

# Administration of Agreement Practice in the Informal Construction Sector: A Case of Goba and Madale Dar es Salaam

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**Abstract** Mostly private residential building clients engage in informal construction sector since it is affordable given their limited capital, whereas; the main aspiration of informal construction workers (Artisans) is to gain access to employment and income. The client and informal construction workers enter into verbal agreements without any legal enforcement for the proposed construction. This research study aimed to evaluate administration of agreement practice between clients and informal construction workers in the informal construction sector through an identification and assessment of the kind of work agreement between clients and informal construction workers present in the informal construction sector, to identify and assess source of disputes arising out of the agreements between the clients and informal construction workers in the informal construction sector and suggest possible measures so as to improve work agreement in the informal construction sector in Tanzania. Purposive non-probability sampling was used to obtain sample of the study which indicates prevalence of the population and convenient non-probability sampling to enable ease of accessing construction sites around the area. A total of 60 informal construction workers and 10 clients from Goba and Madale in Kinondoni Municipal were drawn as the sample of this study and structured and unstructured interviews were used as a means of collecting data. All findings collected were analyzed through tables and graphs. Findings revealed that work agreement in the informal sector does not include express terms which clearly describes each and every party's duties and obligations for performance of the contract. It is simply a negotiation which involves verbal agreement on work to be performed for a certain duration of time and payment involved. The study recommended that it is best for the work agreement between the parties to be documented clearly describing each and every party's duties and obligations for performance of the contract and legally binding for its success.

**Keywords** Administration, Agreement, Informal Construction, Dar es Salaam

## 1. Introduction

### 1.1. Informal Construction Overview

For many years Informal construction have been important to different countries. However informal construction sector activities have been largely ignored, rarely supported, often unregulated and sometimes actively discouraged by Governments [12]. In current years, the informal construction sector has achieved popularity in developing countries such as South Africa, Nepal, Kenya and Tanzania [10, 3, 14].

### 1.2. The Construction Industry of Tanzania and Urban Development

The construction industry in Tanzania is one of the key sectors of the economy. It accounts for more than 50% of the capital formation, 5% of the gross domestic product (GDP) and 9% of employment creation [11]. Construction is vital for human settlements. Construction industry is one of the major providers and in many instances the primary provider of work in urban areas, especially for the poor. Apart from direct employment in construction sites, the industry provides large magnitude of other jobs such as the production of building materials and other equipment [2]. However, the construction industry still faces serious challenges related to its workforce in many countries, such as low salaries, lack of proper training, high rates of accidents, and large number of unorganized workers, among others [16].

### 1.3. Informal Contractors- Tanzanian Context

The definition adopted at the first meeting of CIB Task group 29 for the informal construction sector is given below: "The informal construction sector comprises of unregistered

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and unprotected individuals and small enterprises that supply labor and contribute in various other ways to the output of the construction sector [15]. From the above definition and within the Tanzanian context, informal contractors would mean those enterprises or individuals carrying out, and supplying labor for construction work without business licenses and/ or registration with the Contractors Registration Board (CRB) [9]. The Contractors Registration Act 1997 established CRB and charged it with the responsibility of registering and regulating activities and conduct of contractors in Tanzania. Currently the CRB classifies and registers contractors into seven classes under five categories namely; Civil works, Building, Mechanical, Electrical and Specialist contractors. The various categories of contractors and their class limits are shown in Table 1.

**Table 1.** Class limits for various types of contractors in Tanzania- Source: Contractors Registration Board (2017)

CLASS	CLASS LIMIT FOR ANY SINGLE CONTRACT (in million Tshs)				
	Civil	Building	Mechanical	Electrical	Specialist
I	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
II	5000	3000	2000	2000	400
III	3000	2200	1200	1200	150
IV	1500	1200	600	600	-
V	750	600***	300	300	-
VI	300	200**	150	150	-
VII	150	120*	75	75	-

**Note:**

\* Class Seven not allowed to build storey building

\*\* Class Six are restricted to 3 storeys structures

\*\*\* Class Five are restricted to 4 storeys structures

Like any business to conduct construction business in Tanzania, without a valid business license or without being registered, are punishable offences. The CRB however allows unregistered contractors (informal contractors) to operate as long as the value of the project is small, that is not exceeding TZS One million [9].

#### 1.4. Informal Construction Workers

The definition of informal construction workers adopted by this research refers to any individuals or groups who are not registered or officially recognized by the government, characteristically unregulated with no formal contracts; they work on verbal agreements. The mode of payment is mostly on basis of piecework, their social securities are minimum and sometimes no health benefits/ facilities provided under given assignment/ contract. In this system, building owners buying materials and hire them to construct or repair the whole or part of the building [4].

#### 1.5. Interaction between Formal and Informal Construction Industry

The formal construction industry in developing countries depends much on the informal sector to provide labor for

activities such as mass concreting, masonry and carpentry works. This is due to the inability of large firms to employ a permanent labor force due to continuous work load [8]. With this situation, there is a very significant interaction between formal and informal construction.

#### 1.6. Agreement between the Parties

Agreement between the parties that is, clients and informal construction workers are verbal and construction takes place in stages. This method of organizing the building process, without the use of contractors or formal contracts has been called "Informal construction system". It is the approach traditionally used by individual house builders in most countries in the world, but it is no longer restricted to individual clients or housing clients. Public sector clients have also begun to by-pass contractors in favor of the informal system, particularly for small scale community-based projects [14].

Informal construction sector if properly harnessed, the sector can contribute to economic growth and provide employment and income to many Tanzanians. Furthermore; collaboration between formal and informal sector should be encouraged. This collaboration should not be seen as a source of jobs, but as a training opportunity, providing both technical and managerial skills to the informal workers. Government policies should be geared towards promoting this collaboration in anticipation that it will lead to development of more viable small-scale contractors.

## 2. Rationale of the Study

Mostly private residential building clients engage in informal construction sector since it is affordable given their limited capital, whereas; the main aspiration of informal construction workers (Artisans) is to gain access to employment and income. The client and informal construction workers enter into verbal agreements without any legal enforcement for the proposed construction. The client simply negotiates with the informal construction worker for a particular task that is to be undertaken and once the task is completed, it marks the end of their arrangement. Absence of formalized administration of agreement between clients and informal construction workers results to loss or disputes to both parties in the event where a claim or demand arises. It is therefore necessary and important to evaluate contract administration practice between clients and informal construction workers so as to improve construction practice in the informal sector.

## 3. Methodology

#### 3.1. Research Design

The study adopted descriptive research design as the strategy for carrying out this study since descriptive design attempts to describe and explain conditions of the present by

using many subjects to fully describe a phenomenon. The major reason of adopting descriptive research is that it describes the state of affairs as it exists. The study also used case study as a research design. The case study being Goba and Madale in Kinondoni Municipal. The study evaluated the prevailing agreement practice between clients and informal construction workers in the informal construction sector using interviews aiming to obtain information relevant to the study [5]. Information requested from interview included respondents bio-data, recruitment process, employment criteria, workers performance, work agreements, payment methods and dispute matters in informal construction.

### 3.2. Population of the Study

According to [1] the population in a research study is the target group to be studied or is the aggregate of all entities (individuals, events and objects) pertaining to the study that is eligible or meets sample criteria for inclusion in the study. The study population was made up of 100 construction sites located in Goba and Madale in Kinondoni municipal. The population was obtained by the use of Google map that identified 100 construction sites in Goba and Madale and by the use of Global Positioning Device (GPS) device that was able to locate coordinates of each site.

### 3.3. Sampling Design

In this study the sample was drawn from a population of 100 construction sites located in Madale and Goba in Kinondoni Municipal where there is on-going informal construction and the sample represented clients and informal construction workers in other areas at large. The sample was contacted through site visits. The selected sample complied because the research study proved to be of benefit to them since it would improve the agreement practice in the informal sector and therefore avoid the possibilities of unnecessary conflicts and loss with both parties [13, 6].

The study adopted purposive non-probability sampling to obtain sample of which indicates prevalence of the population and convenient non-probability sampling or non systematic approach which enabled ease of accessing construction sites around the areas [7]. A total 60 informal construction workers and 10 clients from Goba and Madale in Kinondoni Municipal were drawn as the sample of the research study. This sample represented more than half of the population which indicated prevalence of the population.

### 3.4. Data Collection

Data was collected by the use of both structured and unstructured interviews. Interview approach was used by the researcher with the aim of getting views on agreement practice in the informal construction sector from informal construction workers and clients who had busy schedules and hence it was not easy to get their information with the use of questionnaires [14].

### 3.5. Data Analysis

Data analysis involves processing and analysis of data. Processing data was done so as to prepare data for analysis and analysis of data was done so as to make sense of the data processed and produce proper meaning of data [6]. Coding was used in this research study for processing raw data to make sense of the information collected. This is the stage through which the categories of data were transformed into symbols that may be tabulated and counted. The study employed tabulation as a method of data presentation as part of the technical procedure where processed data are put in form of table for easy interpretations of the findings. Graphs were also used for data presentation in this study. This is because graphic presentation often makes it easier to see pertinent features of a set of data. The tools employed in data analysis were Statistical Package for Social Science (SPSS), Microsoft excel and word processing.

## 4. Results and Discussion

### 4.1. Nature of Work Agreement between Clients and Workers in the Informal Construction Sector

The study has established the overall picture of the informal construction sector so as to understand clearly the nature of the work proceedings, involvement of informal workers and clients in the work proceedings.

#### a) Bio-data of Informal Construction Workers

The informal construction sector in Tanzania accommodates men of diverse age, education and training. The survey found that while the youngest construction workers lies between fifteen to twenty years of age who are mainly ordinary labourers with low working experience as compared to the majority being between thirty to forty five years of age most being gang leaders with long work experience, with very few construction workers at the age of 45 years and above since at this age given the nature of their work with time, their physical strength decreases hence cannot perform well in site works. This was very important in assessing the age in which the agreement is entered. This is as shown in table 2 below.

**Table 2.** Age of respondents

Age of Respondent	Informal worker
15-20	6
20-25	8
26-30	10
31-35	14
36-40	12
41-45	8
46 and above	2
<b>Total</b>	<b>60</b>

## b) Recruitment

Most of the informal construction workers were recruited through friends 70%, persistent search 25% and 5% having acquired the job through family business. This clearly shows the importance of social networks within the sector. Social networking among informal construction workers is very important since it ensures workers employment within the informal sector. The networks are a form of social capital to most of the informal workers since it assures employment opportunities. No any tendering procedures for recruitment in informal construction.

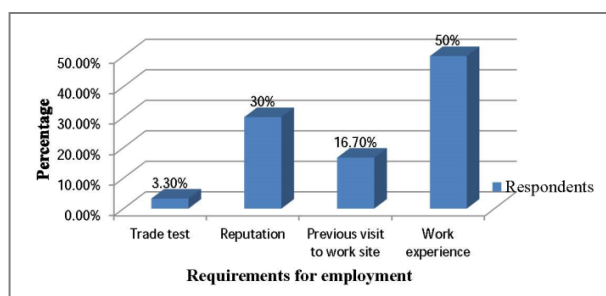
**Table 3.** Job acquisition

	Frequency	Percent (%)	Valid Percent	Cumulative Percent
Friends	42	70	70	70
Persistence search	15	25	25	95
Family relationship	3	5	5	100
Tendering	0	0	0	100
<b>Total</b>	<b>60</b>	<b>100</b>	<b>100</b>	

All ten respondents (clients) interviewed recruit their workers through friends who suggest to them where they can find experienced and skilled workers who can perform the work to their satisfaction.

## c) Requirement or Criteria for employment

Experience is the key criteria followed by reputation which is closely linked to experience. Having a trade certificate was not considered important by respondents as shown in the figure 1 below scoring 3%. This illustrates the importance of informal methods of identifying workers. There is a tendency of potential clients to identify workers by merely enquiring about individuals who had worked on a particular project whose workmanship they admire. This shows that employment within the sector is largely based on relationship between the worker and the owner of the development or foreman (gang leader). At the same time the relationship is governed by reputation of a particular worker in the neighborhood and other knowledge about artisans acquired through informal networks. Survey results are as seen in figure 1 below.



**Figure 1.** Requirements for employment

Informal construction workers move around to active construction sites and are hired by the owner or gang leaders (foremen) in charge of the construction on casual basis. Employment on a particular site may last from one day to one month or more depending on the amount of work, availability of material and funding. In some cases, work stalls and the workers have to move around different construction sites with anticipation of getting a job as they wait for activity to start again on the previous site.

## d) Performance guarantee

A question asking clients to clarify on the issue of working performance; as to how they ensure workers work as per agreement, all respondents (clients) argued that they ensure workers performance through verbal agreement with gang leaders in the construction site. Verbal agreement is based on trust and the previous experience with that particular gang leader in construction work also the reputation of the worker. This is common for all trades such as masonry, carpentry, plumbing except for welding and aluminium works. For these two trades, performance is ensured through written agreement with welders and aluminium workers so as to ensure work is performed according to agreement and delivered on time since these two categories of trade work independently in workshops.

## e) Rating worker performance

Generally, the clients interviewed rated workers performance with an excellent and good grade and none reported to rate a poor grade. The respondents suggested that in order to attain better performance supervision is very important so as to ensure each and every one perform his duties as required.

## f) Work agreement

The study revealed that the form of work agreement practiced at large in this sector is verbal agreement 83.3% while the remaining 16.7% is done through written agreement. With verbal agreement, the client simply negotiates with the worker who intends to undertake a particular task verbally and once the task is accomplished, it marks the end of the agreement. This is common for trades like masonry, plumbing, electricity, carpentry and plastering. With trades such as aluminium fixing and welding, the agreement is sometime done in writing where the client approaches the worker mostly in workshops and negotiates for a particular task to be undertaken and for an agreed amount of money.

**Table 4.** Work agreement

Type of Agreement	Frequency	Percent	Valid Percent	Cumulative Percent
Written	10	16.7	16.7	16.7
Verbal	50	83.3	83.3	100
<b>Total</b>	<b>60</b>	<b>100</b>	<b>100</b>	

### g) Method of payment

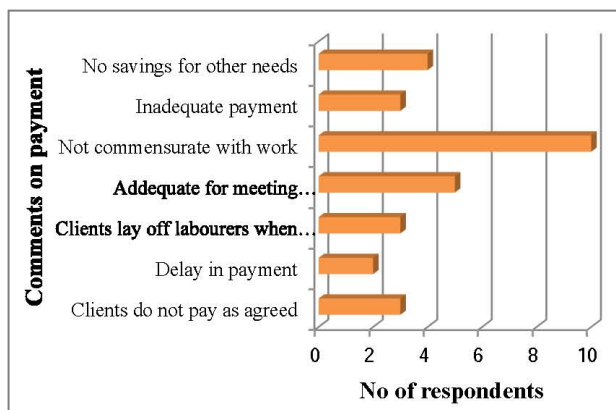
The study further found that the method of payment in the informal construction sector is informal with verbal agreements and formal with written agreements. For both written and verbal agreement, payment is done as per work performed or on daily basis depending on the agreement made between the parties. Most employees 80% said that payment was based on piecework, while another 20% were paid on daily basis as shown in table 5. None of the respondents reported to having being paid on monthly basis. This is quite different from operations within the formal sector where employees are paid on monthly basis. Most of the gang leaders (foremen) are paid based on piecework while ordinary labourers are often paid on daily basis.

**Table 5.** Methods of Payment

Method of Payment	Frequency	Percent	Valid Percent	Cumulative Percent
Daily	12	20	20	20
Piecework	48	80	80	100
Monthly	0	0	0	100
<b>Total</b>	<b>60</b>	<b>100</b>	<b>100</b>	

Workers in informal construction were asked to comment on the nature of payment they received. Most felt that their payment was neither enough nor commensurate with the work they did, as reflected in the figure 2 below. Other comments from respondents on pay were, clients do not pay well, delay with payment, payments do not allow savings to cater for other basic needs and looking for job elsewhere when payment is delayed.

Others had positive comments on the payment. A total of 10 respondents said that the payment was adequate to meet their immediate needs, and other 6 respondents merely said that the payment was good, it is probably that these were workers with age ranging from 15-25 years who had no family concerns. This is illustrated in the figure below.



**Figure 2.** Comments on Payment

## 4.2. Sources of Disputes and Claims Arising out of the Informal Work Agreements

### 4.2.1. Common Grounds of Disputes Arising in the Course of the Contract

Both verbal and written agreements are faced with various disputes that arise in the course of performing the work. Based on each informal construction workers' experience respondents gave out their answer basing on particular projects that they undertake, and each project came out with a different nature and source of disputes that give rise to claims in informal construction as shown in table 6 below.

**Table 6.** Response on the common grounds of disputes arising in the course of the contract

S/N	Disputes	Respondents	Out	%
1	Delay in payment	36	60	60
2	Delay of materials	2	60	3.3
3	Non-completion of work	8	60	13.3
4	Poor performance of work	4	60	6.7
5	Poor quality of work	6	60	10
6	Absenteeism	4	60	6.7
	<b>TOTAL</b>	<b>60</b>		<b>100</b>

Results from table 6 shows that 60% have responded to delay in payment after completion of work as a major source of disputes, this shows that most of the payments are not done on time by the clients. Most of respondents experience this problem with clients; that after completion of a particular task assigned to them by the client, payment is not done on time as per verbal agreement and there is no consideration on delayed payment as it difficult to reflect it in informal verbal agreement. 13.3% responded that non-completion of work is another source of dispute giving rise to claims in the course of the contract. 10% responded that poor quality of work results to disputes, 6.7% suggested that disputes were due to absenteeism and poor performance of work and the remaining 3.3% responded that disputes were due to delay of materials.

From this it therefore shows that the client is mostly probably in fault, since 60% shows that the claims are being resulted by delay in payment by the client to informal construction workers.

### 4.2.2. Settlement of Disputes

The study found it necessary to look at means of resolving disputes adopted in the informal construction sector when such disputes as mentioned above arise. 66.7% respondents reported to use negotiation as a means of settling disputes and the remaining 33.3% respondents reported to settle disputes by termination of the contract as shown in table 7.

Termination of the agreement is a commonly used measure of settlement of disputes that all the clients prefer so as to avoid further damage to work. Other measures reported included laying off workers in the case of poor performance of work. The study further inquired on suggestion of work agreement that respondents preferred to use, whether written agreement or verbal agreement. 63.3% preferred written

work agreement because they believe that written work agreement provides more secure working conditions. And the rest 36.7% preferred verbal work agreement because having formal or written work agreement at times it tends to be large expenses especially handling procedures of claims where court is involved and given their income status they cannot afford such procedures.

**Table 7.** Settlement of disputes

Settlement of Disputes	Frequency	Percent
By negotiation	40	66.7
By termination of an agreement	20	33.3
Total	60	100

#### 4.2.3. Effects of Lack of Formal Agreement

The study wanted to see the effects encountered in the case of lack of formal agreements where verbal agreements are used. Through scaling the effects from the most affecting to the least affecting. The following revealed to be of much effect.

From table 8, it shows that variation matters ranks in the first position with 66.7% of informal construction workers who report to incur more cost than what was previously agreed which is due to various factors such as change in price levels. In claiming for payment of such a rise in price incurred becomes difficult due to lack of formal contract.

Delay of payment ranking in the second position with 20% of informal construction workers mainly because most of these informal construction workers depend on this sector as the main supplier of employment and income to sustain their daily lives.

Ranking in the third place is disputes with 10% reporting to have experienced disputes in the course of performing the work due to absence of formal agreement. Another effect is non- completion of work that ranks in fourth position with 3.3% and lastly is defective work ranking in the fifth position with no respondent reporting to face this effect due to lack of formal agreement.

**Table 8.** Effects of lack of formal agreement

S/No	Effects of lack of formal agreement	Scale				Rank
		1	2	3	4	
1	Non-completion of work	1	17	2	1	4
2	Disputes	24	2	3	3	3
3	Variation matters	1	2	7	20	1
4	Defective work	23	4	2	0	5
5	Delay of payment	6	14	10	6	2

## 5. Conclusions and Recommendations

### 5.1. Conclusions

The main concern of this study was to evaluate administration agreement practice between clients and

workers in informal construction sector. Findings indicate that mostly verbal agreements are preferred and used with most of the clients and workers and a few use written agreements which are specifically used for certain trades like carpentry and welding. The following conclusions can be drawn from this study:-

#### 5.1.1. Present Nature of Work Agreement between Clients and Workers in Informal Construction

The study identified that the commonly used form of agreement being verbal preferred for trades like masonry, plumbing, carpentry, electricity and plastering; with trades like welding and aluminium fixing written agreement is preferred. For both written and verbal agreement the method of payment is done as per work performed or on daily basis. Most gang leaders are paid per piece work while ordinary laborers are paid on daily basis.

Unlike in the formal sector where there are contract documents containing the express terms and agreement of the contract which clearly describes each and every party's duties and obligations for the performance of the contract, work agreement in the informal sector does not contain these agreements. In informal construction it is simply a negotiation which involves agreement on work to be performed for a specific trade and for a specific amount of payment involved.

Work agreement does not lay down any plan on how to deal with unforeseen events or conditions which may hinder commencement of work, finishing dates, scope of work in any way.

#### 5.1.2. Source of Disputes Arising out of Work Agreement in the Informal Construction Sector

The study revealed that the common source of dispute arising in the work agreement for both verbal and written agreements is delay in payments. This case is common for both formal and informal sector. The client is mostly probably in fault for late delivery of payments.

Scope of work and variation matters in terms of performance of work in informal construction is another source of dispute arising out of work agreements. This is too common in the informal sector because the work agreement does not lay out plans on how to deal with unforeseen events or conditions which may hinder commencement of work.

The preferred means of settling disputes that is used in the informal sector is negotiation. This method is mostly preferred by workers in informal construction so as to keep a good relationship with clients for future coming projects. Unlike in the formal construction sector where the method of dispute resolution is selected during contract formation, with informal construction sector the method of resolving dispute is not included in the work agreement.

### 5.2. Recommendations

Basing on the conclusion drawn, the study recommends that:-

- For the project success, the work agreement between clients and workers in informal construction is important. There must be a written agreement which is well documented and legally binding. It is important because it will back up parties' oral (verbal) agreement.
- The agreement should cover important issue such as scope of work, how to deal with variations, terms of payment, how to deal with disputes, health and safety matters and the like.
- Informal construction agreement should be written in the mother language where the informal construction workers can read and understand their duties and obligations.

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