

# Building and Construction Sector Productivity Taskforce

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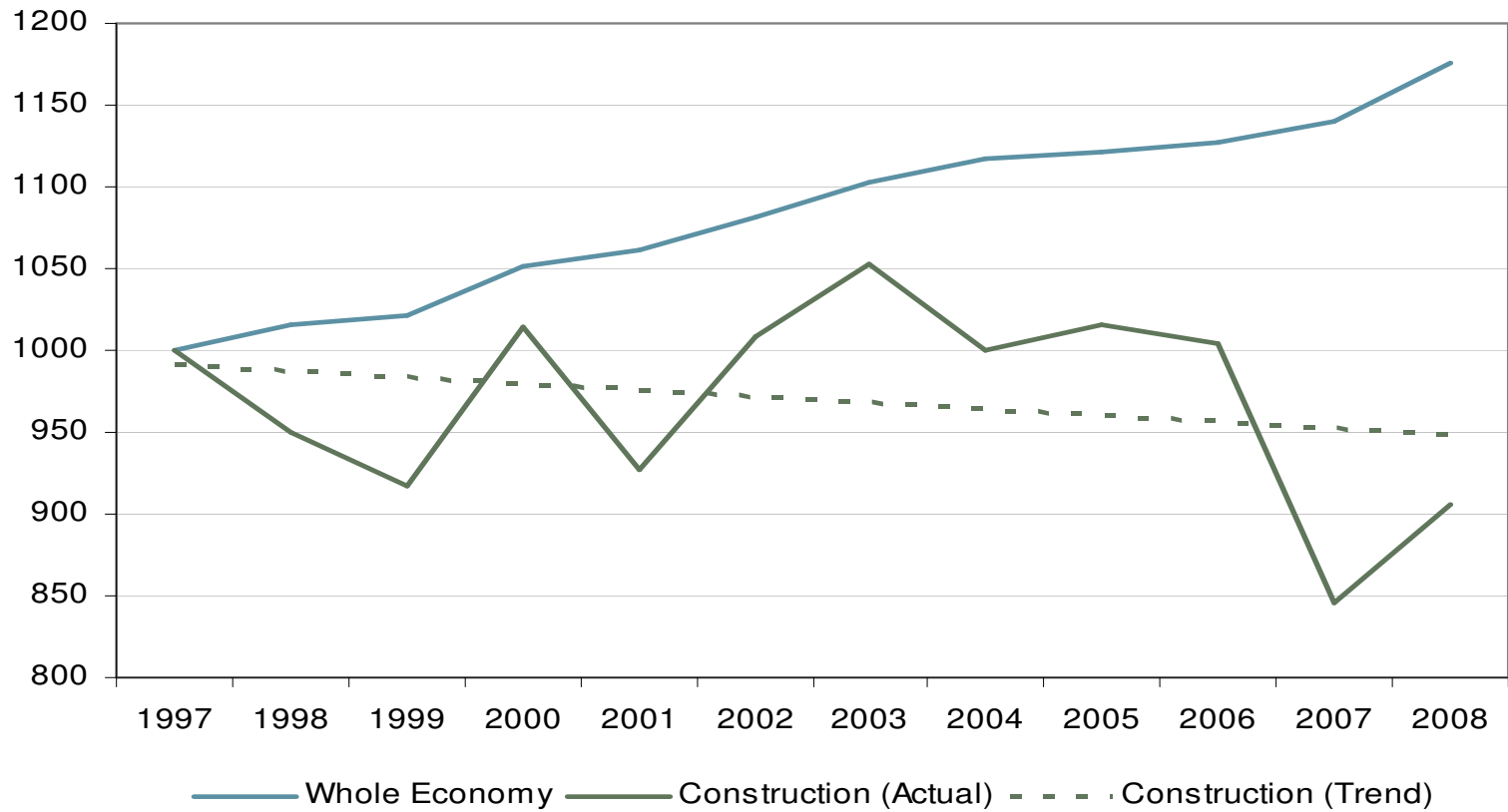


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# What's the Problem?

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



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## 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](http://www.dbh.govt.nz/sector-productivity-taskforce)**



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## 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



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# Roadmap

**Improving sector productivity and performance by:**

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

**What happens next**



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# Improving sector productivity and performance through improving skills



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## 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**



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## 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*

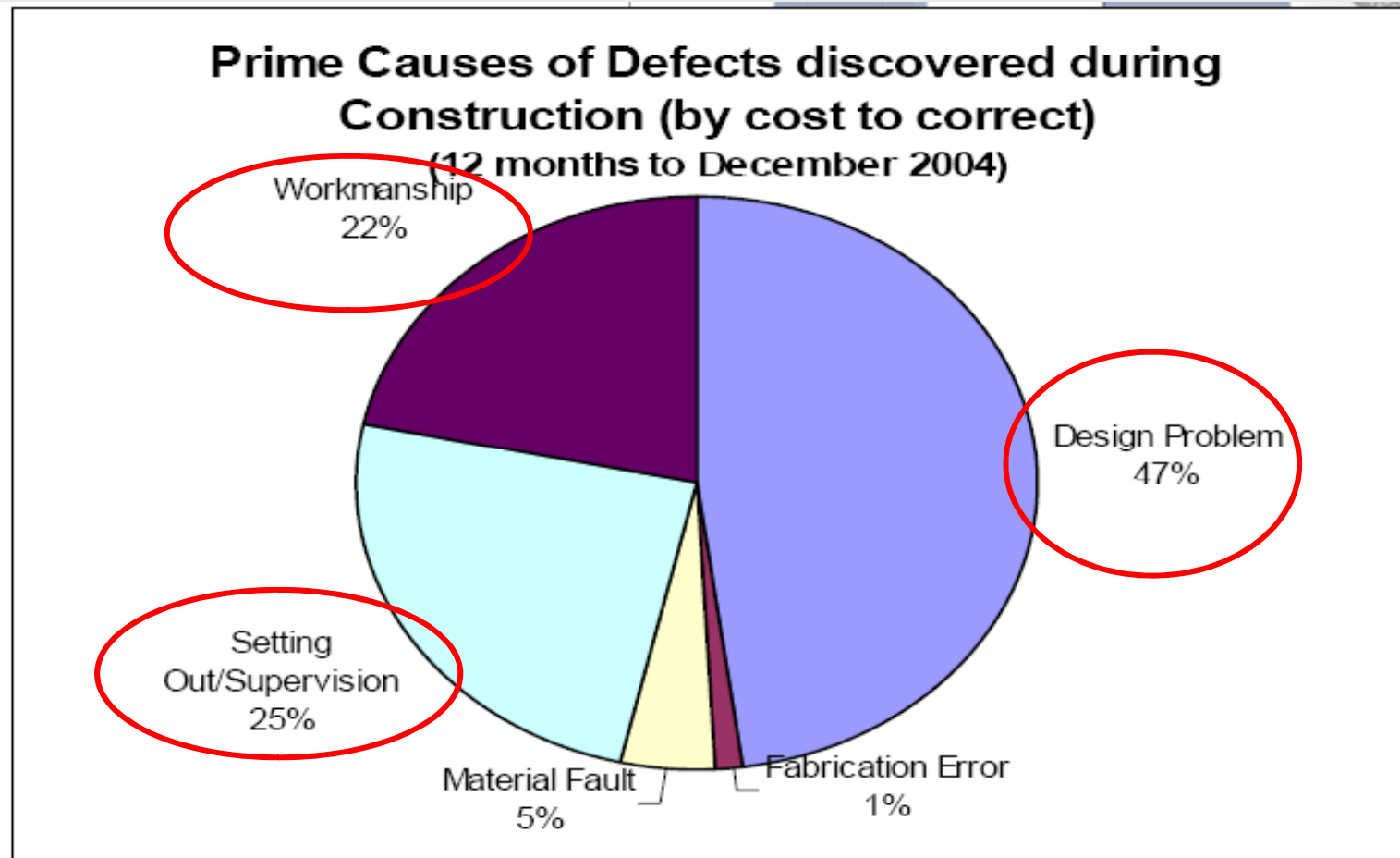


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## Why skills may be central to the productivity issue ...



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**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%
<b>All Occupations</b>	<b>19%</b>	<b>35%</b>	<b>27%</b>	<b>19%</b>

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



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## 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



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## 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.**



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## 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**



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## 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**



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# Improving sector productivity and performance through improving procurement



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# 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.**



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## 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**



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## 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.**



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## What next?

- **Taskforce report was released on 24 July 2009**
  - [www.dbh.govt.nz/sector-productivity-taskforce](http://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**



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