

# **GUIDELINE FOR IMPROVED RELATIONSHIP BETWEEN LEARNER CONTRACTOR AND SITE SUPERVISORS IN THE EXPANDED PUBLIC WORKS PROGRAMME'S CONTRACTOR LEARNERSHIP PROGRAMME**

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## **ABSTRACT**

**Purpose of this paper** - The Expanded Public Works Programme's Contractor Learnership Programme forms the construction firm to include one learner contractor and two site supervisors. The contractor is trained on NQF Level 2 and the supervisors on Level 4. The contractor operates as entrepreneur and supervisors as employees. The project is awarded to the firm as if it is awarded together to contractor and supervisors. And the programme requires them to work harmoniously during the operations. But, in the project execution a contest for financial benefit arises between the contractor and supervisors leading to adversarial relationship that impedes operations. Some supervisors move between contractors and some entirely leave the programme, which exacerbates the existing skills shortage. Efforts to resolve the problems yield little or no results. There is need for effective solution.

**Methodology** - The programme's progress report was examined. Discussion on the problem was held with some learner contractors and site supervisors. Established small/medium contractors were requested to state how they relate with their staff. Content and descriptive analysis is used.

**Findings** - Some ambiguities in the formation of the firms cause the problems. Struggle for financial benefit between contractors and supervisors will not end if things stay the same. Established small/medium contractors use some incentive packages to manage their staff and operate effectively. The programme does not apply the incentives that could solve the problems.

**Practical implications** - Incentive packages used by the established small/medium contractors can be adapted to improve the adversarial relationship between the learner contractors and site supervisors. This is because such incentives are normally used for that purpose in the industry.

**Value** - Method used by established small/medium contractors to achieve success in a particular situation can be used by learner contractors to achieve success in similar situation. This is useful to learner contractors, supervisors, development programme and the industry.

**Keywords:** contractor, supervisors, relationships, incentive-package, improvement.

## **1. INTRODUCTION**

In 2004 the Expanded Public Works Programme – EPWP- was launched in South Africa to address some national development needs. As part of the objectives the EPWP Contractor Learnership Programme was initiated to use some support systems to develop small/medium contractors to become competitive in the industry. The learnership is formed in such a way that a participating construction entity comprises of one learner contractor and two site supervisors. This is an attempt to provide the learner contractor with some trained staffs to work with. The learner contractor and site supervisors apply on the same form to join together as one contracting entity. They together undergo some training where the contractor trains on CETA's NQF Level 2 while the supervisors train on Level 4. The contractor is required to be the sole shareholder of the close corporation (the construction firm), and the learner supervisors are required to be employees only (DPW, 2005).

The ABSA bank, which provides the project finance, requires such sole shareholding because it wanted to avoid the higher risk that may arise if contractor and supervisors became joint shareholders of the firm. The project is awarded to the firm, which creates an impression that it is awarded together to the contractor and supervisors. And the programme requires them to work in harmonious relationship while executing the project and operating the firm (DPW, 2007).

However, the programme guidelines did not state how to maintain the harmonious relationship between the contractor and the site supervisors. In the project execution and company operation some dispute arises between the contractor and supervisors regarding financial benefits. The dispute adversely affects their relationships, impedes the project and company operations, and derails the programme in general. Some efforts to remedy the situation yield little or no result. This required that a lasting solution must be found to improve the relationship so that the programme can perform effectively and achieve its objectives. Therefore, the author considers that the incentives established small/medium contracts use in maintaining their staff, can be used to manage the relationship between the learner contractor and site supervisors in this programme. But before further discussing the problem and how to solve it, it might be necessary to examine how contractors in the normal situation manage their relationships with their staff members.

## **2. Literature review**

### **2.1 Staff retention and management**

Authors have written about the importance of contractors employing, motivating and retaining competent staff to enable them perform effectively. In 'Constructing the Team', Latham (1994) recognizes fair treatment, clearly defined duties and payment as incentives contractors can use to motivate, manage and retain the staff. In "Rethinking Construction" Egan (1998) suggests that better work conditions, more training and fair wages can be used to improve construction relationships for better output. Holroyd (2003) states that training and fair wages can be used as staff incentives. Cooks and Williams (2004) suggest that contractors must treat their workers fairly in order to retain them in a harmonious relationship. McGraw-Hill (2005) states that contractor who has an ability to manage people is more likely to succeed than the one without such ability.

All the above suggest that an ability to motivate and manage staff is important for the success of a contractor. And, the contractor's ability to establish harmonious relationship with the staff is a function of fair incentives and good working conditions. Therefore, it might be necessary to examine how the EPWP learner contractor and site supervisors relate in implementing the programme.

### **3. Methodology**

The programme progress report made by the DPW is reviewed from which the causes of the problem were examined. Open ended schedule of questions is used to engage learner contractors and site supervisors in discussion to examine the nature of the problems. Open ended schedule of questions is used to engage in discussion with the established small/medium contractors to state how they manage their staff in cordial and productive relationship. The issues discussed are subjected to content and descriptive analysis for proper understanding.

#### **3.1 Source of the adversarial relationship (gathered from the programme report)**

As earlier stated, the learnership programme requires the learner contractor and site supervisors to operate in harmonious relationship so that they can effectively execute the projects to the satisfaction of the client. But it is stated that in the implementation, some unexpected problems emerged due to certain ambiguities in the formation of the business entity under which the learnership operates. One of such ambiguities is that the rights and obligations of the contractors and supervisors are not clearly stated and separated. For example the site supervisors' contract of employment does not clearly state the supervisors' duties and wages. Because of this the supervisors began to think that they are co-owners of the business and therefore must enjoy same wages and privileges as the contractor. When the supervisors are informed otherwise, they felt highly dissatisfied and began to contest for higher wages, share of profit and/or the business ownership. The contest generates conflict between the contractor and the supervisors, which strains their relationships and impedes the project execution (DPW, 2007).

#### **3.2 The conflict (gathered from discussion with contractors and supervisor)**

Some issues discussed here are mentioned in the programmes progress report. But in the discussion the learner contractors and supervisors confirmed them and mentioned other relevant issues. The discussion was with some learner contractors and supervisors at different places where the programme is being implemented. Therefore, the author did not in structured format state the number of contractors and supervisors who participated. However, the issues presented are fair representation of the content of the discussion regarding the subject matter as follow:

The site supervisors stated that their NQF level 4 training is technical-based. And the programme informed them that it is higher than the entrepreneurial-based NQF level 2 training for contractors. And with their higher training they perform more important technical tasks in the project execution than contractors who only perform managerial tasks with lower training.

The site supervisors stated that in sometimes they are taught together with the contractors in the same classroom on some NQF 4 and NQF 2 related unit standards. And in such cases they are

tested and sometimes they score higher marks than the contractor. Based on this the supervisors contend that they are academically same and/or better than the contractor and therefore should earn same or more wages than the contractor.

The supervisors stated that with their higher qualification and sometimes better marks in the classroom tests, they tend to question competence and validity of the orders given by the learner contractors. This strains their relationship with the contractors.

The learner contractors state that they are the owners of the business and employers of the supervisors. Therefore they will not tolerate their employees disrespecting them in their own business. This also strains their relationship with the supervisors

The progress report states that this leads to bad manner of communication between the contractor and supervisors, which severely strains their relationship

The supervisors stated that the projects are provided under economic empowerment policy. They are looking forward to be financially empowered with the project just like the contractors. And therefore, they should get equal benefits with the contractor from the project's financial gains. Therefore with their higher qualification and the more demanding technical tasks they perform, getting less gain than the contractor is not acceptable.

The contractors who seem to be placed on more privileged position in this situation state that there is expectation for profit but the projects are mostly unprofitable and losses are incurred. As they bear such losses, there is no arrangement to share the losses with the supervisors. And yet, the two supervisors often use their numerical strength to gang up and hold them to ransom while demanding more financial benefits.

The supervisors argued that they are not sure that there is loss because the contractors do not allow them access to the project/company financial records that will enable them ascertain the true state of affairs. They contend that the contractor's claim of project nonprofitability and losses seems untrue because the contractor tends to spend money in some extravagant ways. The supervisors' request to be made co-signatories of the company account so that they will monitor the true state of project money, was rejected.

The progress report stated that in some provinces the conflict between the contractor and site supervisors has become so intense that they do not have cooperative working relationships. And in some cases the conflict has become so severe and disruptive to the project progress that the supervisors were temporarily removed from the site pending the time some disciplinary hearing will resolve such conflict.

The report also stated that the removal of such supervisors delays the contractor's progress detrimentally. And considering that supervisors are paired with contractors, it becomes hard to find new supervisors to assist the contractor pending the outcome of the disciplinary hearing.

All the above indicate that some severe dispute exist between the contractors and supervisors. And the dispute is adversely affecting both the contractors and the programme. This requires that some remedy must be found if success is desired.

### **3.3 The programme's attempt to remedy the conflict situation**

DPW (2007) in the progress report states that the contractor earns R5000.00 per month while the supervisors earn R3000.00. And the supervisors do not like the wage disparity. However, in an attempt to remedy the conflict the programme has proposed the following actions: At the selection of the learner contractor, the Public Body, DPW, and CETA will facilitate a meeting with the learner contractor where it will be decided whether the supervisor will receive:

- Payment of a monthly salary only
- Payment of monthly salary plus percentage of project profit
- Payment of a percentage of project profit

This was proposed at the end of 2006, but up to the end of 2007 it has not yet been implemented because agreement on how to do so has not been secured from all the parties involved.

However, it might be necessary at this juncture to examine how the established small/medium contractors structure the ownership of their companies and relate with their staff. This might indicate whether the above proposed remedy is enough to resolve the adversarial relationship that exists between the learner contractor and site supervisors. It might also help to shed some light on what might be done to improve such adversarial relationship in line with fair practices applicable in similar situations in the industry.

### **3.4 How to improve the adversarial relationship (gathered form established contractors)**

Eighty five established small/medium contractors who started their companies from the scratch were engaged in discussion to state how they structure their company ownership, motivate and retain their staff in productive harmony. Thirty of them stated that they started and still operate their companies as sole owners. Fifty five stated that they started as sole owners but later invited partners who had relevant work experiences and resources to take part in the partnerships. Some of them stated that they made their skilled/experienced and dedicated worker partners in the business after some years of working for the company. This is to avoid loosing them to other contractors.

The above suggest that contractors can operate their firms either as sole owners or as partners. And they can make their deserving workers partners as a way of retaining them. Therefore, whether the learnership programme requires the contractor to be the sole owner or work with the site supervisors as partners is not necessarily out of context. However, assuming that for any reason the programme insists that the contractor should be the sole owner and the site supervisors should work as employees, the issues will be how to motivate, remunerate, and retain the supervisors so that they can work in harmonious relationships with the contractors.

In this case, the eighty five established small/medium contractors, both those who operate as sole owners and those that operate in partnerships stated that they motivate, retain and carry along their core skilled staff in harmonious relationships by providing them with fair combination of

the following incentives: good working conditions, insurance policies, competitive wages, opportunity to contribute opinions in project/company decision making process, some percentage of the project profit as wage bonus, some in-service training, and company's group social outing.

However, in all these, they still retain the company leadership and take all the decisions. They also stated that they ensure that they still have enough profit to plough back to the company after paying out such incentives. This suggests that they balance between the amount they need to continue to build the company and the one for the staff incentives.

Considering the above, it seems that the proposal to use some salary and/or profit sharing to remedy the conflict between the learner contractors and site supervisors might help to an extent, but not enough. Therefore, if the programme applies fair combination of the stated incentives used by the established small/medium contractors it may reduce the conflict to a larger extent.

#### **4. Conclusion**

This paper has described the relationship between the learner contractor and the two site supervisors in the EPWP contractor learnership programme. It suggested that the dispute that develop between them in the relationship is caused by the inappropriate way they are joined in the company, placed in an inappropriate training hierarchy, sometimes trained together in the same classroom, and the inadequate incentives. All these have enabled the supervisors develop some wrong impressions of their positions. And the wrong impressions have led to dispute that tends to derail the programme.

However, the paper suggested that the dispute can be minimized if the programme applies the fair combination of incentives, which by established small/medium contractors use to motive, retain, and carry along their core skilled staff in harmonious and productive relationships.

The core ideas explored in this paper is that the method established small/medium contractors use to achieve success in relating with their staff, can also be used by the learner contractor to achieve success in relating with the supervisors. This is because such incentives are normal practices used to achieve success in similar situation in the industry.

Therefore, the idea can be useful for the learner contractors, the supervisors, the contractor learnership programme, and the construction industry in general. However, it will be necessary to realize that the application of such incentives can only be effective in achieving the desired objectives if the following issues discussed in the recommendations below can be tackled.

#### **5. Recommendations**

At this juncture, it might be necessary to examine and address the following fundamental issues.

- First and foremost it is necessary that the programme understands that contractor leads the construction firm. Therefore, the programme must train and facilitate the contractor in such a way that he/she will effectively lead and command the respect of the workers without undue challenge from such workers.

- The idea of joining the contractor and supervisors together where they apply on the same documents to form one construction entity should be reviewed because it creates an erroneous impression that they are joint owners and supreme leaders of the business. They should rather be required to enter the programme separately. And the contractor should choose from a pool of trained supervisors who to work with. This will give the contractor the power of employer and give the supervisor the mind of the employee. It will from the beginning generate the employer and employee mindset needed in the business
- Placing the supervisor's NQF level 4 technical training on the same yardstick where it measures two steps ahead of the contractor's NQF level 2 entrepreneurial training seems very inappropriate. It is important to understand that the contractor as an entrepreneur performs entirely different functions from the supervisor who is a skills peddler. It is the entrepreneur-contractor who leads the skills peddler-supervisor. And, such ranking that gives the supervisors the wrong impression of the importance of their qualification seem erroneous. Therefore, the review should remove the contractor's training from the existing position and place it differently where it must never be numbered on the same or lower level with that of the supervisors.
- The idea of teaching the contractor and supervisors in the same classroom where they are given the same test and marked accordingly seems quite erroneous. This is because the contractor leads, instructs and expects loyalty from the supervisors. Therefore teaching and testing them in the same classroom whereby the supervisors perform better than the contractor will lead to the supervisors not respecting the contractor because the classroom performance has shown an inferior but wrong idea of the contractor's ability
- Every effort must be made to separate the contractor and the supervisors in the training, selection, application and initial documentation for joining the programme. This is because the problem caused by joining them together at this stage generates more adverse impacts than the benefit the programme thought it would have generated.
- More supervisors should be trained so that the contractor will have the chance to choose the minimum of three from the pool. This will minimize the shortage of the supervisors.
- The economic empowerment background of the programme might continue to generate agitation for equal benefits. But it is important to realize that attempting to apply such practice of equal benefit for contractor and supervisors might be erroneous because it will erode the contractor's leadership position and make it impossible for the firm to accumulate financial resources with which to stabilize and survive. Therefore, a review should clearly state from the onset the positions, duties and limitations of both parties. That the contractor owns and leads the firm, and the supervisors are subordinate to the contractors. That in order to survive, the firm must not share to the workers the larger percentage of the profit it needs to plough back to its operations.

- To avoid losses and nonprofitability, certain profit margin must be targeted in the project. And after paying all the incentives to the supervisors, some larger amount of the targeted profit margin must be achieved for the company development needs.

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## Acronyms

ABSA: Amalgamated Banks of South Africa

CETA: Construction Education Training and Authority

DPW: Department of Public Works

EPWP: Expanded Public Works Programme

NQF: National Qualification Framework