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CONTRACT STAFF MANAGEMENT SYSTEM IN THE CONSTRUCTION INDUSTRY IN NIGERIA

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Abstract

The management of contract staff in the construction industry is critical for economic development of a developing economy like Nigeria. This empirical research studied 130 construction firms in Nigeria. Our analyses aided with tables, simple percentages and Chi square shows that the important variables that make up contract staff management system significantly affected the performance level of contract staff in the construction industry in Nigeria. We recommended, among other things, the transparency in contract administration. This will lead to stable contract administration and aid human resource planning in the construction industry.

Keywords: Contract Staff, Construction Industry, Economic Development, Management System

INTRODUCTION

For the purpose of this study, the words 'contract staff' are used to refer to employees whose services are dependent on the specific job or duty they were hired to carry out. They are laid off at the end of that particular 'contract' and can only be retained if another job comes on stream. The most notable characteristic of this category of workers is the fact that their employment is not permanent.

Existing literature use different words to refer to contract staff: they are in some cases referred to as 'contingent workers', 'dispensable workers', part time workers, causal workers and non-core workers (Hampton, 1988). They are also known as 'labour only' subcontractors (Buckley and Endewuik, 1989), in Hallenbradth and Cannon (1989), flexible workforce and peripheral workers in Williams (1993). Explaining further, Williams (1993) said:

"Core workers are covered by the standard contracts of employment but peripheral workers may be engaged under a whole range of loose arrangements that are tied much more directly to the daily ebb and flow of the production cycle, and the flow include various combinations of casual, part time, seasonal, sub-contractual, state subsidized and fix term arrangements."

According to Hampton (1988), this system which is widely in operation in Japan is spreading fast in the United States of America where it is now undergoing fundamental changes. This system is also gaining grounds in Africa, especially in Nigeria. Contract staffs are either engaged directly by the organization that requires their services, or hired and supplied by outfits whose function is to pay and administer their benefits, using money provided by the original contractor (Hampton, 1988).

The construction industry was chosen for this study because it is very important in the socioeconomic development of developing economies. The industry, as Adegboro (1992) noted, has the unique ability to facilitate development of the nation by providing directly for human needs or stimulating investment or by generating employment which can accomplish those objectives. The construction industry is labour intensive and 'contract staff' cut across the range of professionals like mechanics, electricians, plumbers, painters, carpenters, etc.

Employment of contract staff or temporary staff is one strategy the construction industry is using. Job seekers are forced to accept any job offered to them whatever conditions that come with it. Thanks to the high rate of unemployment in the country.

This research work is, therefore, directed towards improving existing knowledge about the contract staff administration in Nigeria. The following hypotheses guided the conduct of the study:

- 1. The level of performance of contract staff is not significantly related to contract staff management system.
- 2. The level of performance of contract staff is not significantly related to the lay-off rate of the industry.
- 3. The level of performance of contract staff is not significantly related to the quality of compensation package.
- 4. The level of performance of contract staff is not significantly related to the joint influence of contract staff management system, lay-off rate and compensation package.

LITERATURE REVIEW

Construction Industry

Construction is a term that covers a wide range of activities in civil engineering and building which includes both new workers, repairs and maintenance (Oladapo, 1974). Ogunpola (1974) has also said that the construction industry could be divided into two main branches, namely building and civil engineering. He went further to say that though a close structural relationship exists between the two branches, they are so sufficiently distinguished that the building component can be successfully and usefully studied independently of civil engineering branch of the industry.

Building and civil engineering vary in many other respects. Building project covers residential house, office complexes like secretariat, bank house and other commercial units like market stalls. They vary in size ranging from single room accommodation to bungalows and to high-rise buildings. Civil engineering work encompasses a wide range of different projects and constructed with different materials, e.g. roads, bridges, sewers, reservoirs, water towers and swimming pools (Institute of Civil Engineers, Royal Charter: Bylaws, Regulations and Rules, 1982).

Ashsorth and Willis (1994) summarized the unique characteristics of the construction industry to include:

- 1. The physical nature of the project.
- 2. The product being normally manufactured on the client's premises (i.e. the construction site).
- 3. Many of its projects are one off designs in the absence of a prototype model.
- 4. The traditional arrangement separates design from manufacture.
- 5. It produces investment instead of consumer goods.
- 6. It is subject to wider swings of activities than most other industries.
- 7. Its activities are affected by the vagaries of the weather.
- 8. Its processes include a complex mixture of different materials, skills and trades.
- 9. Typically, throughout the world, it includes a small number of relatively large construction firms and a very large number of small firms.
- 10. The smaller firms tend to concentrate on repair and maintenance.

All these analysis point to the fact that the construction industry is really a complex one and will definitely have serious management problems for the operatives of the industry. These must be properly guided if organizational objectives must be achieved.

Nature of Contract Staff System

Human resource planning may require managers to outsource to fill their human resource needs. The people who are employed on contract are referred to as the 'contract staff'. They are employed for a certain purpose and when that purpose is done, they are laid off. If another job comes up and they are still available, they might again be employed for the new job. This system can give managers increased flexibility, especially when accurate forecasting of human resource needs is difficult or finding skilled workers in a particular area is difficult. Also such employment can sometimes allow managers to make use of human resources at a lower cost. The organization does not have to provide long-term benefits to workers; managers are able to contract for work only when the workers are needed; and they do not have to invest in training.

Contract Staff Management in the Construction Industry

The complex and unique characteristics of the construction industry heavily influence manpower management practices in the industry (Buckley and Enderwick, 1989). The most significant of these characteristics include the substantial fluctuations in demand for construction, the labour-intensive nature of construction, employment instability, an unstable industrial structure which has been referred to as the 'construction jungle' (UNIDO, 1969), fragmented bargaining structures and the independence of trades as well as pervasiveness of regulations, complicated analyses resulting from diversity of labour management practices, and co-existence within private construction of unionized trades and firms with significant non-union sector with large, casualized subcontracting industry (Buckley and Enderwick, 1989). The implication of this scenario is that manpower management practitioners will be faced with unique problems in ensuring employee performance for the attainment of organizational objectives. The success of which will be dependent on how management handles various personnel management systems.

These systems are examined by the analysis of various functions of personnel management which includehuman resources planning; recruitment, staffing and appraisal; training and development; compensation (wage and salary administration, fringe benefits and services administration), health and safety, labour relations and personnel research (Nwachukwu, 1988).

The poor performance, project abandonment and redundancy experienced in the construction industry results from many factors. Most of these factors affect performance and are common to all staff categories. We can, therefore, develop a relationship based on Fryer (1990) findings. We therefore posit that the performance of contract staff will depend on the ability, skill, experience, personality, motivation of the contract staff, the work environment, task clarity, stress factors under which contract staff works.

PCS = F(A, S, E, P, M, We, Tc, Sf)

Where,

PCS = Performance of Contract Staff

A = Ability S = Skill

E = Experience P = Personality M = Motivation

We = Work Environment

Tc = Task Clarity
Sf = Stress Factors

The point is that the performance of contract staff in Nigeria results from the complex interplay of numerous factors, some of which are shown in the model above.

METHODOLOGY

The construction industry in a developing economy plays an important role in economic development. This informed our decision to study contract staff management system in the construction industry. Many companies make up the construction industry in Nigeria, a good number are small scale and therefore not suitable for our study. We, therefore, distributed questionnaire to 163 construction firms that have been in operation for at least 10 years and employed not less than 500 employees. We were able to retrieve 130 of the 163 questionnaires distributed. Our analyses were, therefore, based on the responses from 130 construction firms in Nigeria. Tables, frequency distribution and percentages were used in the presentation and analyses of data gathered. The non-parametric Chi square test statistic was used to test the four hypotheses formulated for the study. The hypotheses were tested at 5 percent level of significance (p < 0.05).

RESULTS

Here we present the findings of this research under the following subheadings: nature of contract staff management system and the effect of selected factors on the performance of contract staff in construction industry.

Nature of Contract Staffing

Why would an individual accept contract work? Why would organizations hire workers and place them on contract? And how do organizations manage contract staff? These are some of the questions this section will provide answers to.

Table 1: Reasons for Contract Staff System

Reasons	Number of Companies	Percentage
Cheap compensation package	33	25
Unstable contract climate	53	41
Flexible labour management	22	17
Low impact of trade union	20	15
Others	2	2
Total	130	100

Source: Field Survey (2004)

Table 1 shows that unstable contract climate is the most important reason behind the adoption of the contract staff system as the companies cannot maintain staff on permanent basis where there are no contract/projects or no payments for jobs already done. This was the view of 41 percent of the organizations studies. Relatively cheap compensation package (25%) and flexible labour/management relationship (17%) came next in importance.

Our findings also show that unionization is relatively low with contract workers, companies, therefore, prefer them because of the flexibility it offers. The corrupt

political superstructure affects contract awards, making it uncertain for most construction companies to plan. This means that when they hire workers, they prefer such workers to be temporary so that they can lay them off if the situation so requires.

Table 2: Criteria for Contract Staff Selection

Factors	Number of Companies	Percentage
Ability	33	25
Skill	31	24
Aptitude	12	9
Seniority	16	12
Qualification	36	28
Others	2	2
Total	130	100

Source: Field Survey (2004)

Several criteria were used in the process of selecting contract staff. Academic qualification ranked the highest (28%). This is followed by the ability of the staff (25%) and the skill the staff possess (24%). These three factors accounted for 77 percent of the criteria used in the contract staff selection in the construction industry in Nigeria (Table 2). Our result here is surprising in the sense that one would have expected the ability of the staff to be the most important criteria since contract staff is of a temporary nature, what the staff can do should have been the most critical criteria. This criteria used in hiring contract staff probably explains why construction companies are spending lots of money on training staff that they do not intend to keep. Our research shows that over 80 percent of the companies we studied regularly trained their contract staff; 29 percent of the companies claim they train their contract staff for skill improvement, 27 percent for the improvement of performance and profitability (Table 3).

We also investigated how contract staff is remunerated in Nigeria. Our results (Table 4) show that 49 percent of the companies indicated that the basic wage was the main compensation package used by the organization. This is followed by incentive plan (35%). The importance attached to the incentive plan is based on the fact that it motivates employees to produce more (Ubeku, 1975). One must also add that the factors that determine compensation in the construction industry in Nigeria include government minimum wage, company's ability to pay, trade union agitations, condition in the labour market, and cost of living. The ability of construction company to pay depends not only on the company's ability to get contracts from government and its agencies that award most of the construction jobs in our economy, but also on the willingness of government and its agencies to pay contract fees promptly. Very often contract fees are not paid and this results into lay-off of contract staff.

Table 3: Reasons for Contract Staff Training and Development

Reasons	Number of Companies	Percentage
To improve skill	38	29
To expose them to current strategies and technologies	20	15
To compete favourably with other companies	31	24
To improve performance, productivity and profitability	35	27
Others	6	5
Total	130	100

Source: Field Survey (2004)

Table 4: Employee Compensation Packages/Method

Packages/Methods	Number of Companies	Percentage
Basic wage	64	49
Incentive plans	46	35
Fringe benefits	18	14
Others	2	2
Total	130	100

Source: Field Survey (2004)

Table 5 shows the reason very often given for the lay-off of contract staff in the construction industry in Nigeria.

Table: 5 Reasons for Lay-Offs

Reasons	Number of Companies	Percentage
Completion of project	28	21.5
Abandonment due to non-payment of contract fees	36	27.7
Abandonment due to high construction cost	32	24.6
Abandonment due to faulty project design	8	6.2
Abandonment due to lack of construction materials and equipment	20	15.4
High technology requirement	6	4.6
Total	130	100

Source: Field Survey (2004)

Our results show that three factors cumulatively accounted for about 75 percent of the reasons why construction companies in Nigeria lay-off their contract staff. These are

project abandonment due to non-payment of contract fee (28%), project abandonment due to high unforeseen construction cost (25%) and project completion (22%). Other reasons include project abandonment due to inability to find the right materials and equipment (15%) and project abandonment due to faulty project design. It is important to note, however, that attempts are made within the construction industry to control lay-off of contract staff. Measures taken by industry members are shown in Table 6.

Table 6 shows that only 22 percent of construction companies out rightly lay-off their staff. Another 28 percent re-negotiate payment conditions with contract staff with a view of scaling down the wage bill in order to keep contract staff. 37 percent make attempt to convert even their permanent staff to contract staff in order to reduce wage bill while another 8 percent try to reschedule their jobs. Contract staff productivity is very important in the construction industry. The use of output constants, observation and record analyses are very common with the organizations we studied. The specific criteria used to assess the productivity of contract staff in the construction industry in Nigeria are based on work study conducted by these organizations. These criteria are shown in Table 7.

Table 6: Lay-Off Control Measures

Reasons	Number of Companies	Percentage
Outright retrenchment	29	22.3
Convert permanent staff to temporary staff	48	36.9
Reschedule jobs	10	7.7
Re-negotiate payment conditions	36	27.7
Others	7	5.4
Total	130	100

Source: Field Survey (2004)

Table 7: Productivity Assessment Criteria

Criteria	Number of Companies	Percentage
Output	50	38.5
Cost control	30	23.1
Quality concerns	28	21.5
Time concerns	20	15.4
Others	2	1.5
Total	130	100

Source: Field Survey (2004)

The main concern of management of these organizations is production. Output is, therefore, the most important productivity criteria used by nearly 39 percent of the organizations we studied. The other productivity assessment criteria include cost control (23%), quality concerns (22%) and time concerns (15%). Unionization is one thing the managements of most of the organizations we studied disliked and are trying to discourage. The reasons why management dislikes and therefore discourages unionization among contract workers are shown in Table 8.

Table 8: Reasons Why Management Discourages Trade Unionism

Reasons	Number of Companies	Percentage
Fear of changes in employee attitude	48	37
Fear of loss of loyalty	45	35
Fear of militant labour leaders	30	23
Others	7	5
Total	130	100

Source: Field Survey (2004)

Table 8 shows three reasons trade unionism is discouraged among contract workers in the construction industry. These are: the fear of changes in employee attitude to work (37%), fear of disloyalty (35%) and militant behaviour of union leadership (23%). The companies we studied believe that unionism affects their flexibility in managing contract staff in their respective organizations.

Effects of Selected Variables on the Performance of Contract Staff

In the course of this research, we identified some key variables that affect performance of contract staff. Our interest was to know how these variables impacted on the performance of contract staff. Table 9 outlines our findings.

Table 9: Level of Effect of Selected Variables on the Performance of Contract Staff

Variables	No Effect (%)	Moderate Effect (%)	Significant Effect (%)
Awareness of manpower planning programme	42.3	30.8	26.9
Effect of selection method	13.8	15.4	70.8
Effect of training programme	33.8	38.5	27.7
Company attitude to labour matters	32.3	38.5	29.2
Effect of lay-off	1.54	4.62	93.8
Effect of improvement of conditions of service	10.0	14.6	75.4

Source: Field Survey (2004)

Lay-off rate has the most profound effect on the performance of contract staff (Table 9). Nearly 94 percent of contract staff interviewed are of the opinion that when lay-off rates are high in the industry, their level of performance is adversely affected. The reason for this they explained is simple psychology. On the one hand, they are unable to put in their best because contract staffs left behind are saddled with the responsibility of doing not only their jobs but also the jobs of those who had to leave. On the other hand, the uncertainty of not knowing who the next to go is affects their psychology. Other important variables that significantly affected the performance of contract staff in the construction industry in Nigeria include improvement of conditions of service (75%) and selection method of contract staff (71 %). Other variables that moderately affect the performance of contract staff include training programmes (39%), company attitude to labour matters (39%) and manpower planning programme (31%).

DISCUSSION OF FINDINGS

Employees performance, among other things, is dependent on the form of management in place and what the employees expect to gain from the organization where they work. Organizational performance is dependent on employees' performance (Gilmer and Deci, 1997) and efforts must be made to keep the organization moving even in the face of harsh economic climate. This means that management must adopt various methods to manipulate the manpower component of the production process to achieve set objectives. This is why in periods of unfavourable business environment they resort to measures like converting permanent staff to contract staff and laying-off some staff to reduce expenditure instead of closing down the business completely. It is believed that this was why reduced expenditure was a major reason behind the recruitment of contract staff.

Ho₁: The level of performance of contract staff is related to contract management system

The hypothesis that the level of performance of the contract staff is related to contract staff management system was accepted as this relationship was found to be statistically significant. The implication of this is that the influence of the management system on level of performance was sufficiently strong to rely upon. Hence, improvement of the management system is very necessary to enhance employee performance. Absence of manpower planning can lead to poor organizational performance (Fryer, 1990). Effective recruitment, selection and placement process reduce employee dissatisfaction and improve performance (Nwachukwu, 1988). Employee training improves productivity, quality, personal growth, health and safety (Chanda, 1989). Poor wages cause labour frustration and decrease in productivity (Nwachukwu, 1988). Healthy and safe conditions ensure improved job performance (Light, 1981). We are, therefore, justified to state that improvement of the management system induces improved level of performance and poor management system reduces the level of performance.

Ho₂: The level of performance of contract staff is related to the lay-off rate of the industry

All of the companies involved in the study had lay-offs. However, the rate varied, indicative of the different control measures under different circumstances the companies faced. Our hypothesis that the level of performance of the contract staff is related to the lay-off rate was accepted. It showed that employee performance could be affected by lay-off rate.

High lay-off rate means high job insecurity and should result in low performance. The findings of our study could be explained by the fact that employees put in their best because of fear of losing their jobs in a high unemployment economy. Hewitt (1981) has, however, said that fear of redundancy can induce cooperation, compliance and high performance of employees. While the level of performance or productivity of the individual employee could be high, the expected high performance or productivity of the organization could not be realized because of the number of people laid off.

Proper choice of selection criteria to be used in declaring employees redundant encourages job satisfaction and induces high performance. Hence, effective redundancy management technique must take into consideration the skill, ability and service period of the individuals (Ubeku, 1975).

Ho₃: The level of performance of the contract staff is related to the quality of compensation package

The hypothesis that the level of performance of the contract staff is related to the quality of compensation package was accepted. This confirms the belief that a good quality compensation package will induce high productivity.

Ekpot (1984) shared this view when he said that majority of Nigerian workers lay emphasis on satisfying their lower needs which money serves as an effective means. Also Koontz et al (1976) believe that since the physiological needs are yet to be satisfied, money serves as a good motivation in developing countries of which Nigeria is one. The level of performance of the employees was found to be significantly related to quality of compensation. This could be explained by the fact that the level of poverty and high unemployment rate resulting from the harsh economic environment in Nigeria is forcing people to de-emphasize high pay and struggle first to ensure that ends meet.

Ho₄: The level of performance of the contract staff is related to influence of contract staff management system, lay-off rate and compensation package

The variables under consideration were individually tested and found to be statistically significant. However, the degree of association of the lay-off rate and compensation package were not too strong. This did not affect the joint influence of all the variables adversely because even in situations where some variables are not significant, a significant situation could arise when the effects are combined (Kazmier, 1976). Hence, this hypothesis was accepted.

CONCLUSION

This research work focused on contract staff management system. The variables that make up contract staff management system include manpower planning; manpower recruitment, selection and placement; manpower training and development; employee compensation; employees health and safety; management-labour relations; lay-off rate and compensation package. These variables were all found to be significantly related to the level of performance of the contract staff in the construction industry in Nigeria. The fact that there is an improvement in the level of employee performance is not indicative of effective management system. The issue is that the employees manage to put in their best because of the fear of losing their jobs, irrespective of the fact that they are denied the basic conditions and benefits which their permanent staff counterparts enjoy.

RECOMMENDATIONS

Contract staffing is an innovation in Nigeria. It is a system devised by management to cope with harsh economic realities in Nigeria, a country in which projects are abandoned and contracts already executed are not paid for, resulting in high lay-offs, downsizing and even close downs. We recommend, therefore, that:

- 1. The government, which plays a major role in contract awards, should ensure transparency in contract awards and also pay for jobs already done by contractors. The government should come up with policies that ensure stable contract administration.
- 2. The construction industry is a multi-disciplinary one with attendant manpower recruitment, selection and placement problems. To ensure that employees perform their jobs effectively, selection should ensure that skills, abilities, aptitude and other traits of the employee are known and available. This process reduces turnover rate and dissatisfaction of the employee and improves employee performance.
- 3. Most employers of labour see training programmes for their employees particularly those on contract appointments as wasted effort. They should realize that training enhances the performance of not only employee but also the organization as a whole. Poor quality jobs can result in cancellation of contracts or blacklisting of the company. Training is especially recommended in view of the fact that most industry participants base their recruitment and selection on paper qualification.
- 4. The construction industry is a high risk industry, an industry where workers leave their homes in the morning for their places of work, but are not sure of coming back home. Most organizations in this industry only insure their permanent staff, leaving the contract staff to their fate if any accident at work occurs. Basic health services are hardly extended to contract staff. Management should realize that only healthy people working under safe environments perform their jobs effectively. When the workers fail to perform because of unsafe conditions, the organization will suffer.

- 5. In Nigeria, most managers see participation of employees in union activities as a threat. The situation is even worse for those on contract appointment. The employers should realize that both the management and the labour are partners in progress. Through their union, they can voice their grievances. Effective negotiation on certain issues can bring about peaceful settlement of cases that could have resulted into labour dispute. It could also bring about better wages, improved living conditions and increased productivity.
- 6. We recommend that further studies be carried out on contract management system. This subject itself is broad and covers wide areas of manpower planning; manpower recruitment, selection and placement; manpower training and a development; employee compensation; employee health and safety; and management and labour relations.

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