CHAPTER - 1
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The basic objective of economic policy is to achieve rapid economic development of a country and thereby to raise the standard of living of the people. The economic development of a country is a process by which the real national income of the country increases at a rate sufficient to offset the rate of growth of the population, so that there is a steady increase in the per capita real income and standard of living of the people in the country.

The economic development of a country follows a unique pattern. According to the theory of economic transition, the tertiary sector of the economy assumes importance and the importance of the primary sector recedes as economic development of a country takes place. This trend has been observed in advanced countries and now in developing countries like India. For instance, in Japan the share of the primary sector in labour force diminished from 83 percent in 1852 to 48 percent in 1950; the share in national product declined from 65 percent in 1878 to 24 percent in 1954. The share of the tertiary sector in labour force and national product had gone up from 11 percent to 30 percent
and from 25 percent to 44 percent respectively during the same period. The share of the primary sector in the national product of India declined from 39.5 percent in 1980-81 to 31.6 percent in 1990-91; the share in labour force moderately declined from 72.1 percent in 1971 to 68.7 percent in 1981. Correspondingly, the share of the tertiary sector in labour force and national product has gone up from 19.56 percent to 21.66 percent and from 41 percent to 45.2 percent respectively between 1980-81 and 1990-91. Thus, the tertiary sector is playing a crucial role in the national economy of a developed country.

The construction industry belongs to the tertiary sector of an economy and assumes growing importance as the economic development of the country takes place along with which changes occur in the geographical distribution of population, concentration of population in industrial centres and in urban areas.

Pecurify defines the construction industry as follows: "construction is essentially a service industry whose responsibility is to convert the plans and specifications prepared by an engineer or an architect into a finished product".\(^2\) The construction industry is a unique sector in the economy and broadly it covers a wide diversity of construction works such as construction of buildings for residential uses, commercial and industrial uses, construction of roads, railways, bridges, irrigation canals, harbours, erection of power plants and so on, which form part of the fixed capital stock of an economy. However, in this study the term 'construction industry' is defined narrowly so as to include only the construction of buildings - residential and non-residential.

In the process of economic development industrialisation and urbanisation are the common phenomena and these necessitate different forms of construction activity on a large scale. For instance, urban population in India increased from 62 million in 1951 to 217.2 million

in 1991, an increase of 250 percent, and urbanisation is occurring at a rapid rate, necessitating housing construction and other infrastructural items.\(^3\)

The product of the construction industry is durable buildings and structures. They are not transportable, and consequently the industry is geographically dispersed. It is an investment goods industry. It is a highly raw material intensive industry and is the most accident prone industry in the world. The construction industry is credited with the creation of large scale employment and has often been considered as a 'lead sector' in combating unemployment and thus, fulfills one of the objectives of planned development in countries like India. It produces the fixed capital stock of an economy and hence the construction industry has to grow rapidly in a developing economy.

The construction industry in India has been expanding rapidly since 1951, the year in which India launched

economic planning aimed at rapid economic development. In terms of its contribution to the country's domestic product, the construction industry contributed Rs. 31,331 crore, which forms 5.8 percent of the total domestic product of the country in 1991-92, as against Rs. 6,114 crore, forming 5 percent of the total in 1980-81. In terms of the contribution to employment generation, it employed 6.61 million persons, which forms 2.21 percent of the total economically active population in 1990, as against 3.94 million, forming 1.65 percent of the total in 1981. The contribution of construction to gross fixed capital stock of the country went up enormously from Rs. 13,649 crore in 1980-81 to Rs. 55,732 crore in 1990-91. Growth of this industry is, therefore, of vital importance for all the sectors of the national economy.


Though the construction industry is important, it is largely of an unorganised type in countries like India and the activities of the operators of the industry are not well co-ordinated through legislative measures. Though it contributes to a large volume of employment, the labourers employed in the industry are not covered by labour legislations and welfare measures as applicable to the labourers in organised industries.

There are very few studies in India dealing with the nature and problems of the construction industry and its contribution to employment and income generation. Some of the available studies such as those conducted by Labour Bureau (1954).\textsuperscript{7} Ministry of Labour and Employment, Government of India (1964)\textsuperscript{8} Vaid and Singh (1966)\textsuperscript{9}, National


Commission on Labour (1968)\textsuperscript{10}, Johri and Pandey (1972)\textsuperscript{11}, Subrahmanian, Veena and Bhanumathi (82)\textsuperscript{12} deal basically with the conditions of labour and labour relationship in the construction industry.

Mangalore city has been growing all these years and at a faster rate in the recent years. The demographic changes induced by industrialisation and urbanisation resulted in increased need and demand for housing in quantitative terms and also in the types and standards of dwellings required in the city in recent years. So, the construction industry is growing rapidly in Mangalore city in recent years. The amount of total financial investment on building construction increased from Rs. 1600 lakh in 1980 to Rs. 4300 lakh in 1990, an increase of 168.75 percent. The


total plinth area constructed both in residential and nonresidential buildings in the city had increased from 16 lakh square feet in 1980 to 23.65 lakh square feet in 1990. The construction industry employed directly 16000 persons in 1980 and this figure went up to 20000 in 1990.

Though the construction industry in Mangalore city has grown enormously, there are certain problems which hinder the growth of the industry on the one hand and problems which retard the realisation of the benefits which the growth of the construction industry would give to the labourers employed in the industry.

An attempt is made in this thesis to analyse the nature, problems and the role of the construction industry in employment generation and economic development in Mangalore city corporation area during the period from 1980 to 1990 and to suggest certain remedial measures to mitigate the problems faced by the industry so as to speed up the rate of economic development of the region in particular and of the country in general.

Objective of the study: This is a study in the economics of the construction industry. Its broad objective is to study
systematically the nature, problems and the role of the construction industry in employment generation and economic development of a country and of a region. Its specific objectives are:

1) to analyse the growth of the construction industry in Mangalore city during the period from 1980 to 1990;
2) to examine the contribution of the industry to employment generation in the area;
3) to analyse the problems of the industry in the area;
4) to identify the problems of construction labour in the area; and
5) to suggest suitable measures to overcome such problems.

Scope of the study: The construction industry has various aspects as mentioned earlier. However, the present study is confined only to an analysis of a narrow aspect of the construction industry, confined to the construction of only buildings, residential and non-residential, and attempts to analyse the impact of the growth of this aspect of the industry on employment generation and economic development. This it does by making a case study of the growth of the construction industry, in the narrow sense considered above, in Mangalore City Corporation Area during the period 1980-1990. The Mangalore city corporation area is chosen for
the study because Mangalore is slowly emerging as an industrial city in recent years and its commercial importance is increasing. A large volume of construction activity is going on in Mangalore city in recent years and a scientific study of the construction industry in Mangalore city can be a typical case study of the problem.

**Data and Methodology:** The study is based on both primary and secondary data. While secondary data are used in analysing the role and importance of the construction industry in an economy and to analyse the growth of the construction industry in India and in Mangalore city, primary data are used in analysing the nature and problems of the construction industry in Mangalore city and to examine the nature and problems of the construction labourers in the city.

Primary data are gathered through a sample survey of the building contractors and the construction workers using two separate questionnaires. A sample of 45 building contractors and a sample of 272 construction workers were interviewed in Mangalore city corporation area during October - December 1991 for the purpose of the study.
For analysing data and arriving at conclusions statistical and econometric tools are used. The financial cost of construction and trend of its growth are analysed by using the index number technique and simple regression techniques. The labour - capital ratio technique, the index number technique and the regression model are used to analyse the relationship between financial investment and employment generation in the construction industry. The standard error estimates were made use of to test the significance of the values of parameters. The extent of wage differentials among the different categories of construction workers are examined with the help of the coefficient of variation technique and the Gini ratio techniques. The multiple regression model is used to examine and to test the impact of literacy, and skill and experience of construction workers on their wage rates.

Chapter outline: With the above as the introduction, Chapter - 2 discusses the nature of the construction industry in an economy and analyses the role of the construction industry in the process of economic development of the country so as to provide the theoretical background for the analysis to follow in the subsequent chapters.
Chapter - 3 describes the growth of the construction industry in India. It analyses the contribution of the construction industry to gross domestic product, employment generation and gross fixed capital formation of the country.

The Fourth chapter deals with the growth of the construction industry in Mangalore city. The growth in plinth area of residential and non-residential buildings, increase in the financial investment and the volume of employment generation are analysed to highlight the growth of the construction industry in the city.

Chapter - 5 examines the problems of the construction industry in Mangalore city and the Sixth chapter deals with the problems of construction labour in Mangalore city.

The Seventh and the concluding chapter of the thesis contains the summary and conclusions of the study.