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How to Improve Project Management in India

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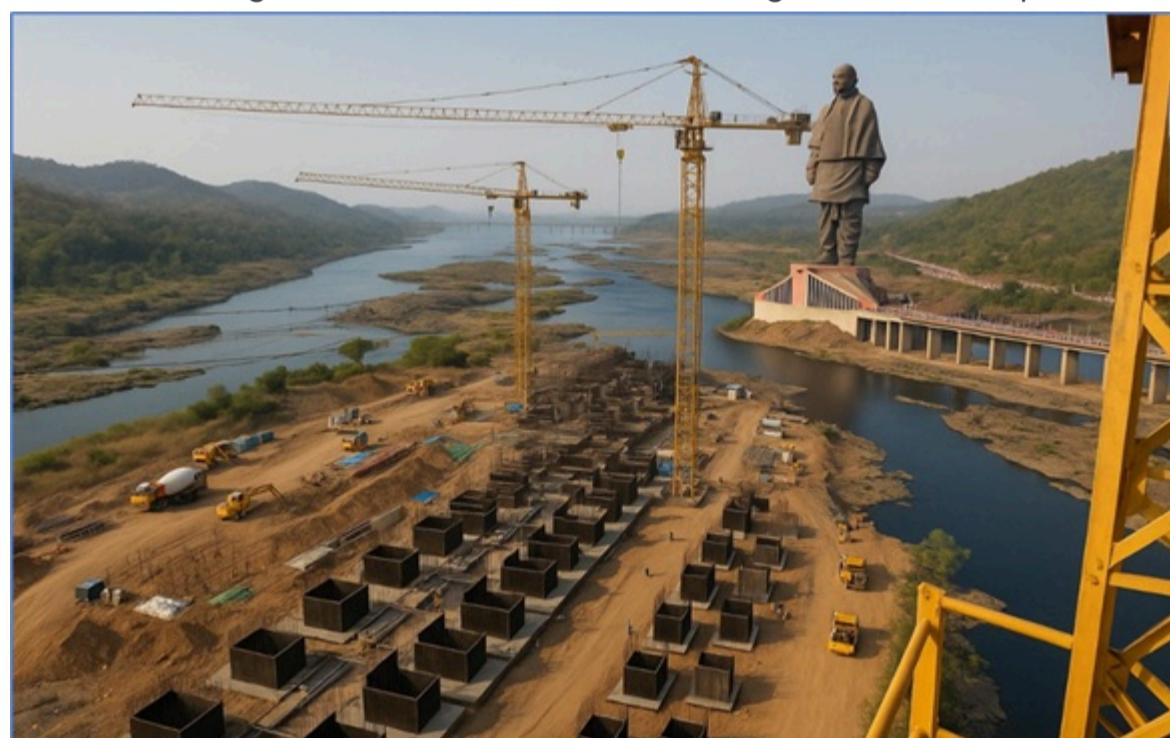
Project management is now a critical component of the development of the Indian economy. Sectors like railways, roads, power, electronics, all are in need of huge investments. Today's news is that the Indian businesses plan to invest \$850 billion over the next five years. From the current level of \$4 trillion, to reach a level of 8 trillion GDP will mean at least an expansion of some 50 to 60 per cent assets in various industries, and this asset creation has to be done by managing projects. However, while the demand for capital is being met by FDI and local investments, project management in India is facing several challenges, which can drag down the rate of assets creation, and hamper growth.

The Indian construction sector, the second-largest employer after agriculture and a critical driver of economic growth, is experiencing an acute shortage of skilled manpower. This crisis has severely affected not only the project timelines and profitability but also the broader national development goals.

In the Indian scenario, with the rapidly growing Indian economy, there is a need for sustainable growth and continuity of infrastructure sector. However, the timely satisfaction of this need is getting hampered by a critical bottleneck: the availability and retention of a skilled construction workforce. The construction sector employs 51 million people in India, despite this, reports indicate that up to 61 per cent of project delays are attributed to labour shortages.

Workforce turnover and dependency on subcontractors for skilled workmen mobilisation are two key operational challenges in construction.

Many Indian construction giants, like L&T Construction, Afcons, S&P, Tata Projects, are facing severe difficulties to complete their projects in time and under budget. L&T, with approximately 60,000 direct employees and 3,50,000 workmen (majority from subcontracting firms), is experiencing this challenge acutely. Similar is the case with others, too. The management and retention of this huge workforce is paramount for project success and profitability.

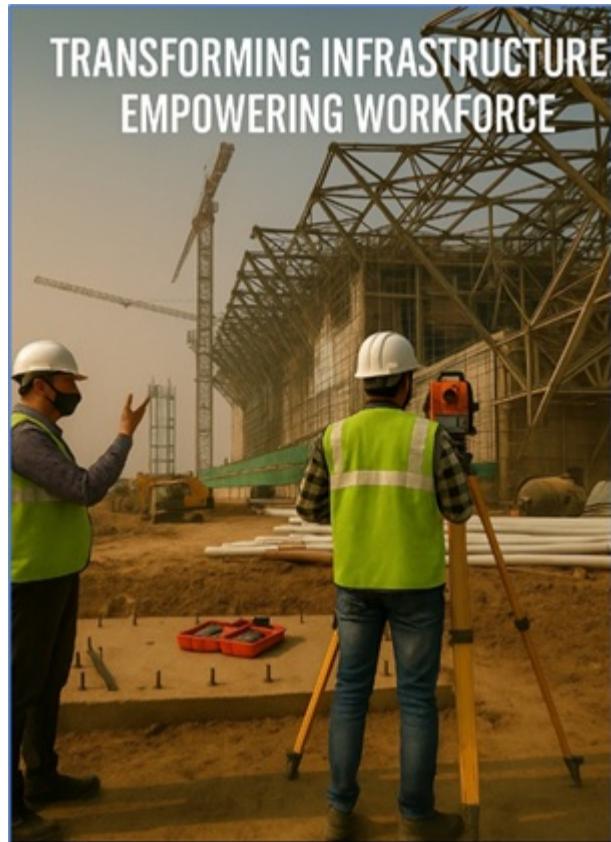


The core issues that have been identified from an industry study are as listed below:

- **Vendor/subcontractor management:** Subcontractors bring workmen from their native regions, but retaining these workmen for the project duration is challenging due to competing opportunities and dissatisfaction with work conditions.
- **Skill development:** Without continuous training and skill enhancement, productivity and quality suffer. Hence, the approach of continuous training and skill enhancement is crucial.

high demand and often move to new projects for better prospects.

Mitigation of these challenges are necessary for a structured approach to workforce management which can align with organisational goals. The prevailing belief that "more the workmen, the more the progress" underscores the labour-intensive nature of the industry. However, the tendency of subcontractors and workmen to leave projects at any time poses a huge risk to project continuity.



The elements that play a pivotal role in the success of any construction project are listed below:

- **Workforce turnover analysis:** This is the ratio of the workmen joining the project to those who leave during execution. This ratio varies from company to company but could be in the range of 3.0 to 6.0, as per estimates. This alarming rate, signals deep-seated issues related to dissatisfaction, working conditions, or better external opportunities. Such high turnover leads to inconsistencies in labour supply and productivity, directly impacting project schedules and costs.
- **Return on labour employed (ROLE):** ROLE further highlights the productivity challenge, which is calculated as constructed cost of the project per man-month of labour. Estimates vary, depending on the cost of the project, but could be between Rs 1 to 3 lakh per man month. This indicates that the current labour deployment is not yielding optimal returns, potentially due to a lack of skilled workmen or inefficient utilisation of available manpower.
- **Subcontractor retention:** There is a concerning trend in subcontractor retention. Data reveals a poor rate of subcontractors continuing to work with the same companies year after year. This signifies challenges in vendor management and partnership, which are crucial given their role in mobilising the workforce. Continuous partnership with subcontractors is essential for consistent workforce availability and project progress.

Needless to say, while there are many other reasons too, for project delays and cost overruns, the above factors are critical in labour intensive projects, which is often the case in infra and industrial projects. Recently, the Chief of Air Staff expressed his concern that 'not a single project gets done on time'. He was referring to defence projects, where the delays are more due to technology and design adherence challenges. However, even here, subcontractor development and engagement are important.



The question then is: how do project management companies and EPC companies, deal with these issues and still deliver on the objective of speedy asset creation? Many companies use the principles of 'continuous improvement', made famous by the TQM and Business Excellence movements across the globe, leading to the practice of the Deming Cycle: Plan-Do-Check-Act or PDCA. As a result of such practices, these companies have devised a number of 'mitigants' to overcome the problems. These efforts begin with the identification of the key areas for improvement. To gain the advantage of plucking the 'low hanging fruits', immediate interventions have been taken up.



Enhanced vendor/subcontractor management and retention:

- Strengthening the partnership by addressing subcontractor concerns, particularly regarding timely grievance redressal and administrative efficiency. Treating subcontractors as partners in the company's progress by aligning organisational goals.
- Streamlining bill processing to reduce payment delays, addressing subcontractor dissatisfaction
- Developing strategies to understand and improve the supply chain of workmen mobilisation, ensuring they remain on board for the required duration.
- Onboarding new vendors and developing alternative teams to reduce dependency on individual subcontractors.

Continuous skill development and productivity enhancement:

- Implementing structured training programmes to continuously upgrade the skills of the available workforce. This will increase productivity and ROLE.
- Fostering an environment where workmen feel valued and see opportunities for skill enhancement, reducing the tendency to switch for "prosperous aspects elsewhere" for them.
- Investing in workmen wellbeing (similar to practices in Gulf countries) can significantly improve satisfaction and retention.

Creating a positive work environment:

- Addressing concerns from workmen/contractors to improve morale and productivity.
- Ensuring timely allocation of resources to keep employees motivated and focused on their jobs.
- Upgrade housing, food, and safety facilities to boost workmen morale and retention.
- Introducing safety training and equipment upgrades to reduce workplace incidents, aligning with ESG environmental and social goals.

Technology integration

- Adoption of the digital tools (e.g., workforce management software) to track workmen attendance, productivity, and turnover, reducing manual errors.
- Use of AI and analytics to predict labour needs and optimise resource allocation, supporting.
- Such actions are ongoing in many of the project companies and are yielding positive returns.



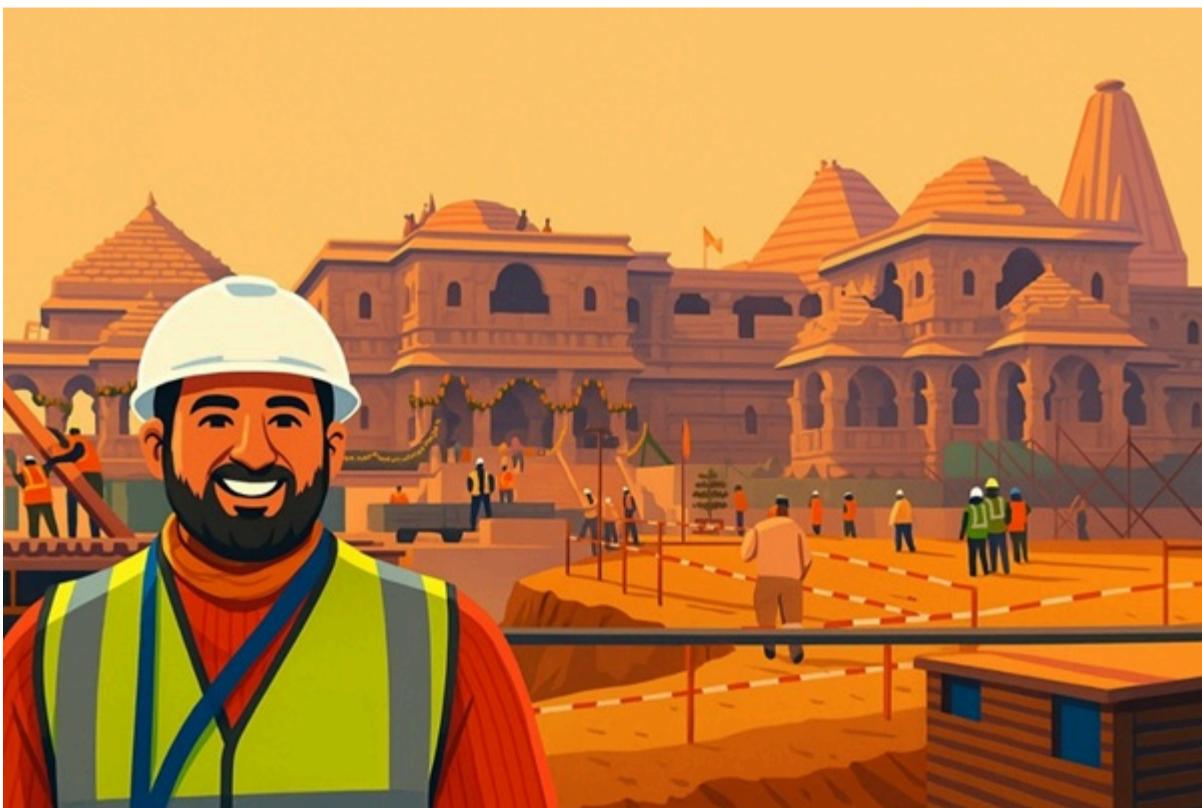
Workmen turnover reduction: The goal is to reduce the turnover ratio from approximately five to six workmen leaving for every new workman joining, to just one or two. This improvement will be driven by enhanced retention efforts through better facilities and targeted incentive programmes. As a result, the workforce supply will remain stable, ensuring that project requirements are consistently met without any shortage of workmen.

Improved ROLE: Increase the ROLE from about Rs 2 lakh per man month to Rs 3 to 5 lakh per man month or more through enhanced productivity and skill development.

Project delay reduction: Achieve a 15 per cent reduction in delays by ensuring adequate skilled manpower and streamlined processes.

Subcontractor satisfaction: Increase subcontractor engagement (e.g., 10 to 15 per cent working on more than three jobs of the company simultaneously, from the current lower levels) through faster payments and stronger partnerships.

ESG impact: Enhance resource efficiency (environmental), workmen welfare (social), and risk management (governance).



Other benefits expected are:

Customer satisfaction: Timely project delivery due to reduced delays from workforce issues. Enabling the customer to start realising the value of the investment made in the project as soon as possible.

Operational excellence and increased profitability: Timely completion of the project will lead to timely invoicing, reduced overhead costs, and improved project site productivity.

Societal improvement: Skill development will enhance individual workmen's living standards, contributing to broader economic and social outcomes and fostering a resilient society.

Employee satisfaction: Timely resource allocation creates a positive workspace, motivating employees.

Competitive edge: Addressing a critical industry-wide problem will give the project companies a significant advantage.

In conclusion, skilled workforce deficit in construction is a complex challenge that requires a multifaceted approach. Targeted process improvements—centred on vendor management, skill enhancement, and stakeholder engagement—can significantly help to mitigate workforce shortages and improve project outcomes. Through targeted process improvements and skill development, the skilled workforce shortage can be mitigated. By reducing workmen turnover, enhancing ROLE, and minimising project delays, project companies can accelerate value-accretive growth, operational excellence, and ESG sustainability. This mixed-methods approach ensures robust data collection and analysis, offering actionable insights for the construction sector. Future research can explore long-term impacts of technology adoption and cross-industry collaboration to sustain workforce improvements. By fostering a culture of continuous learning and partnership, project companies can enhance their operational efficiency and also contribute to broader societal goals of employment quality and economic development. The lessons learned here provide a replicable model for all construction firms facing similar challenges in India and beyond.

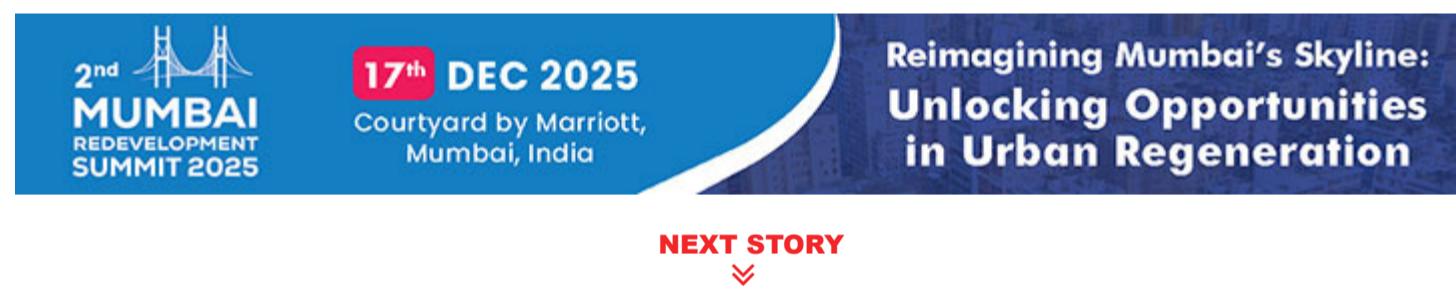
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(This article has been published using some of the research work done by Hitesh Tharwani in his Capstone Project as a part of the course work for his PGEMP degree in Bhavans SPJIMR.)

Photo courtesy: L&T company archives

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