour productivity is shown in the following figure. ProductivitySA reflects that in the construction sector, over the period 1970 to 2012, the average annual growth in real wages (2%) has been slower than labour productivity growth (2.6%). After around 2000, ProductivitySA shows a shift in the changes in the growth rates between real wages and labour productivity. For the period 2002 to 2012, the average annual growth rate in real wages was 6.4%, which was higher than the average annual labour productivity growth of 5.7%. This shows that real wages were increasing at a higher rate than labour productivity.
2.3 Labour Unrest

A comparison of labour unrest in 2013 across various economic sectors is given below, and shows that in terms of time-loss ratio (or working days lost per 1 000 employees) mining and agriculture contributed the highest losses to the total productivity losses across all economic sectors in 2013 – namely 40% and 29% respectively\(^\text{12}\). Construction contributed 8% to total productivity losses across all economic sectors arising from industrial action.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Working days lost</th>
<th>% Contribution</th>
<th>Time-loss ratio</th>
<th>% Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>64 442</td>
<td>3%</td>
<td>871</td>
<td>29%</td>
</tr>
<tr>
<td>Mining</td>
<td>515 971</td>
<td>28%</td>
<td>1 223</td>
<td>40%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>343 222</td>
<td>19%</td>
<td>193</td>
<td>6%</td>
</tr>
<tr>
<td>Electricity</td>
<td>3 232</td>
<td>0%</td>
<td>23</td>
<td>1%</td>
</tr>
<tr>
<td>Construction</td>
<td>250 243</td>
<td>14%</td>
<td>219</td>
<td>7%</td>
</tr>
<tr>
<td>Wholesale, retail trade</td>
<td>47 216</td>
<td>3%</td>
<td>150</td>
<td>5%</td>
</tr>
<tr>
<td>Transport</td>
<td>477 355</td>
<td>26%</td>
<td>135</td>
<td>4%</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>20 415</td>
<td>1%</td>
<td>229</td>
<td>8%</td>
</tr>
<tr>
<td>Community services</td>
<td>124 910</td>
<td>7%</td>
<td>6</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1 847 006</strong></td>
<td><strong>100%</strong></td>
<td><strong>3048</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

**Working Days Lost and Time-Loss Rations for Economic Sectors; 2013**

As a consequence of the labour unrest, total wages lost in 2013 amounted to R6,7 billion due to work stoppages\(^\text{13}\).


\(^{13}\) ibid
Recent Strike Action in the Construction Sector.

- **February 2012:** On 18 February construction workers at Benicon Company in Witbank embarked on a march to hand in a memorandum to the employer. The workers marched in pursuit of wage demand of 8%.

- **September 2012:** Two thousand construction workers belonging to National Union of Mineworkers at the Cecilia Makiwana Hospital went on an unprotected strike on 28 September. Workers embarked on a strike demanding up to a 60% wage increase.

- **November 2012:** A strike action took place at the Aveng Ginaker-LTA, a construction company in KwaZulu-Natal over a minimum wage demand. The workers were demanding a minimum wage of R4 000 whilst the company offered R15.40 per hour. On the basic increase, workers had put forward a demand for a 12% increase across the board whilst the company was offering 8.5%.

- **February 2013:** NUM members at Polokwane Bricks PTY LTD downed tools in February demanding an increase of R10 an hour on their current rates. The employer was offering R1.50 per hour. An agreement was eventually reached where a person who earns R5.50 an hour would earn R7.00.

- **March 2013:** From 13 March to 29 of April, NUM members employed by Corobrick went on strike demanding 34% salary increases while the employer was offering 7.5%. On 29 April parties agreed to a salary increase of 7.5%.

- **June 2013:** Workers employed by Rumdel Cape/EXR Joint Venture in Durban, downed tools at the road construction site alongside the Umgeni road, demanding a R12 000 project bonus. Metro police said they were trying to contain the protesters under the N2 bridge with the help of the Public Order Policing Unit after the situation went chaotic. One of the workers, who had been part of a handful of those protesting said they had had no joy regarding their unmet demands as they were being sent from pillar to post by SANRAL and Rumdel Cape/EXR Joint Venture. The protest called for angry commuters to abandon their taxi transport and to start walking to work.

- **June 2013:** On 7 June, both parties Medupi Kusile and ESKOM signed a partnership agreement at its Medupi and Kusile power station construction projects after an outcry for bonus pay.

- **August 2013:** Nationwide, NUM members in the construction sector downed tools on 26 August over a wage demand. The strike came after workers were demanding a 13% wage increase for the year 2013 and a 14% increase for 2014 whiles the employers tabled a 6% wage increase for 2013 and an inflation-linked increase for the next year. It is reported that about 90 000 members of the NUM did not report for work after negotiations with employers reached an impasse.

- **September 2013:** The South African Federation of Civil Engineering Contractors (Safcec) and the National Union of Mineworkers (NUM) on Monday signed a two-year wage agreement, ending prolonged strike action in the construction industry that halted major build programmes, including the Kusile and Medupi projects, as well as the Durban Port expansion project. The substantive agreement allows for a wage increase of 10% for employees in Task Grade 1 to 4 and 9% for employees in Task Grade 5 to 9.  

- **May 2014:** More than 450 workers at a Group Five project in Durban had gone on strike on May 26 for a R10 000 bonus and a three-hour reduction in their working day on Saturdays.

Source: Annual Industrial Action Report 2013. Department of Labour  
Unless otherwise identified

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The major cause of strikes in the industry is wage settlements with more than 95% of all strikes due to wage disputes. It has been suggested that the increased wage demands, in excess of inflation are attributed to perceptions of increased company profits, exorbitant executive pay scales, and the increased cost of living.

Other causes of labour disputes are working conditions, disciplinary action, grievances, and retrenchments. Members in trade unions have additionally attributed the recent strikes in the mining sector to the loss of trust, where members consider the trade unions to be working too closely with employers. It is important to note that wages and social conditions are recognized as significant causes of labour productivity and morale booster that are responsible for labour stability.
3. LABOUR PRODUCTIVITY IN THE CONSTRUCTION INDUSTRY

3.1 Overview

One of the most important resources affecting construction productivity is labour and prevailing labour motivation. Labour motivation is in turn depended on supervision and management practices, unionisation and labour union agreements, labour skills and past experiences, labour availability and trade specific factors as well as the type of technology used on the specific project.

Unionisation, labour union agreements and collective agreements are used to determine the social factors on construction sites, such as wage rates, working hours and conditions, site conditions such as the availability of rest areas and ablution facilities, health and safety provision, etc. Productivity is thus dependent on the degree of unionisation with many work stoppages that result in disturbance to productivity on construction sites usually attributed to labour unions.

Construction wages have been shown to generally increase faster than output (see Section 2.2) and therefore cannot be used as accurate predictors to estimate labour productivity. Wages are also dependent on skills supply and demand with wage rates higher in regions with low levels of skills and when the demand for the skills increases during periods of peak construction. In some instances it has been shown that during periods of high construction activity, labour productivity is negatively impacted as skilled labour constantly move between projects and never create the necessary rhythm for optimum productivity\textsuperscript{16}.

Wages are however accepted as a motivator for productivity with well-paying companies being able to retain more skilled, better experienced and productive staff.

Labour productivity is also dependent on the nature of work and the average time it takes to complete a given quantum of trade-specific work packages. This further depends on the equipment used as well as the competence of the person performing the task. In the construction industry, especially in civil construction overtime work and self-employment are normal among small and medium owner-managed companies. This makes it impossible to relate productivity to wages or time worked as self-employed contractors will work for as long as it is possible to complete their projects on time and move on to other projects. Productivity is, in this instance, related to the profit motives of the contractor.

Other labour specific factors that affect productivity in construction are the ratio of skilled to unskilled labour – where a dominance of skilled labour requires minimal supervision and produce better quality

work, and is therefore assumed to be more productive. Unskilled labour may require supervision that is more rigorous and hence delays in production.

Quality of products and labour productivity are commonly regarded as a proxy for workforce education, training and experience. Higher levels of education and training as well as longer site experience lead to better quality work with minimal supervision and therefore higher productivity.

- Labour innovation especially uptake of IT has driven productivity in other economic sectors but has not taken off in the construction industry that still relies on traditional labour intensive construction methods.
- Construction is regarded as having low productivity even where pre-fabrication is used as in most national measurement systems pre-fabrication of construction components is captured as manufacturing rather than construction

Other social factors that affect construction labour productivity are

- overtime, where long periods of overtime lead to worker fatigue, reduced mental acuity and morale;
- morale and attitude are affected by social conditions such as conflicts where workers share sites and equipment with other trades, poor site conditions, over inspection, and absenteeism; and
- absenteeism and high staff turnover.

Construction sites are temporary working areas characterised by minimal provision of social amenities. Section 43 of the Occupational Health and Safety Act\textsuperscript{19} (Act No 85 of 1993) legislates provision of safe and hospitable workplaces. These include the provision of sanitary facilities, drinking water, safe keeping facilities for storing clothes and other valuables, change rooms with adequate seating and dining rooms. It is assumed that the provision of these facilities renders a workplace hospitable and acts as a motivator to employees resulting in increased productivity.

In the survey undertaken for this investigation, when asked about their perceptions of factors that impact on the productivity of workers, the majority of employers mentioned wages (>70%) and transport (70%) as having the most influence. The figure below shows the factors that, according to employers have the most significant impact on worker productivity.

Employer Survey: Factors with a High Impact Affecting Worker Productivity

According to employers, the five most significant factors that affect labour productivity are wages, transport, worker morale, employee benefits and absenteeism. Employee benefits such as feeding schemes and change rooms were viewed to have the least impact on worker morale and productivity.

Labour productivity has also been shown to depend on job satisfaction as well as labour satisfaction with employment benefits. In the current survey, 50% or more of employees were ‘satisfied’ or ‘very satisfied’ with type of work, transport, working conditions, and site conditions. The majority of employees however expressed dissatisfaction with bonus and incentives, wages, and leave provision.

Employee Survey: Employee Satisfaction (Satisfied or Very Satisfied)
The impact of key factors affecting labour productivity is discussed in more detail in the following sections.

3.2 Employment Conditions

Formal employment in the construction industry has changed significantly in the past two decades. Traditionally, construction companies employed all their labourers on a fulltime basis on permanent contracts. With economic pressures due to the cyclical nature of construction and increasingly more stringent labour regulations, most contractors now only retain a core of supervisory staff and subcontract their labour requirements to smaller specialist sub-contractors or labour only subcontractors. Unskilled jobs in the construction industry are considered as dirty, dangerous and demanding, and in many countries are mainly occupied by migrants and marginalised communities open to abuse\textsuperscript{20,21}. Consequently, construction industry employment in South Africa is highly regulated with legislative provision for the treatment of workers onsite as well as regulated wage rates and leave conditions.

General employment is regulated by the Basic Conditions of Employment Act (BCEA) Act No 75 of 1977\textsuperscript{22}, with the Bargaining Council for the Civil Engineering Industry (BCCEI) further regulating labour conditions on all civil engineering construction projects at cidb Grade 4 and above. The building sector does not have a centralised bargaining council with sector employment regulated by many regionally based bargaining chambers. According to the BCEA and BCCEI, the construction workweek is an average of 45 hours broken down into five days of nine hour days or six days of eight hour days. The bargaining council also regulates overtime payment including the wages paid for overtime work.

Construction employees get fifteen days annual leave per twelve months continuous work cycle with ten of these leave days taken consecutively during the December shut down period. Employees also get sick leave allowance calculated on a three yearly cycle. Maternity leave is provided for employees who have been with a company for a continuous period of two years. Other categories of employee leave include family responsibility leave.

It must be noted that only fulltime and employees on limited duration contracts are entitled to these leave benefits. Temporary workers are only entitled to sick leave that is in most cases, unpaid.

\textsuperscript{20} Jens Arnholtz and Nana Wesley Hansen (2012) \textit{Labour Market Specific Institutions and the Working Conditions of Labour Migrants: The Case of Polish Migrant Labour in the Danish Labour Market}. Economic and Industrial Democracy, August 2013 vol. 34, no. 3, pp 401-422.


\textsuperscript{22} DoL (1977). \textit{Basic Conditions of Employment Act No 75 of 1977}. Department of Labour, Pretoria.
Construction employees are entitled to funeral cover that is also extended to employees on limited duration contracts, as long as the death occurs while they are in the employ of the contractor. The BCCEI provides for a contributory retirement and medical aid cover for construction employees, where the employer contributes part of the premiums. To provide for continuity of benefits, the employee is allowed to continue their contributions to the retirement fund even after they leave the employ of the company with which they joined. It is however interesting to note that employees who choose not to join the retirement and medical aid schemes do not get the monetary equivalent of the employer’s contributions to the schemes.

Employees have to enter into a formal contract of employment that states the following key issues:

- where their expected wages including frequency of wage payment be it weekly, fortnightly or monthly, as well as the method used to calculate the wages;
- the method of payment of the wages, whether it is cash or electronic funds transfer (EFT);
- all deductions that will be made from the employee wages including payment to third parties such as union membership fees, etc.; and
- stipulation of all bonuses and their conditionality – completion, year-end, etc.

Other regulated employment benefits in the industry are provision of personal protective clothing.

Employers in this study reported that they pay their employees at rates higher than the legislated sectoral rates for both the civil engineering and building bargaining councils. The reported average rate of pay was within the legislated rates with 45% of employers stating that they pay company established rates, while 40% pay the bargaining council rates.

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Employer Survey: Wage Determination in the Construction Industry

3.3 Recruitment Practices

Fifty four percent- 54% of the survey respondents indicated that they did not have formal company recruitment policies for unskilled and semi-skilled workers. The general practice in the industry is to use word of mouth advertising where workers in current employ bring their family and friends. Alternatively, workers are ‘poached’ from other companies when their competencies have been experienced while working on the same sites.

Employees confirmed this when they indicated that they are mainly employed through personal contacts and other informal recruitment methods as shown below. The most common method of recruitment is by word of mouth.

During the in-depth interviews, employers reported that many public sector projects contain contract participation goals (CPGs) for local socio-economic development, and that there are significant disparities in CPGs between clients. Furthermore, in such cases, the Community Liaison Officer
(CLO) attached to the project or the Ward Councilors influence the recruitment of local labour. They indicated that this often creates labour problems where the CLO and councilors use their power to buy influence in the community, or where there are political differences in the community that spill over to the construction site.

Employment of local labour is also reported to create problems for contractors where the numbers specified by the client as contract participation goals exceed the contractors’ production targets or where there are no appropriate skills in the local community. Contractors report that this leads to significant disruptions on site when local communities do not allow skilled people from outside the community to access to the site – usually resulting in lockouts, destruction to property and criminal acts.

The other challenge in the utilization of local labour is the description or geographic delineation of “local”. Contractors indicated that there are contestations about what is regarded as local, whether it is ward based, district or provincial depending on the size of the project. It was indicated by the contractors that it is very difficult, especially in road construction projects to apply localization at a ward level as roads usually run through many wards, and a change of workers is disruptive to the production schedule.

It is however interesting to note that the use of labour brokers in the industry is negligible with less than 1% of the respondents reporting use of labour brokers. In the face-to-face interviews, the contractors mentioned that they use of labour only subcontractors, and but were not aware of how the subcontractors recruit their labour. The results of the study shows that consistent with practices in other countries the most prevalent form of recruitment in the industry is through informal networks and word of mouth.

As shown in previous studies, word of mouth recruitment is mainly achieved through social networks and has been shown to facilitate training and skills development. It has further been shown that this type of informal employment promotes informal skills training and improvement through the same networks. Studies in Ghana, Kenya and the USA have shown that construction workers prefer passing their skills to their tribesmen or racial groups than other employees.

3.4 Employee Benefits

Employment in the construction industry can be either formal or informal. Internationally, and in particular in developing countries, informal employment is often characterised by lack of employment contracts and poor pay, often below the regulated labour rates. Informal workers largely do not have

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employment contracts or protection against discriminatory practices such as unfair labour practices, long working hours, low pay, unsafe work environment and unilateral dismissals. They also do not have any social benefits such as sick and annual leave provision offered to their formally employed counterparts.

The present study however reflects a very different picture as shown below, with employers providing a wide range of benefits to employees, including leave, bonuses, accommodation and transport. It should be noted however that medical and pension cover is not provided for in the BCEA but covered through sectoral determinations such as the BCCEI.

![Employer Survey: Staff Benefits Provided](image)

Even though employers felt they were providing good employment benefits, a slightly different view was however expressed in the survey by employees, as shown in the following figure. While many workers confirm receiving benefits such as leave, bonuses, accommodation and transport, the number of responses confirming these benefits is somewhat lower than that reported by employers. Again, it should be noted that medical and pension cover is only covered through sectoral determinations such as the BCCEI and not the BCEA, and would therefore not apply to workers in the building industry, or working for contractors below the cidb grade 4 registration category.
3.5 Training and Skills Development

The importance of skills on productivity is a well-recognised fact, and that if skilled labour is unavailable and a contractor is required to complete specific task with less-skilled labour, it is possible that productivity will be affected\textsuperscript{25}.

However, there is substantive debate in the literature as to whether labour productivity is in fact attributable to the quality of workmanship (or skills) or poor management practice\textsuperscript{26}. Notwithstanding this, it is essential to recognize that both managers and operative skills have a role to play in improving productivity. In this regard, training and up-skilling of labour is a key factor in enhancing construction productivity – both the technical know-how and the soft skills.

In a study in the UK\textsuperscript{27}, it was noted that:

\begin{quote}
with the growth of self-employment in the UK construction, it becomes difficult to ensure that the construction workforce receives the necessary training to make it perform competently and let alone improving productivity. This responsibility falls within the remit of the Construction Industry Training Board (CITB) which has a central role to play in ensuring that the workforce receives enough and adequate training. However, it is important to ensure that
\end{quote}

\begin{flushright}
Both managers and operative skills have a role to play in improving construction
\end{flushright}


\textsuperscript{27} ibid
participation in training is derived from an actual business need. Training could be an extremely expensive way of attempting to remedy a human performance problem if it is not the most appropriate strategy to use].

The study further noted that:

After training takes place the difficulty lies in retaining the workforce due to the growth of self-employment. This makes employers reluctant to invest in training as it would not have any benefits to their business but could rather be detrimental - due to high labour turnover.

South African training and skills development is regulated through the Sector Education and Training Authorities, (SETAs). All employers with a pay roll exceeding R500 000 per annum have to register as skills levy paying entities with the South African Revenue Services (SARS) and pay skills levies equivalent to 1 per cent of their payroll. The employer can then receive a mandatory training grant from the SETA on submission of an annual Workplace Skills Plans (WSP) that details the planned training within the company, and Annual Training Reports (ATR) indicating the training they have achieved for the year. The SETA funds training in line with the company’s WSP and these moneys are used to train employees within the construction entities, including informal labour.

Training and development has been shown to increase worker motivation and subsequently their productivity. Many construction companies are small and medium enterprises that do not reach the R500 000 levy-paying threshold and are therefore excluded from participation in the SETA training system. Training is mainly subsidised by the company or the employee limiting the extent of training taking place in the construction industry. When training takes place in the construction industry, it is mainly informal and workplace based.

Previous studies have found that construction workers regard themselves as skilled with the majority of skills obtained through informal workplace based apprenticeships. Small contractors who are employed as trade subcontractors on big construction projects normally have qualified tradesmen in the bricklaying and masonry, painting, plumbing and carpentry trades. Interestingly most of these are trained though informal apprenticeships on previous contracts. The majority of construction workers have also indicated that they prefer on-the-job to institution-based training as they can still be able to earn an income.

For effective training to take place in the industry apprentices have to be placed with experienced tradesmen where they learn by being given progressively more complicated tasks until they reach a level of competence where they can undertake independent work. Effective training has been shown to be dependent on the active participation of trade unions. Studies in Kenya have shown that most

informal training takes place where new entrants were recruited through social networks, and trained at the workplace by their tribesmen. It is therefore important to note that informal training in construction is socially determined and takes place optimally where the workers and union representatives are supportive of the entry of new entrants. It has been reported\(^{29,30}\) that there is limited training taking place in the South African construction industry and it is therefore important to find out what the employer and employee's perception of the training taking place in the industry, as well as its impact on employee morale and productivity.

In the interviews, contractors cited cost of training as a deterrent to undertaking consistent, qualification based training. The nature and structure of the industry has also been shown to discourage training as contracts end before employers can get the benefit of the training offered to employees. The lack of continuity of projects, coupled with clients’ requirements for the employment of local labour, means that contractors cannot enrol apprentices or learners for long enough to complete their training obligation. Self-employment and the proliferation of subcontracting have further exacerbated lack of interest in training with contractors claiming that they do not want to grow their competition.

Employers also reported that they only implement basic training in line with their operational requirements. According to employers, the most prevalent form of training they provide is informal “observe and do” and where necessary they may bring a training provider on site to carry out compliance training, such as health and safety.

In support of the need for skills development in the contracting sector, the cidb has published the cidb Standard for Developing Skills through Infrastructure Contracts. The Standard was published in the government gazette in August 2013, and is a collaborative effort between the cidb, DPW, DHET and

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DED. For engineering and construction works, design and build, supply and services contracts, the Standard provides for a minimum contract participation goal of 0.5% of the tender value of General Building (GB) contracts and 0.25% of the tender value of Civil Engineering contracts (CE) to be allocated to workplace training on public sector contracts in tender Grades 7 to 9. For professional services contracts, the number of skills development hours shall be not less than the professional fees in millions of Rand multiplied by 150.

It is envisaged that the Standard will be regulated through the cidb Best Practice Project Assessment Scheme in 2016.

3.6 Unionisation and Collective Bargaining

In many industries, trade-union affiliation is important as the unions deal with issues such as wages, working hours, job allocations, terms of termination or redundancy as well as provision of a safe working environment and personal protective clothing. Unfortunately, most informal employees do not affiliate to trade union and may be subjected to unsafe and unsecure employment practices.

Union coverage has also been shown to be very low amongst migrant workers31 and temporary employees who do not see any long-term benefits in union affiliation. There is general fragmentation with large companies reporting an increase in the numbers of unions with which they have recognition agreements despite declining union membership32. Union memberships across all economic sectors has been shown to have fallen from a peak of 19% of the total workforce in the 2010 and 2011 reporting periods to a low of 15% in 2013.

There is no single bargaining council for the building industry where wage negotiations are undertaken. There are however, several sector and area-specific Building Industry Bargaining Councils (BIBCs) created in terms of the Labour Relations Act, specifically:

- Bargaining Council for the Building Industry; Bloemfontein
- Building Industry Bargaining Council; Kimberley;
- Building Industry Bargaining Council; Southern and Eastern Cape;
- Building Industry Bargaining Council; Cape of Good Hope;
- Building Industry Bargaining Council; East London;
- Building Bargaining Council; North and West Boland

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31 Personal communication with contractors.
32 Personal communication with contractors.
The collective agreements of these regional bargaining councils are binding on all member and non-member employer bodies and on all union and non-union members within prescribed geographical areas and within the building industry. Key parties to the collective bargaining agreements include the Master Builders Associations and various unions, notably:

- Amalgamated Union of Building Trade Workers of South Africa (AUBTW);
- Building Construction and Allied Workers' Union (BCAWU);
- Wood and Allied Workers' Union of South Africa (BWAWUSA);
- Building Workers' Union
- National Union of Mineworkers (NUM)

(Note that several of the unions tend to be geographically represented with their sectoral determinations only applicable within their respective geographic areas.)

The oldest Council is the “Cape of Good Hope’, which dates back to the 1920’s under the Inspector of Labour as “The Cape Peninsula Building Trades Joint Board”. The BICC of the Cape of Good Hope prides itself that there have not been industry wide strikes due to wage or other negotiations within the jurisdiction of the BIBC in at least 20 years.

Note that several provinces and regions (including Gauteng) are not subject to any collective bargaining agreements, and wage negotiations are undertaken through Voluntary Bargaining Forums (VBFs).

The inflation adjusted minimum hourly rates for selected Categories in the Cape Peninsular area in the building sector is given below, from which it can be seen that that the wage rate has grown in real terms at around 1% to 2% per year – or a compound real increase of around 12% over the past 5 years.
Within the civil engineering sector, the Bargaining Council for the Civil Engineering Industry (BCCEI) is mandated in terms of the Labour Relations Act to establish and maintain the following collective agreements for the civil engineering sector:

- Civil Engineering Retirement benefit Fund (CIRBF) Collective Agreement
- Conditions of Employment Collective Agreement
- Registration & Administration Collective Agreement
- Wage & Task Grades Collective Agreement

The BCCEI was established in 2012 under the auspices of the South African Forum of Civil Engineering Contractors (SAFCEC), the National Union of Mine Workers (NUM) and the Building, Construction and Allied Workers’ Union (BCAWU). The collective agreements are binding on all parties in the civil engineering sector. Prior to the establishment of the BCCEI, wage negotiations took place within the framework of a sectoral determination in terms of the Basic Conditions of Employment Act (BCEA).

The inflation adjusted minimum hourly rates for selected Task Grades in the Civil Engineering sector is given below, from which it can be seen that the wage rate has grown in real terms at around 3% to 4% per year – or a compound real increase of around 20% over the past 5 years.
It should be noted however that a cause of concern is that on many, predominantly civil engineering construction sites, different workers employed by the same company could be subject to a range of collective agreements. Such apparent or perceived wage disparities between the BCCEI, BIBC and MEIBC on the same construction site have been identified as the most significant cause for industrial action on sites where more than one division of the same company governed by different bargaining agreements operate\textsuperscript{33}.

In this study, Union membership was very low among the survey respondents with less than 2% of both employers and employees reporting any form of unionization on their site. It is therefore concluded that labour unrest in the construction industry is mainly due to unlawful, unprotected strikes that do not involve formal union negotiations. This was confirmed by the employers when they mentioned that most unprotected labour disputes are due to unrealistic community expectation on public sector projects\textsuperscript{34}.

Employers on community infrastructure projects reported that most labour unrest is due to the application of the “local labour” condition of contract. These are mainly where there is contention on the definition of local labour and communities block contractor’s access to site, and in extreme cases, they may even destroy property. Contractors further noted that it is important that a standardised definition of “local” relative to infrastructure projects is developed, and applied consistently across public sector projects to safeguard lives and property.

\textsuperscript{33} Personal communication with large contractors.
\textsuperscript{34} Personal communication with large contractors.
Note that draft CID Regulation amendments are currently being considered requiring proof of registration with relevant bargaining councils recognised in terms of the Labour Relations Act as a requirement for registration – including registration with the BCCEI for civil engineering contractors in Grades 4 to 9.

agreements will cover sectoral determinations issued by the Department Furthermore, the cidb is consulting on a best practice for participation in bargaining councils. This will require that the employer specifies in the tender documents that contractors must employ sub-contractors who have a letter of good standing in terms of the relevant Sectoral-Determination. The of Labour, and/or the Bargaining Council for the Civil Engineering Industry (BCCEI), and/or the Building Industry Bargaining Council agreement in areas which are subject to the provisions of a Bargaining Council agreement.

### 3.7 Industrial Action

The most predominant type of strikes by number is unprotected strikes by non-unionised members, which can have a significant impact on project profitability. These are normally of short duration due to either wage demands or unmet community expectations. These strikes are usually resolved within a short time and cause minimal disruptions to construction activity. For example, Group 5 reported that in 2013 illegal, unprotected strikes resulted in 20% of lost production days.\(^{35}\)

On the other hand, the largest number of worker days lost is associated with protected strikes. Legal, union initiated strikes are usually more protracted leading to significant production delays due to the number of man-days lost. Eighty percent (80%) of the strikes in Group 5 in the 2013 reporting period were due to legal strikes.\(^{36}\)

Employers on public sector projects reported that most of their unscheduled work stoppages and labour issues are due to unrealistic community expectations, or to other community based political issues. It was reported that community projects usually require the appointment of a Community Liaison Officer (CLO), who can be employed either by the client, or directly by the contractor. The CLO who are usually members of the community are expected to act as a bridge between the contractor and the community. It is however reported that more often than not, the CLO

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\(^{36}\) ibid.
communicates unrealistic wage and employment terms to the community, or unduly influences the employment process, leading to labour or community unrest and disruptions on site.

During the face-to-face interviews for this study, one contractor mentioned that the CLO often even want to extend their influence to the appointment of subcontractors – often touting them as community members who have to benefit from the project. This has in one case led to work stoppages of more than two weeks on one site. A worrying factor was the perceived lack of support for the contractors from public sector clients when there are disagreements on the contract participation goals and socio-economic benefits expected from community projects.

The contractors also expressed that in order to minimize conflict on projects, clients must hold open community meetings to brief communities of potential projects, their operational procedures, terms and conditions of employment before the contract commences. Clients must also be encouraged to keep open lines of communication between the contractor and community, and where necessary, assist the contractors in the management of community dynamics, usually political that may impact on project implementation.

Contractors were of the opinion that a more standardised definition of the contract participation goals has to be reached in order to manage the dynamics on site and protect both public property and contractors’ lives. Contractors did however also acknowledge that many of the unprotected legal actions could have been avoided by better industrial relations within the company or on the site.
4. SYNTHESIS AND RECOMMENDATIONS

The construction industry is an important employer of labour in South Africa – accounting for around 8% of total formal employment and around 17% of total informal employment. Around 70% of the labour employed in the construction industry is semi-, low- and un-skilled. However, deteriorating labour productivity, arising from amongst others labour unrest, is having a negative impact on the cost and quality of construction, as well as on the livelihood and morale of the workers themselves. In this regard, construction contributed 8% to the total productivity losses across all economic sectors arising from industrial action in 2013.

In the interest of enhanced value for money, public sector clients should encourage productivity improvements from contractors, and should procure from contractors that demonstrate satisfactory performance in managing issues that impact on labour productivity. In this regard it is noted that while the cidb Standard for Contractor Performance Reports (Gazette Notice 36760 of 23 August 2013) measures a contractor’s ‘skill and commitment in managing conditions on site’, it does not measure the contractors skill and commitment in managing labour productivity, and more specifically, co-operative relations and industrial relations.

**Recommendation:** The cidb Standard for Contractor Performance Reports should be extended to include a contractor’s skill and commitment in managing labour productivity.

Key factors affecting labour productivity in the construction industry are summarised below, together with recommendations for the cidb and other parties to take forward.

i) **Employment Conditions**

Employers in this study reported that they pay their employees at rates higher than the legislated sectoral rates for both the civil engineering and building bargaining councils. The negative impact of the Community Liaison Officers (CLOs) and Ward Councilors were however identified as an issue of concern regarding wage rates and community reaction to wages.

In this regard, employers recommended that the CLOs and Ward Councilors’ roles and responsibilities on community projects should be more clearly defined, and must not encroach on the contractors’ employment relationship with his employee. It was further recommended that the definition of local labour in community project be more clearly defined using either geographic reach, ward boundaries, or a simple radius.

**Recommendation:** The cidb should develop and promote a Practice Note defining the roles and responsibilities of clients, the contractor, CLOs and Ward Councilors on community
projects, which must not encroach on the contractors’ employment relationship with his employee, and the client’s role in promoting these objectives. The Practice Note should also provide guidance on the definition of local labour in community project using either geographic reach, ward boundaries, a simple radius, or similar.

ii) Recruitment Practices

Recruitment of semi-skilled and unskilled workers is predominantly through personal contacts and other informal recruitment methods, with the most common method of recruitment is by word of mouth. The study identified that the use of labour brokers in the industry is negligible.

As the industry is project based and employers can only provide employment when they have active projects, most of the labourers are employed on short-term duration contracts with limited tangible benefits. Further benefits are however provided by the bargaining councils including the Bargaining Council for the Civil Engineering Industry (BCCEI) which provides for a range of benefits including pension funds and medical aid. The knowledge of workers of these benefits is however likely to be limited.

The study also noted that many public sector projects contain contract participation goals (CPGs) for local socio-economic development, and that there are significant disparities in CPGs between clients. Furthermore, the study noted that CPGs often create labour problems where the CLO and Councilors use their power to buy influence in the community. This often leads to significant disruptions on site when local communities do not allow skilled people access to the site – usually resulting in lockouts, destruction to property and criminal acts.

**Recommendation:** The cidb should develop a *Standard for Contract Participation Goals* to achieve uniformity and consistency in the specification of CPGs on public sector contracts.

iii) Employee Benefits

The study indicated that employers provide a wide range of benefits to employees, including leave, bonuses, accommodation and transport. Employees largely expressed satisfaction with the benefits, but expressed dissatisfaction with bonus and incentives, wages, and leave provision.

iv) Training and Skills Development

Training and up-skilling of labour is a key factor in enhancing construction productivity – both the technical know-how and the soft skills. However, training and skills development of semi-skilled and unskilled workers that takes place is largely to meet the operational requirements of the contractor,
and seldom result in accredited, recognized outcomes. When this is assessed in conjunction with the informal employment practices in the industry, it becomes clear that there is a need to provide standardized, accredited training to assist workers build their competence and have portable skills beyond the life of their project – such as provided for in the cidb *Standard for Developing Skills Through Infrastructure Contracts*.

**Recommendation:** The cidb *Standard for Developing Skills through Infrastructure Contracts* should be mandated and promoted on construction works contracts.

v) **Unionisation and Collective Bargaining**

The study found very limited unionization within the industry, which is attributed to the short-term nature of employment in a project based industry. However, collective bargaining is largely a norm in the industry, under several area-specific Building Industry Bargaining Councils (BIBCs) and the Bargaining Council for the Civil Engineering Industry (BCCEI).

The role of the bargaining councils is important, and the cidb is currently considering draft Regulation requiring proof of good standing with relevant bargaining councils recognised in terms of the Labour Relations Act as a requirement for registration. Furthermore, the cidb is consulting on a best practice that the employer specifies in the tender documents that contractors require sub-contractors to have a letter of good standing in terms of the relevant sectoral-determination agreements in areas which are subject to the provisions of a bargaining council agreement.

**Recommendation:** The cidb should expedite regulation amendments and implement best practice requirements requiring proof of good standing with relevant bargaining councils for prime contractors and subcontractors on public sector contracts.

v) **Industrial Action**

The most predominant type of strikes by number is unprotected strikes by non-unionised members, which can have a significant impact on the project profitability. On the other hand, the largest number of worker days lost is associated with protected strikes. Legal, union initiated strikes are usually more protracted leading to significant production delays due to the number of man-days lost.

Employers on public sector projects reported that most of their unscheduled work stoppages and labour issues are due to unrealistic community expectations, or to other community based political issues. Furthermore, discrepancies in wages between members of different unions operating together on the same construction site often leads to unprotected industrial action. Contractors did
however also acknowledge that many of the unprotected legal actions could have been avoided by better industrial relations within the company or on the site.

**Recommendation:** The cidb should develop and promote a Practice Note defining the roles and responsibilities of CLOs and Ward Councilors’ on community projects, which must not encroach on the contractors' employment relationship with his employee, and the client’s role in promoting these objectives.

The report also notes that given the important role of labour productivity and industrial action to workers and to the economy, government is playing an increasingly active role in mitigating the damages resulting from industrial action. Charged with providing leadership in the construction industry, the cidb should, where appropriate, also seek to mitigate the impact of industrial action through consultations with relevant parties.