

Building and Construction Sector Productivity Taskforce

Department of Building and Housing

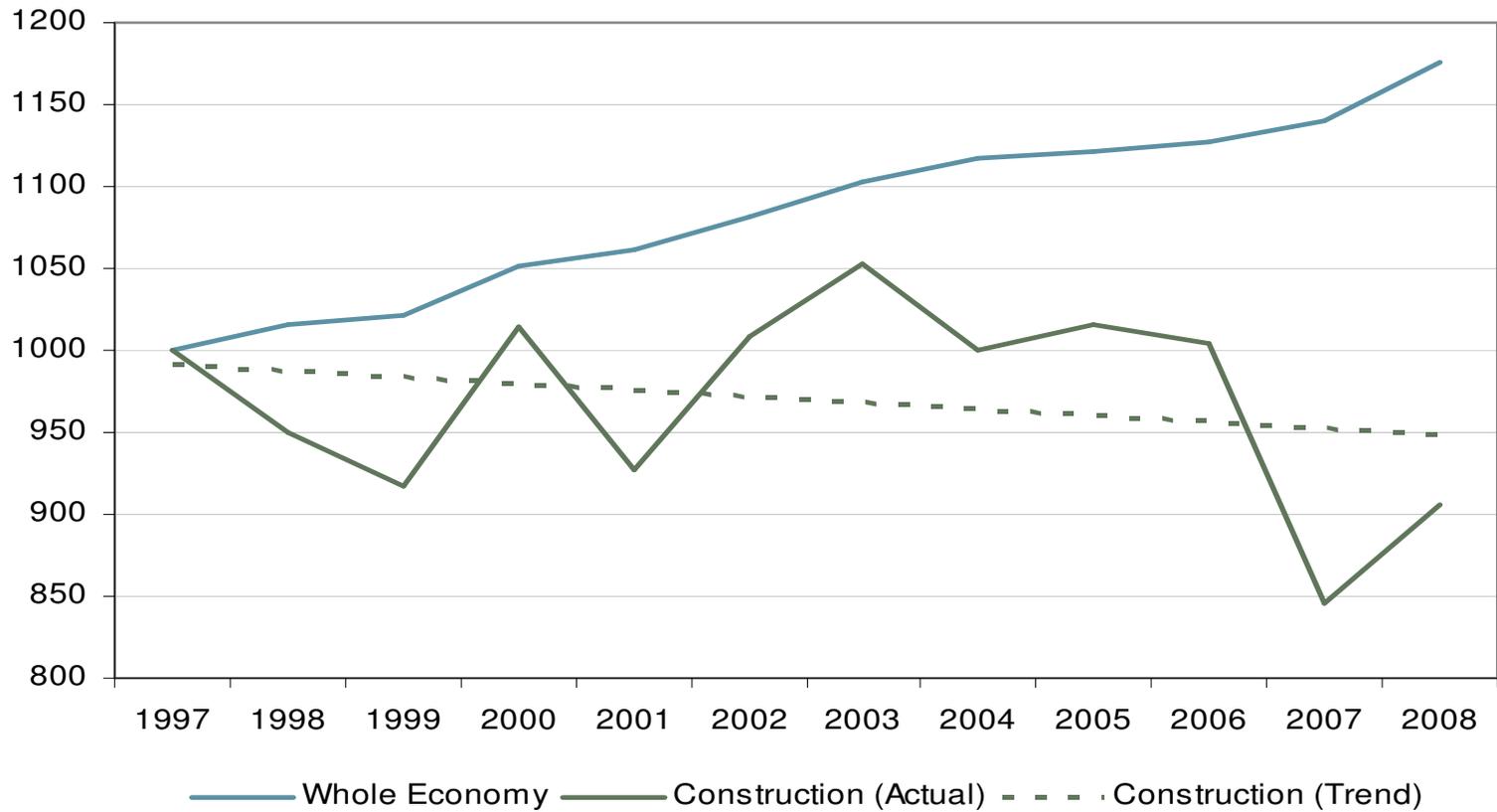


Department of
Building and Housing
Te Tari Kaupapa Whare



What's the Problem?

Figure 1: Labour Productivity in the Aggregate Economy and the Construction sector Compared (1997 – 2008)



Department of
Building and Housing
Te Tari Kaupapa Whare



Industry Response

- **To establish a Taskforce of industry and central Government leaders to develop:**
 - **A sector wide skills strategy**
 - **An improved approach to the procurement of construction projects**
- **The Taskforce released its report on 24 July 2009**
 - **See www.dbh.govt.nz/sector-productivity-taskforce**



Department of
Building and Housing
Te Tari Kaupapa Whare



Who was on the Taskforce?

- **Peter Fehl**, Director Property Services, University of Auckland (Chair)
- **Peter Gomm**, Chief Operating Officer, Mainzeal
- **Peter Neven**, General Manager Infrastructure Division, Fletcher Building
- **Ruma Karaitiana**, Chief Executive, Building and Construction Industry Training Organisation
- **Brent Mettrick**, Managing Director Stonewood Homes and President Registered Master Builders, Registered Master Builders Federation
- **Richard Merrifield**, Chairman, Certified Builders Association of New Zealand
- **Trevor Kempton**, Managing Director, Naylor Love Ltd
- **Richard Michael**, Chief Executive, New Zealand Contractors Federation
- **Andrew Cleland**, Chief Executive, Institution of Professional Engineers New Zealand
- **Nigel Bickle**, Deputy Chief Executive, Department of Building and Housing

with the participation of:

- **Mark Steel**, Deputy Secretary, Industry and Regional Development Branch, Ministry of Economic Development
- **Peter Mersi**, Deputy Secretary, The Treasury



Department of
Building and Housing
Te Tari Kaupapa Whare



Roadmap

Improving sector productivity and performance by:

- **Improving Skills**
- **Improving Procurement practice**

What happens next



Department of
Building and Housing
Te Tari Kaupapa Whare



Improving sector productivity and performance through improving skills



Department of
Building and Housing
Te Tari Kaupapa Whare



Is skills the issue?

- **Low labour productivity in the sector could be the result of one or more of:**
 - **Low skill levels**
 - **Impact of regulation on the sector**
 - **Low levels of innovation**
 - **Increasing building quality**
 - **Poor procurement practice impacting on how the work is actually done**



Department of
Building and Housing
Te Tari Kaupapa Whare



Why skills may be central to the productivity issue ...

69% of buildings have a defect at the time of handover, which has some impact on the client

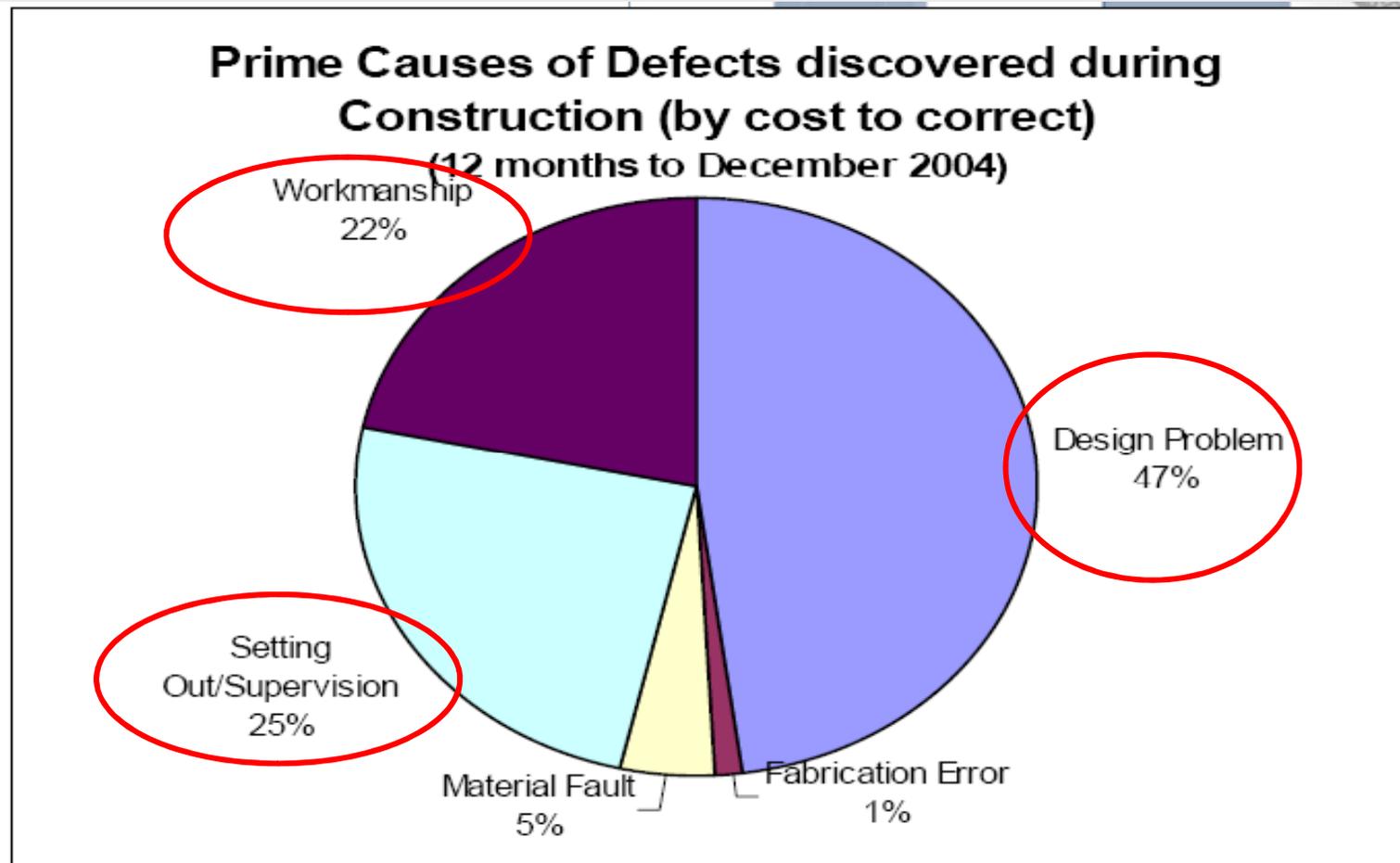
Source: CAENZ Survey of \$400m of building work in 2006



Department of
Building and Housing
Te Tari Kaupapa Whare



Why skills may be central to the productivity issue ...



Why skills may be central to the productivity issue ...

Table 1: Highest qualification held by individuals employed in occupations in the Building Construction Industry, 2006.

Occupation (NZSC099 v1.0)	No Qualification	School Qualification	Vocational	Bachelor Degree or Higher
12218 Construction Manager	7%	20%	51%	21%
71121 Carpenter and/or Joiner	18%	25%	55%	2%
71122 Builder	19%	32%	46%	3%
91512 Builder's Labourer	33%	34%	29%	4%
91514 General Labourer	44%	37%	16%	4%
All Occupations	19%	35%	27%	19%

Source: 2006 Census of Population and Dwellings, Statistics New Zealand



Department of
Building and Housing
Te Tari Kaupapa Whare



Why skills may be central to the productivity issue ...

Percentage of construction industry employees with low literacy and numeracy

	1996	2006
Document literacy	48%	52%
Numeracy	Not available	48%

Source: Ministry of Education, International Adult Literacy Survey and Adult Literacy and Life Skills Survey



Department of
Building and Housing
Te Tari Kaupapa Whare



Overarching Goal

- **Ensuring that the sector has the skills and expertise needed to develop NZ's economic and social infrastructure**
- **This requires:**
 - **being able to recruit and retain highly skilled employees to the sector**
 - **the sector providing a rewarding career with multiple career paths at all levels, from trade/technical to management/professional**with the result that
 - **talented employees will have incentives to invest in developing their skills and careers**
 - **skill levels and productivity will develop in the sector over time.**



Department of
Building and Housing
Te Tari Kaupapa Whare



Critical elements - I

- **The sector being able to offer talented potential employees the prospect of job security and a career**
- **Clear pathways into the sector at all levels**
- **Clear career paths and opportunities for employees to progress to all levels**
- **Clear information on the training opportunities available to meet employees' career aspirations**



Department of
Building and Housing
Te Tari Kaupapa Whare



Critical elements - II

- **Creating incentives for continuous professional development**
 - **Eg: through licensing of building practitioners and**
 - **ensuring that meaningful training and development opportunities are available to support licensing requirements**
- **Entry level training that meets the needs of employees and firms**
 - **Meeting projected demand for skills**
 - **Number and range of qualifications on offer (60+ carpentry quals?)**
 - **Ensuring funding mechanisms do not distort training choices**
 - **Consistency and standard of assessment**



The change needed

- **Industry working with ITOs, tertiary education sector, Careers and other Government agencies at a strategic level on a sector skills strategy:**
 - **Career opportunities**
 - **Career pathways**
 - **Training opportunities linked to career structures/licensing requirements**
 - **Supply and demand for skills and the direction of training funding**
 - **Including management/construction management skills, not just entry level**
 - **Structure of qualifications and assessment**



Department of
Building and Housing
Te Tari Kaupapa Whare



Improving sector productivity and performance through improving procurement



Department of
Building and Housing
Te Tari Kaupapa Whare



Why does procurement matter?

How work is procured can influence:

- **Industry's understanding of the forward work programme, the skills and equipment required to do the job and the training and investment required to meet future demand**
- **how a building is to be built, and how well the available skills will be used**
- **the efficiency of the construction process, and the level of rework required.**



Department of
Building and Housing
Te Tari Kaupapa Whare



What the Taskforce found...

Taskforce looked at the Government's procurement practice as a starting point for improving procurement more widely and found:

- **Low transparency of the Government's forward work programme**
- **A wider variation in capacity and capability across major Government procuring agencies**
 - Some good knowledge of the various procurement approaches, but mixed ability to apply them in practice
- **Procurement practice was not being used to support improved skill development within the sector**
- **Bespoke designs for reasonably common building types/components**



What the Taskforce recommended

- **Greater transparency of the Government's rolling forward work programme, especially in the first 3-5 years of that programme**
 - Government's forthcoming National Infrastructure Plan supports this direction
- **Improving Government procurement capability through a Government Construction Client Forum to develop & apply best practice procurement methods & boost capability**
 - Government's wider procurement reforms supports this direction through the establishment of "centres of expertise" across the state sector
- **Incorporating skill development requirements into Government procurement contracts through a "pre-qualification" scheme**
- **Where practicable, the Government standardises building components and systems in its own sectors such as education, health and corrections.**



Department of
Building and Housing
Te Tari Kaupapa Whare



What next?

- **Taskforce report was released on 24 July 2009**
 - www.dbh.govt.nz/sector-productivity-taskforce
- **The report challenges the sector to take a greater leadership role on key skills and procurement issues**
 - A group of sector leaders is expected to be formed to move the Taskforce recommendations forward
- **The Cabinet will be considering the Taskforce report in the next few months, and a formal Government response will be announced**



Department of
Building and Housing
Te Tari Kaupapa Whare

