“MY LABOURERS ARE EVERYTHING TO ME”

A Qualitative Study on Micro Contractors from The Construction Sector: Narratives from Bengaluru, Delhi, Mumbai, And Hyderabad.
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In the past year, micro contractors’ businesses due to recurrent lockdowns have been severely affected; this has led micro-contractors who already belong to lower socio-economic backgrounds with little or no formal education to become twice as vulnerable than before. At present, it is of utmost importance that they and their business receive immediate assistance. Therefore, the following recommendations have been provided below for key stakeholders in the construction ecosystem which could assist micro contractors in securing their business. These recommendations are based on our study conducted with micro contractors across Bengaluru, Delhi NCR, Hyderabad, and Mumbai:

**Working capital at low-interest rates**

Micro contractors’ access to little or no working capital can affect their business. This coupled with increase in wages of workers, cost of raw materials pressurises the ability of micro contractors to manage their business, leading to the migrant workers vulnerability being increased, even with the micro contractors’ support. Therefore, assistance with formal loans which supplement working capital could help both, micro contractors and workers.

**a. Any formal loan assistance will have to take into consideration the following:**

**i. Low interest and flexibility in collateral for mortgage**

There is a strong preference for informal loans from friends, family, or acquaintances because micro contractors can avail the loans from them at minimal or no interest rates compared to banks. Some contractors also mentioned taking loans from informal money lenders at lower interest rates than banks. All micro contractors in our sample were migrant workers; collateral at destination locations such as land or homes which could be mortgaged for formal loans were not available.

**ii. Assistance in documentation, awareness about loan procedures and repayment plans**

Formal bank loans are inaccessible to micro contractors due to lack of collateral and documentation. There is a general distrust with formal institutions due to lack of information, high interest rates, and inability to access bank loans.

**Assistance in retention and worker recruitment**

**a. Retention of workers** is critical to a sustainable business for micro-contractors. Most micro contractors have permanent workers who have been working with them for long durations.
They acknowledge their crucial role to expand their business; to retain them, they continue to take care of their daily needs even in periods where there is no work.

b. Shortage of labour due to the pandemic can be addressed through assistance in worker recruitment processes.

According to some micro contractors, the recent uncertainty has led migrant labour to move back and forth more frequently than before in between Covid-19 waves, this has led to a shortage of labour in destination location, affecting their work.

Availability of skill enhancement programs (for themselves and their workers)

a. Formal contracts and quotations are critical to ensure their due share is provided at the end of the contract-training on negotiating and preparing these contracts would benefit them.

i. Micro contractors mentioned being averse to formal contracts for fear of wrong estimations, which could become difficult to negotiate later with employers if it’s on paper. Therefore, training on making accurate estimations would be beneficial for them.

ii. Formal contracts should include advance payment clauses. It was observed advance payments could help supplement the working capital needs of micro contractors, and only in cases where advance payments were refused, they had to either take loans or refuse work. Therefore, courses or training around negotiation skills with employers for advance payments would be helpful to them.

b. Skill enhancing and training for casual and new workers is crucial for better opportunities in the sector

A few micro contractors mentioned their unwillingness to hire casual or new workers as it is time consuming to train them and their lack of adherence to safety guidelines was also seen as a hindrance, therefore, a preference was given to skilled permanent workers when hiring full time. Training for skill enhancement, safety procedures could enable workers to receive better employment opportunities with micro contractors.

Provision of worker welfare funds to micro contractors by industry could enable them to maintain their workers through economic shocks and help secure their business.
In the study, all micro-contractors in the sample expressed how they either dipped into their savings, borrowed, or took advance payment to ensure their workers were either paid or fed properly during the lockdown.

**Assistance in the form of formal grievance redressal mechanisms for non-payment is key to ensure their businesses are not further affected.**

Micro contractors mentioned instances where they were cheated off their payments by employers, which led to delays in payment to their workers or them dipping into their savings or profits from other sites to pay them. Sometimes micro contractors had to resort to working as labourers at other sites to pay off workers.

**Programmes, where the primary goal of training micro-contractors to be ‘ethical’ or ‘good’ are not required.**

a. As observed in the study, they already have a deep sense of attachment to their workers and consider their well-being to be of utmost importance.

i. Ethical micro contractors

Contractors who are in the lowest rung of the employers’ ladder are highly ethical and see their workers as their primary responsibility. Their own fluid identity of being a labourer and entrepreneur, along with a deep sense of brotherhood, is an integral part of understanding how ethical and dedicated they are to their workers’ well-being.

Often, they help workers (injuries/accidents/wage payment) even at their own expense by dipping into their savings, borrowing or selling their assets.

ii. High-level influence on workers

Provided they are closest to workers and workers’ well-being is a priority, it will be easier to engage micro contractors to participate in programmes that benefit workers.
Over the past few decades, the construction sector has expanded and accounts for 8 per cent of the GDP, and it employs over 57.5 million people in India. It is the second largest employer of migrant workers as a whole and the largest employer of short-term migrants. Thus, it holds immense significance in the job diversification and survival strategy of millions of migrant households in the country. A large proportion of these workers are directly hired by micro contractors, who they consider their primary employers.

While reports and academic literature point to migrant workers’ vital role within the construction value chain, their immediate employers, i.e., micro contractors\(^1\) are barely mentioned. The existing definitions of a micro contractor across literature about their capacity of hired workers and job description are varied. A study conducted by India Migration Now\(^2\) (2020) found that labour intermediaries worked mainly as micro contractors and employed less than 5-6 workers. Another article\(^3\) mentioned micro contractors employed anywhere between 5-25 workers, both unskilled and semi-skilled. Micro contractors work description includes wage negotiation, worker recruitment, supervision and providing workers with material and equipment. Although they tend to work at a small scale with low profit margins, any impact on the construction sector, such as lockdowns, could be detrimental for their business.

In the past year, the construction sector was significantly impacted by the pandemic and nationwide lockdown. Millions of jobs were lost, leading to scores of migrant labourers returning to their villages. Since the first lockdown, the sector has seen a slight economic recovery. However, the second wave of COVID-19 further impacted all those present in the construction supply chain. With construction activity halted for months, the impact on micro contractors was significant as well. The IMN\(^4\) study found micro contractors to be under immense financial distress during the first lockdown, unable to pay workers due to the sudden hold on billings by construction companies, most continued to take care of their workers even if it meant paying from their own pockets for their daily expenses and accommodation at destination cities. Workers and micro contractors’ relationship is interlinked. During the lockdowns, the financial impact on the micro contractor’s business directly affected workers. Therefore, it is imperative to understand the challenges faced by micro contractors for the well-being of workers.

This study explores the different characteristics of micro contractors, both before and after the lockdowns, to understand the role industry can play in reducing risks through direct investment and engagement with micro contractors, the changing nature of their job and the interlinkages between the impact on both workers and micro contractors through four key themes – the vulnerability faced in becoming micro contractors, employer-worker relations, skilling among both, i.e., micro contractors and workers and the financial distress faced by them.

\(^1\) Micro contractors are often referred to as small or petty contractors
\(^3\) https://www.gfems.org/uncategorized/building-financial-security-for-migrant-workers-in-indias-construction-industry/
Micro contractors in the construction sector

Understanding the role of micro-contractors is important, provided the key role they play in the well-being of the migrant worker. However, research on micro contractors in the construction sector is still limited, and there is a significant gap in our understanding of their role in the ecosystem. Thus, this study allows us to explore and understand who a micro contractor is and document their challenges. This report will provide the basis to give key recommendations to industry, policy makers and collectives to design programmatic strategies targeting this important stakeholder.

Figure 1: Construction supply chain
RATIONALE, STUDY OBJECTIVES & METHODOLOGY
RATIONALE

Given their significance in ensuring migrant welfare, understanding the role of micro contractors is important. However, research on micro contractors in the construction sector is still limited and there is a significant gap in our understanding of their role in the ecosystem. Thus, this study allows us to explore and understand who a micro contractor is and document their challenges. This will provide the basis to provide key recommendations to design programmatic strategies targeting this important stakeholder.

STUDY OBJECTIVES

Through the study, we aim to understand the challenges and concerns of micro contractors through the following parameters:

· To understand their financial requirements
· To know how micro contractors are upskilling for expanding their business
· To understand their recruitment patterns

METHODOLOGY

a. Secondary review:

Completed in-depth desk research of reports and articles on the construction sector and available reports on micro contractors.

b. Primary Research:

We employed a qualitative method approach to conduct the study.

· In-depth Interviews (IDIs):

34 IDIs were conducted through telephonic interviews with micro contractors in 4 metropolitan cities across India (Bengaluru, Delhi NCR, Hyderabad, and Mumbai). The total number of interviews conducted with micro contractors in all four cities is provided below (Table 1).
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<thead>
<tr>
<th>S.No.</th>
<th>City</th>
<th>No. of interviews conducted</th>
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<tbody>
<tr>
<td>1</td>
<td>Bengaluru</td>
<td>7</td>
</tr>
<tr>
<td>2</td>
<td>Delhi NCR</td>
<td>9</td>
</tr>
<tr>
<td>3</td>
<td>Hyderabad</td>
<td>9</td>
</tr>
<tr>
<td>4</td>
<td>Mumbai</td>
<td>9</td>
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<td></td>
<td>Total</td>
<td>34</td>
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Table 1: No. of interviews conducted of micro contractors according to city.

The four cities were chosen in our sample for two reasons: Firstly, to capture any visible similarities and differences that come with a diverse country such as India. Secondly, these cities are known to be India’s major construction hubs and are also important intervention areas under Jan Sahas’ program for migrants - ‘Migrants Resilience Collaborative’.
SOCIO-DEMOGRAPHIC PROFILE OF MICRO CONTRACTORS
5 micro contractors did not mention their migration pattern.
Years of experience as a micro contractor:

- 0-5 years: 35%
- 6-10 years: 23%
- 11-15 years: 23%
- 16-20 years: 15%
- More than 20 years: 4%

Type of work

- All construction work: 38%
- Cement: 15%
- Steelwork: 15%
- Material movement: 9%
- Painting: 9%
- Woodwork: 6%
- Electrical: 6%
- Flooring: 3%

Source states of micro contractors:

- Bihar: 32%
- Telangana: 25%
- Uttar Pradesh: 14%
- Karnataka: 11%
- Andhra Pradesh: 7%
- Maharashtra: 7%
- Rajasthan: 4%

6 micro contractors did not mention years of experience.
4 micro contractors did not mention their source state.
FINDINGS & DISCUSSION
In this section, we focus on four key themes through the perceptions of micro contractors – First, their trajectory in the construction sector, vulnerabilities faced by them in the pathway to becoming an entrepreneur. Second, the worker-employer relationship to understand the interlinkages between micro contractors, their workers, and their commitment towards their well-being. Third, the nature of skilling and its demand for both micro contractors and their workers. Finally, the financial distress faced in relation to inadequate working capital, refusal of advance payments and inaccessibility to formal loans.

1. Vulnerability of micro contractors characterised by a fluid identity of being both a labourer and entrepreneur

Humble beginnings as unskilled labourers:

As seen in Figure 1, micro contractors are a level above labourers in the construction value chain. Most micro contractors are from low-income households with little to no formal education (80% respondents). However, a few were also inter-generational micro contractors who joined the business that their father/ elder brothers had established. Such micro contractors faced fewer challenges, especially in the initial phases of joining a pre-established business.

However, most of the contractors we interacted with were first-generation contractors who faced immense challenges when they established their businesses. Their journey within the sector often begins as a labourer/ helper, and with the support/ encouragement of employers, relatives, friends, and colleagues, they gradually progress towards becoming a micro contractor.

As Ajit recounted, “Before arriving in Gurugram, I worked as a waiter in Mangalore. My mother, who worked as a domestic worker, asked me to come here to be closer to her. When I arrived, for one year, I worked as a labourer in the construction sector. After seeing the quality of my work, the builder encouraged me to start my own venture as a micro contractor.”

In other cases, the strong support of labourers they worked with encouraged them to take up additional responsibilities and widen their profile to be a micro-contractor.

“I had come to Delhi from my village to work with 5-6 other workers, and we used to look for casual work at the labour chowk. Soon our strength increased to 10 workers. I then suggested to the other workers that one of us should become the group contractor to negotiate. They unanimously decided to make me the contractor.”- Babu, a Delhi-based micro contractor.
Pandemic and monsoons further exacerbated their vulnerability:

In March 2020, with the national lockdown imposed, their work was drastically impacted. The challenges faced during this period included shortage of labour, lack of finances and job loss. The case of Ahmad, a micro contractor from Delhi, is a case in sight. His work was affected for at least three months during the lockdown and his workers returned to their villages. Once restrictions were relaxed, his work continued to be impacted due to the unavailability of labour. His income over the past year took a significant hit due to the pandemic.

Most contractors mentioned that work returned to some normalcy after the first lockdown as they took on more projects. They further mentioned that the second lockdown’s impact on work was not as significant since economic activity was permissible during this period. But overall, the number of projects they received in 2021 has been lower than before. According to Gulzar, who finds contractual work through labour chowks, “Before the availability of work wasn’t an issue but after the lockdown, work is only available in intervals, sometimes for 2-3 days or 5-10 days. Apart from this, we are mostly sitting idle.” Evidently, lockdowns not only impacted the employment opportunities of workers but small-scale businesses of micro contractors who have equally suffered during this period. According to Rajesh, before the pandemic, his billings were as high as 10-12 lakhs. However, in the past year, there has been a drastic decrease and he mentioned that he has been surviving on the basic work that he receives since the lockdown.

Post lockdowns, their share of profits is either minimal or non-existent, as expressed by Gautam from Mumbai.

“…the wages of the labourers have increased. Petrol and diesel prices have also increased. So, the auto drivers also have their own price hikes. This also causes issues in getting raw materials. And I hardly make any money now.”

Monsoon further disrupted a few specific trades like steelwork, as they earn only upon completion, which isn’t possible until the passing of the monsoon.
Fluid identity and slipping back to work as labourers:

We further observed a dynamic nature in their identity as both contractor and labourer. A few micro contractors expressed how they took up work as a labourer in difficult times, particularly during the pandemic due to unavailability of other work.

“This pandemic has ruined my job profile now. I have quit contractor work now and have been working in the plywood industry as a helper for the past three months. I came to the city to work and earn, so I never think of the job role I take up, and I am ready to perform anything that serves my needs” - Murugan, a Bengaluru-based micro contractor.

“Even today, I have to work along with my labourer. Poverty is an issue which makes one do any kind of work to provide 2 square meals for your family” - Raju, a Delhi-based micro contractor.

In other cases, contractors expressed how working alongside their workers was important for their morale, particularly because they didn’t want their workers to feel that they did nothing and were surviving off their hard labour.
2. A strong sense of brotherhood and loyalty between workers and micro-contractors

Well-being of workers is the highest priority:

A study on migrant construction sector workers in India (2016) found that 85% of workers view the contractor as their primary employer, who provides their wages and supervises their work. In our study, our respondents felt a similar responsibility towards their workers. Their commitment towards the well-being of their workers was expressed less as a legal requirement and more in line with a deep sense of affection. This sense of accountability increased in the cases of contractors who had recruited workers from their own villages.

“More than work, I am always concerned if my workers ate on time or not. If they are in good health, then even I will be able to do my work properly. On a site, I always give money to my labourers in the morning for tea and snacks, and then I tell them to eat lunch at 1 pm and resume work from 2 pm. If I can keep them happy, then they will not hesitate to work longer. Like in the summer, if they want to drink Pepsi (cold drink), I buy it for them because they are the ones who gave me the opportunity to grow” - Brijesh, Delhi.

http://www.ihdindia.org/1.pdf
The migrant crisis which we saw, I think that was the toughest time. I didn't let the labourers go home during the lockdown and I made sure that they had help.

-Amol, Mumbai

All the micro-contractors expressed how they either **dipped into their savings, borrowed, or took advance payment** to ensure their workers were either paid or fed properly during the lockdown.

I had some savings, so I was managing their expenses during the lockdown, but then when there were issues for the supply of food, they started walking back.

-Harun, Mumbai

Even in cases where they were cheated by their employers, **their commitment to pay workers did not waver**, as seen in the case of Harun and Gaurav from Mumbai.

I kept asking him (employer) for money, but then I didn't get it. So, I was back to being a labourer. I went to the naka for work. By doing labour work myself, I managed to repay all my workers their unpaid wages as well as material cost.

-Harun, Mumbai

If the contractor doesn't have money, then the labourers are going to have a tough time as well.

-Hashim

I faced many challenges. I was unable to give payment to labourers. At times I even couldn't secure some payment for myself. But I managed somehow in the crisis and ensured they (his workers) were paid.

-Gaurav, Mumbai

In other cases, **their commitment to paying workers even at their own expense** was observed.

Once, I had to sell my wife’s jewellery worth 50,000 rupees for 8,000 rupees to support one of my labourers during an emergency situation at his home.

-Manish, Bengaluru

"Monthly, I have to pay them money even if there is no work; I have to provide for their food, including non-vegetarian food thrice in a week (egg, fish, and chicken). On top of it, if they want to eat something, then they get it themselves."

-Brijesh, Delhi
During the lockdown, the workers did not have money, so I provided them with food and a place to stay. Honestly, there is no work available even now, maybe once a week we all eat together with whatever money I have. The room rent is between 10,000 to 12,000 rupees a month, and the ration is around 7,000 rupees. Now, what will I do? When work resumes, then we have to pay that off in lump sum. There are a lot of problems, the owner asks for the rent, but without work, it is difficult for me to procure the money. I had to somehow manage by either borrowing or begging for money so that I could feed my workers. They are my responsibility, so I have to look after them.

-Mahesh, Delhi

In some cases, such as Ali’s from Bengaluru, he managed to refer workers to friends who had ongoing work so that his workers didn’t sit idle, and he could ensure they earned.

Due to the sudden financial losses, I had to sell my land to pay the labourers. I am in a really bad state right now. I am completely broke due to the lockdown!

-Mahesh

Nothing should happen to the person working under me. They should not get hurt or shouldn’t get injured. If there is a small problem, I manage, but if there is a bigger problem, then the builder manages. This happens on every site. When I was working in Delhi, I got badly injured on my finger and then my builder provided me full treatment and also gave me money.

-Zahir, Mumbai

The sentiment for most contractors seemed to be that their growth was dependent on the well-being of their workers who are otherwise hard to find/ and retain -

Even if there is no work, I have to pay some amount daily to my labourer to support their food arrangements. If I do not support my labourers, I will not easily get good labourers for work. I have seen people distribute ration for a day during the lockdown to make videos on social media but supporting the labourers for days is way more difficult. As a contractor, I am their sole support system... If I treat my workers with love and care, then they will also respect me.

-Mahesh, Delhi
Struggles with recruitment: Strong preference for permanent workers and subcontracting, casual workers are seen as a hassle:

Our research demonstrates that micro-contractors had both skilled and unskilled (helpers) workers in their team, many of whom were permanent workers. These permanent workers were primarily recruited through prior connections made while working on other job sites during their time as labourers or were recruited from their villages. Most of these workers had been working with them since they began as micro contractors and had picked up skills on-the-job.

There is a clear preference across cities in our sample to hire and retain permanent workers who have years of association with the micro contractor, as can be observed in the case of Javed, a micro contractor from Mumbai, who preferred to primarily hire workers from his village, such as his uncle’s son, friends, and acquaintances.

Further, in some cases it was observed that if contractors are unable to complete the work with permanent workers, subcontracting is the preferred route as workers are given money based on the work rather than the time taken to complete it. It is seen to be more efficient as workers attempt to complete the work before time to avoid any time wastage, and the headache of monitoring work doesn’t exist.

Contractors hire temporary or casual labour only if a project requires it but avoid it in most instances unless necessary. Reasons for this varied from casual workers demanding higher wages, lack of commitment or interest in seeing a job through and an image of casual workers as lazy who require higher levels of monitoring. In some cases, inexperienced casual workers are avoided for fear of dealing with workplace accidents.

Manu from Hyderabad mentioned, “From my previous experience working with casual labourers, they require daily payment, they are usually late to worksites or don’t turn up the next day, that’s why we don’t hire casual labour.”

“There are many people in Bengaluru who come forward asking for jobs, but we prefer workers who are known to us and those who work efficiently rather than new faces. This is mainly because known people stick to the commitments made, and new workers have to learn and perform, and there are chances that they take money initially and stop working and leave.” Murugan, Bengaluru

“Thereir wages are very hi-fi.” – Mitun, Mumbai

“We can’t hire anyone and get the work done, especially in this line. In our line, if they don’t feel comfortable doing the work after 2-3 days, they leave, and we can’t ask them to stay too. If people do regular work, they will work because they want to earn money. Those who don’t want to earn money will not do work. Some are responsible, and some are not. Some just come to roam around the city. Some stay for six months, and others stay for years.” Zahir, Mumbai.
3. Skilling in construction characterised by on the job and informal trainings

Skills obtained by micro contractors and their permanent workers were picked up over years of work experience. Across our sample, on the job training was considered the primary way to upskill both contractors and their workers. In India, formal skilling programs are rare⁹, and most skills are acquired from on-the-job training. The labour survey⁹ (2016) by the Institute of Human Development found 33% of workers who had seen some form of upward mobility in their work had been provided training while working on job sites. However, the lack of formal skilling opportunities meant that they depended on help from relatives, friends, and other contractors/supervisors to start off.

“I have an elder brother; he was already working in this sector. I first went to him to start work. Then I gathered the relevant information and knowledge to start my own steelwork.” Salim

In terms of workers’ skills, most contractors prefer their permanent workers to be skilled. Such as the case of Rahim, Delhi “I do not take new persons. New persons will learn work under some other contractor and then join me.”

However, micro contractors also realise the need for newcomers to be trained, probably owing to their own history of learning on the job. Another key reason seems to be to develop a sense of loyalty in workers towards contractors.

Manish working in Mumbai, hires a mix of both, skilled and unskilled workers. Though he describes the challenges in working with new unskilled workers, “If I say something to the experienced ones, then they learn it soon and know what to do. They take up work after instructions and do the work. Both types of workers have the same wages. It is just that time is spent on the new ones, to make them learn the work.”

Some preferred to hire inexperienced workers as helpers for two main reasons, firstly, skilled workers were costly - such as the case of Praveen, who told us, “I just need workers to know about the site, if they know a little bit of work then I hire them. They usually tend to pick up skills over different projects. I don’t prefer to hire new skilled or experienced workers because their labour cost is high. Though my permanent workers are skilled.” And secondly, skilled workers refused to do certain kinds of work that required contractors to hire helpers to do them.

⁹ http://www.ihdindia.org/1.pdf
Through this study, it can be observed that there are three ways through which workers are taught skills:

a. Contractors themselves take the lead role and feel a responsibility in imparting skills:

Prakash from Bengaluru said, “If I am hiring a new worker who is inexperienced, I teach workers myself even if it’s difficult and time-consuming.” Or as expressed by Sahib from Delhi,

b. Peer learning- Experienced or skilled workers are given helpers to assist them at work, and these helpers pick up work with time through peer learning and observation:

“... no training as such... if they are involved in a similar type of work for a long time and focus, then they will be able to learn on the job. This is how you move up the ladder from a helper to a mason to an expert mason to skilled labour who can read the engineering drawings/designs.” - Jasim, Delhi

c. External skilling sessions:

Painting seems to be the only trade where externally-led free training is made available to workers. Reputed companies such as Asian Paints, Saint Gobain, etc. offer free training (often compulsory sessions) to workers who use their product and have strong tie-ups across their value chain.
4. A cash-strapped sector that is ridden with severe issues of cashflow and manipulative financial practices with limited or no redressal mechanisms:

The primary role of a micro contractor involves dealing with finances that include buying material for work, negotiating contracts, collecting money from employers, and paying labourers their wages. Their primary struggle with finances is the lack of working capital that is exacerbated by the continual loss of money for completed work leading to extreme volatility.

a. Lack of working capital

For micro contractors, the availability of working capital is the basis on which sustainability, security and growth are possible – however, they struggle on various counts in this respect with new GST rules further curtailing their credit limit and managing rolling cash:

“...Now you get credit only for 10-12 days because you need to pay the GST within a particular time. Earlier, we had a longer credit period after buying material – 1-2 months. We used to settle the accounts only after we got money. But now, due to the GST payment, we have to make payments earlier” according to Rajesh.

They depend on various tactics such as irregular system of advance, take loans from informal sources or adjust expenses through payments available from other sites.

An irregular system of advance payments:

Working capital is essential for any business, as it is used to manage operations. For micro contractors, working capital is primarily used for procuring material and paying workers their wages. In a survey\textsuperscript{10} (2015) that tried to understand micro contractors' problems, the inadequacy of working capital was described as one of the challenges faced.

Micro contractors on new job sites could manage the lack of working capital-related challenges by supplementing it with advances that they may receive from employers. When asked about advance payments in our sample, we received a mixed response from contractors from across the four cities.

\textsuperscript{10} https://www.irjet.net/archives/V2/i2/Irjet-v2i220.pdf
In Delhi NCR, five of our respondents mentioned receiving advance money before starting a new project. However, in cases where they are denied advance, they must manage on their own.

Salim said, “If I am denied advance, then I usually manage from the money earned from other sites.” Like most micro contractors from Delhi in our sample, he works on multiple sites, which allow him to continue work in cases where advance is not provided. For Mumbai-based micro contractors, advance payments after the lockdown have become rare. Aman remarks, “After the pandemic, advance payment for work has become rarer; no one in Mumbai is giving advance payment anymore. Everything is based on credit.”

In Hyderabad, all micro contractors mentioned taking advance payment from their employers before starting work. After the lockdowns, they could not manage projects without it. Manu explained to us, “For this work, we have to take advance payment from the employer, otherwise how will we buy the material or pay our workers? If they don’t provide us with any advance, we take informal loans from moneylenders by keeping our gold or other documents as security. If we don’t pay or give less amount to our workers as advance money, then they are unhappy.” Lack of advance payments in most cases led to informal borrowing or micro contractors dipping into their profits from other projects.

Bengaluru showed a contrasting pattern to the above. All micro contractors in our sample mentioned they did not receive any advance from employers and it was only sought from employers in rare cases like festivals and health-related emergencies. Ali mentioned, “I prefer taking my payment on a weekly or daily basis rather than asking the employer for an advance.”
Preference for informal loans and an aversion to taking formal loans:

The role of formal institutions in providing loans in the construction sector has been limited to big construction companies. A 2011 report found, in the period 2010-11, 1.4 per cent, i.e. 50135 crores, was disbursed as loans in the construction sector. The report also found that small contractors who performed 90 per cent of total construction works had limited access to institutional finance loans. Across the four cities, institutional or formal loans were least preferred for the following reasons.

- Loans not provided for lack of required documentation and security/ asset:

They often lacked the required documentation or assets as guarantee for loans. Along with these facts, banks view their business and revenue as too volatile and risky for loans to be made available.

“I once tried to get a loan for my work, but it wasn’t approved because I couldn’t complete the process. The person in charge asked for a lot of identity proof, even after providing my Aadhaar card and Pan card, they asked for additional proof, which I didn’t have, so I gave up on it.” - Gulzar

“Taking out a loan for work is not possible for us. We do not own a house here then what kind of asset will I put up at security?”

- Risk involved in taking loans with high interest:

Taking formal loans was seen as a huge risk for fear of being unable to repay it and a major source of tension and stress.

“What will I do with a loan? There is a lot of tension involved with a loan. Suppose I take a loan of 2 lakh rupees, then I have to pay back 9 per cent interest on it. I earn around Rs. 20,000 in a month, Rs. 10,000 is spent for the expenses at home and remaining Rs. 10,000 I deposit in my bank account” - Rahim

Formal loans within our sample tend to be viewed with distrust due to lack of information, high interest rates, and inability to access them. Micro contractors’ work tends to be through informal means without much documentation, which does not allow them to get business loans. They mainly deal with cash and no paperwork. As mentioned above, the most significant barrier for most who did try for a formal loan was the lack of documentation and high interest rates. Therefore, across the board, it was observed that there was a clear preference to taking loans from informal sources such as friends, relatives, or even informal lenders.
In Bengaluru and Hyderabad, almost all the micro contractors had taken a loan at least once for their work, though from informal sources. Prem Kumar from Hyderabad told us, "In the past few years, whenever I have needed a loan, I have taken it from friends and family because I don’t have to pay any interest to them. In the past, I have also taken loans from moneylenders where I had to pay 3 per cent interest per month. I didn’t try for a bank loan because I do not have enough information about it, plus the interest rates are high."

“I have borrowed money in the past from my relatives and friends. I do not have to pay any interest on the money borrowed from relatives, but money borrowed from friends has an interest rate (10-8 rupees). A known friend does not ask for security but acquaintances do ask for security.” - Mithun, Delhi

Ajay, a micro contractor from Bengaluru, has only taken loans from informal moneylenders or friends and family. Although loans from banks are risky and not suitable for Anil, he believes that his business is not the kind where a loan would be made readily available to him by the bank. Therefore, he prefers borrowing from informal sources. Currently, he has taken a loan from a moneylender at a 6 per cent interest rate.

In one case, a complete aversion to both formal or informal loans was mentioned because of the tension involved in paying back the loan and instead, a preference to work with the revenue they are able to generate from existing work was expressed.

“Yes, I had taken loan/borrowed money from one of my financing friends long back, say ten years ago, for 6% interest, and I faced a lot of difficulties in repayment. My wife worked as a domestic worker in different houses and I worked in different micro contracting sites for the repayment and repaid it back in the last two years. Hence, we have decided not to take/borrow money from friends nor relatives, nor financiers. Our hard-earned money is our support and enables us to feed our family. And I have never thought of financing my money to others nor take from others.” – Ali, Bengaluru

b. Loss of money

**Inaccurate quotations owing to lack of adequate skills:**

Before starting work on a new job site, micro contractors must provide an estimated budget to the employer. In this, their previous work experience plays a significant role as they need to add all costs for completing the work while ensuring their profit margin. During our interviews, some micro contractors told us about how this is one of the most important tasks for them as an underestimation of costs at worksites meant that the burden is borne by them. Rajesh’s experience provides us with the repercussions of incorrect estimations.

“When I initially started working, I was unable to estimate the total cost of the work and gave an incorrect one for the work. This led to me incurring personal losses and paying out of my pocket to complete the work.”
Cheated by employers or severe delays in payments:

The entire value chain is ridden with issues of nonpayment of wages along with restricted cash flow. Micro-contractors bear the brunt of this burden along with their workers, and as seen in the earlier sections, they often dip into their savings or take on labour work themselves to pay off their workers.

“... You won’t believe it, but the builder did not pay me a single penny for the work worth 2-3 lakh rupees. Another contractor was called for completing the work, and the builder asked me to get the money from the dealer who arranged this work for me. The dealer blamed it on me and did not provide me with my money. So, I lost 3 lakh rupees right before the lockdown. I have all the documents and proof in place to fight a case. If they do not agree to pay back, then I will file a case against them. In that total amount (3 lakhs), my commission is limited to 10k-20k rupees; the rest is the labourer’s money. These are some issues which we face in our work. Given I have 16 permanent workers with me, so I have to make their payments under any condition.” Mitun Delhi

Working capital in the construction sector for micro contractors, who work independently on sites, is still a challenge. Not receiving advance payments, the inability to get formal loans and severe volatility owing to financial malpractices or lack of skills stand as barriers in their pursuit to expand their work. Many banks in India provide business loans designed specifically for contractors. Still, chances of receiving loans are low for this group that doesn’t have high turnover rates, lack of formality in business, lack of collateral, and documentation. Financial products in the private sector tend to disregard these challenges.
CONCLUSION
Micro contractors’ challenges in the construction sector which are directly linked with the welfare of workers and ensuring safe migration are rarely studied. However, after the lockdown’s impact on their business, they are barely managing to keep up. The setbacks faced by micro contractors have further allowed them to think of their future within the sector and expand their business. Micro contractors across Bengaluru, Delhi NCR, Hyderabad, and Mumbai, mentioned their future aspirations to build their business further. Some of the key challenges they thought they might face included finances, recruitment and labour shortage.

The most prominent themes that emerged when asked about their requirements in relation to sustainability and growth were the following:

1. **Access to capital and smooth cash flow**

As discussed above, many contractors expressed how low-interest capital could give them the jump start required to expand. Across our sample of 34 respondents, 22 mentioned that they would be interested in formal loans with lower interest rates to expand their business further.

“To expand my work, the main requirement is enough savings. If someone wants to help me right now with my work, then I need help with money (access to capital). I have the capacity to run ten sites simultaneously if I have enough money.” – Mithun, Delhi
An efficient and committed labour force is the linchpin of a successful business for contractors. Therefore, probably in the entire value chain, if there is one stakeholder who will benefit most from the retention of labourers, that would be micro contractors. For Mansar from Mumbai, the key issues which put his expansion plans on hold are labour shortage and challenges in recruitment.

He says, "I have thought of expanding my work, but for that, I would need more workers. If there is enough labour available, then I can take up more projects. I do not need help with money; rather, if someone could assist me with worker recruitment, then it would be useful for me."

2. Access to experienced/skilled workers
3. Skill enhancement programmes

While the majority of contractors mentioned the first two factors, one contractor focused on the need for formal skill enhancement programs for themselves and their workers.
Access to the above will primarily help them with timely payments to workers and the expansion of their business by buying machinery or hiring more labourers. One contractor also mentioned how access to capital would help him start a business back home instead of toiling away in expensive cities in a volatile market.

With India’s construction sector set to emerge as the third-largest globally by 2025\(^{}\text{11}\), a considerable investment towards providing requirements raised by micro contractors in our study could lead to better business practices and profitability in business. Moreover, as the construction sector expands, micro contractors should be a part of this growth and ultimately this will be an important step in ensuring the protection and well-being of migrant workers.

\(^{11}\) https://www.investindia.gov.in/sector/construction