Unregistered contractors pose risks to businesses and the building industry

Businesses seeking building contractors are being urged to exercise caution when selecting providers. While South Africa faces ongoing unemployment challenges, industry experts warn that contracting unregistered builders poses significant risks to project quality, safety, cost, and labour practices.

BIBC labour spokesperson Luyanda Mgqamqo

Registered businesses are held to higher standards for quality, regulations, and customer expectations. The Building Industry Bargaining Council (BIBC) reports that unregistered businesses often lack the infrastructure to consistently meet these standards, leading to missed deadlines, budget overruns, and the need for costly rework.

“Unregistered contractors often have smaller profit margins or no margins at all due to penalties for poor work,” says Danie Hattingh, BIBC spokesperson for business. “Delays caused by rework create financial headaches for everyone involved.”

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Unregistered contractors frequently exploit workers to gain an unfair competitive advantage. These labourers lack basic protections under labour laws, including minimum wage, overtime, and safety regulations, and may be subject to arbitrary pay rates, unstable employment, and uncertainty about their futures.

“Employees associated with unregistered contractors face irregular hours, unpredictable income, reliance on temporary work, and no protection for death or disability,” notes BIBC labor spokesperson Luyanda Mgqamqo.

Better packages

Conversely, registered employers offer benefits packages including leave, sick time, retirement funds, bonuses, and insurance. The BIBC, for example, distributed over R200m in leave pay and bonuses to registered employees in 2023.

The BIBC emphasises that unregistered contractors undermine the industry and overall economy by evading regulations and taxes, hindering sustainable development. However, initiatives like the BIBC's collective bargaining are helping to level the playing field, drive registration, and improve standards.

“Businesses must play their part by contracting only registered, legally compliant building companies,” states Hattingh. “The BIBC website offers verification tools. By upholding standards, businesses become part of the solution.”

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