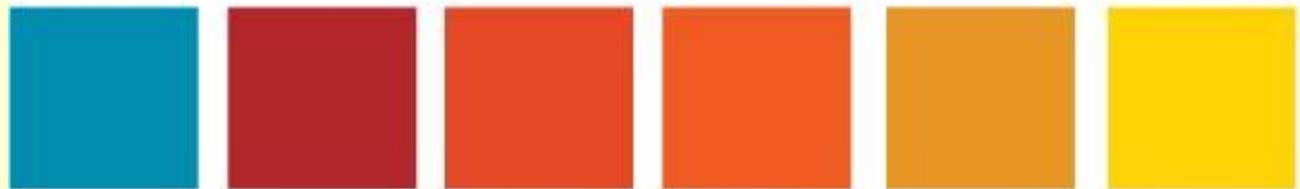


Introduction to the Productivity Partnership

Bill Smith, Chair, Productivity Partnership

**Construction Clients' Group Forum
30 March 2011**

**Building and Construction Sector
Productivity Partnership**



Establishment Board

Genesis of the Productivity Partnership

- The Building and Construction Sector Productivity Taskforce 2009
[<http://www.dbh.govt.nz/sector-productivity-taskforce>]
- Sector meetings in May and June 2010
- The initial sponsors – DBH, BRANZ and BCITO/BETA

Status as at 30 March 2011



The Partnership aims to achieve a 20% improvement in building and construction sector productivity by 2020

Status as at 30 March 2011



Aims of the Productivity Partnership

- Identify and address barriers to improved productivity (through team work)
- Promote client confidence
- Promote co-operation and collaboration (shift from silo approach)
- Energise industry leadership
- Support DBH and other government agencies

Status as at 30 March 2011



Transformative change is needed

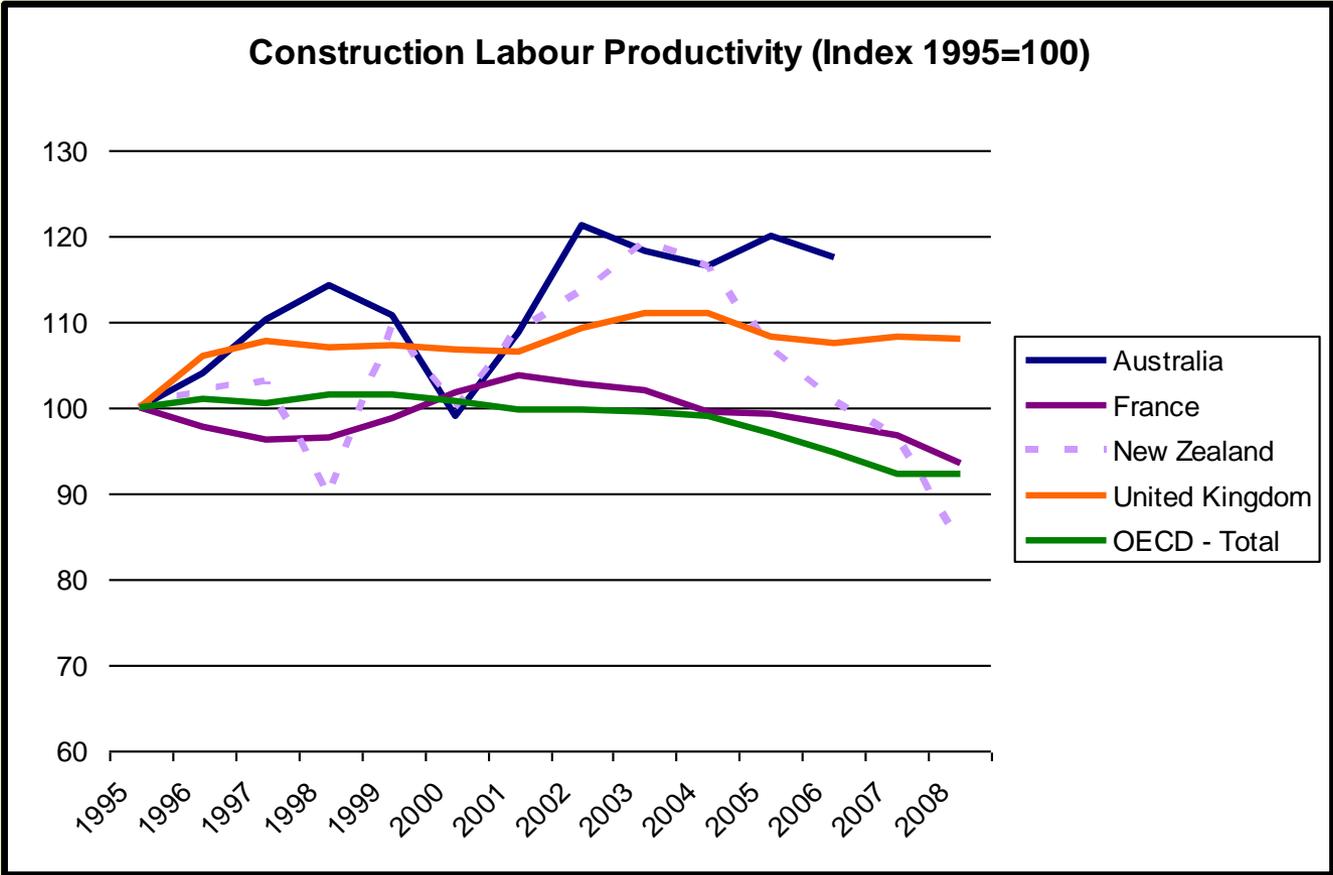
Status as at 30 March 2011

Some areas of concern

- Declining productivity over the last two decades
- Majority of defects due to:
 - poor supervision (25%)
 - design (47%)
 - workmanship (22%)
- Construction and building workers have low levels of educational qualifications:
 - 52% have a low level of literacy
 - 47% have a low level of numeracy
 - 35% have a high school qualification as their highest educational achievement
- Lowest price tender is predominant basis for procurement

Status as at 30 March 2011

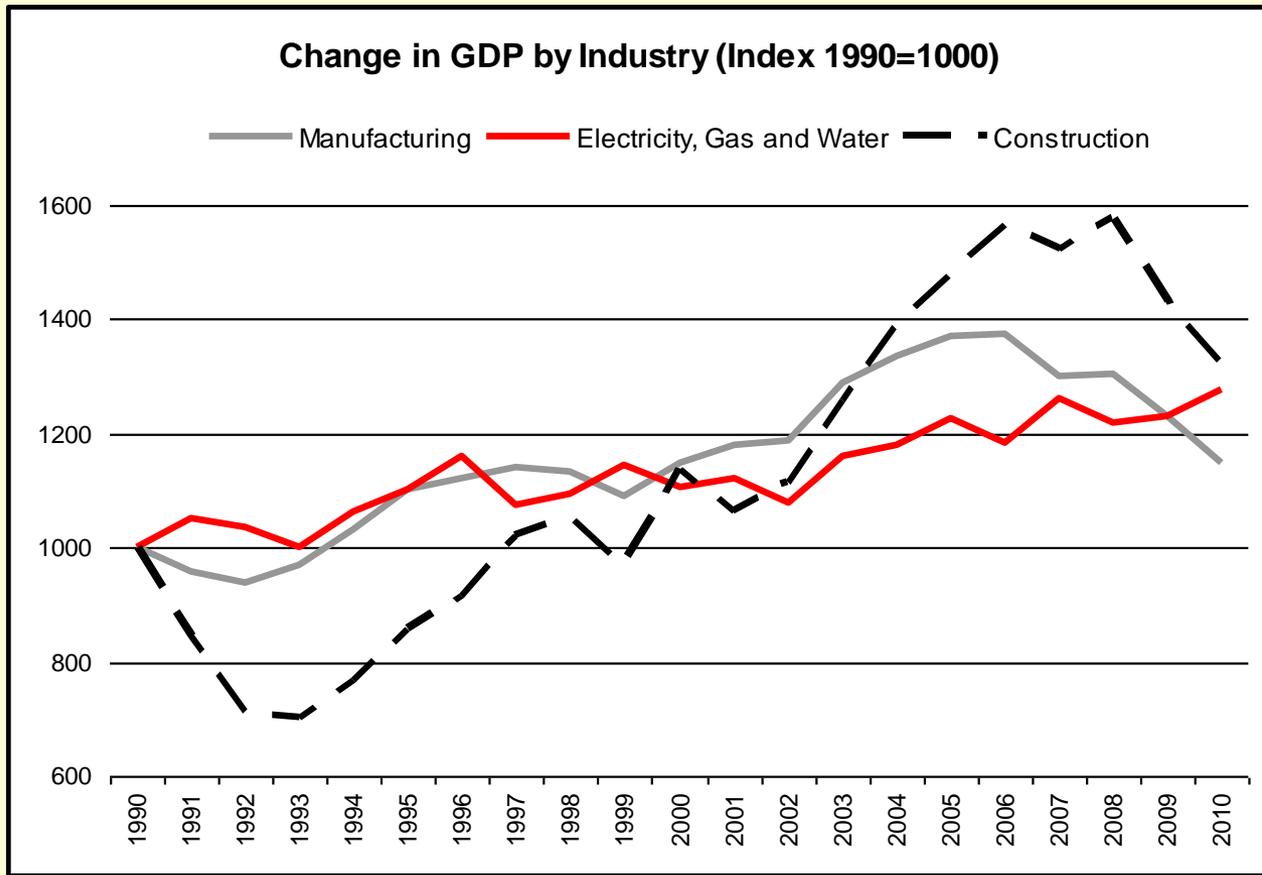
Compared to other OECD countries we've got more boom-bust



Status as at 30 March 2011



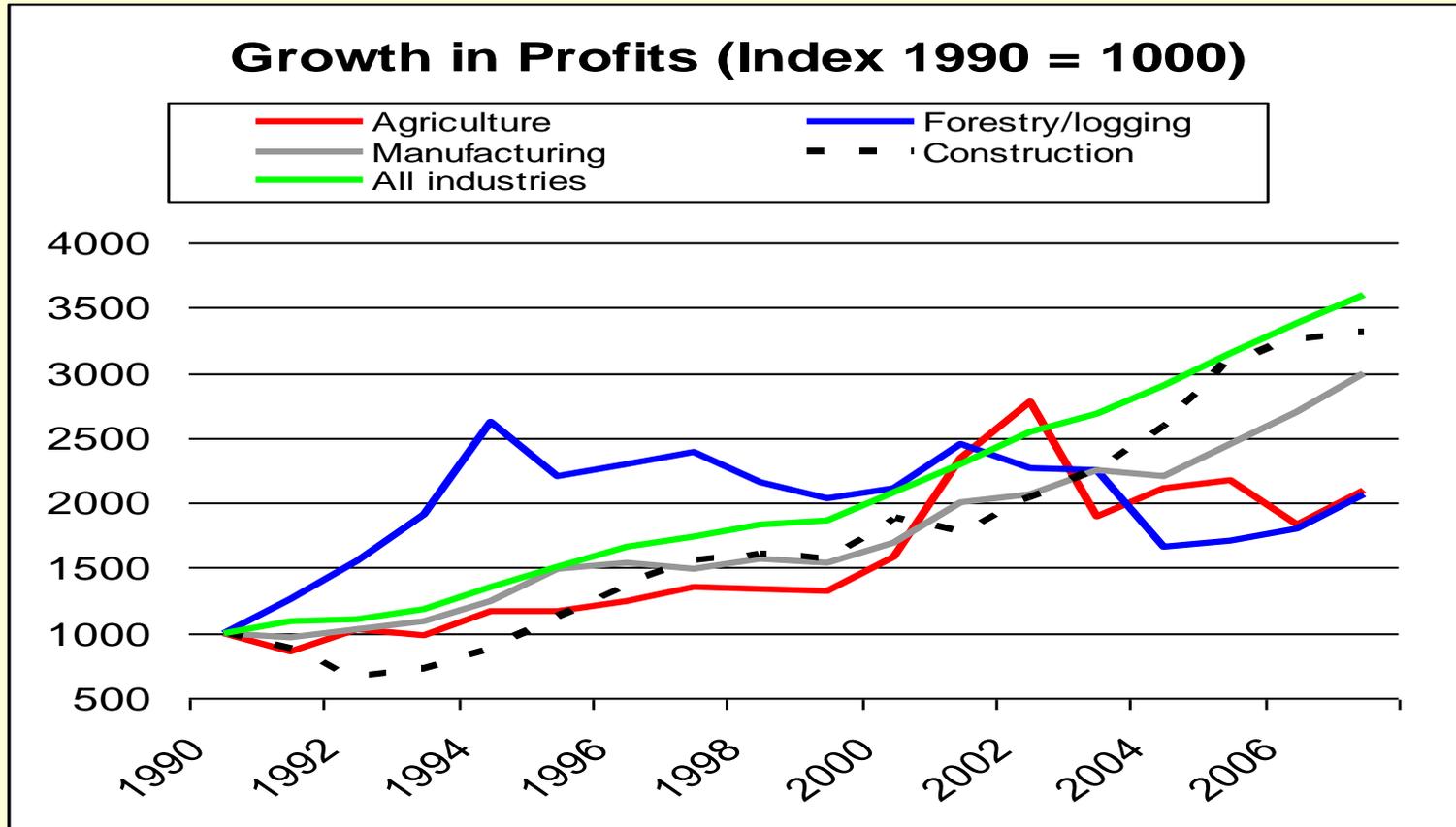
We must manage the boom-bust cycle better



Status as at 30 March 2011



We've been growing our profits ...



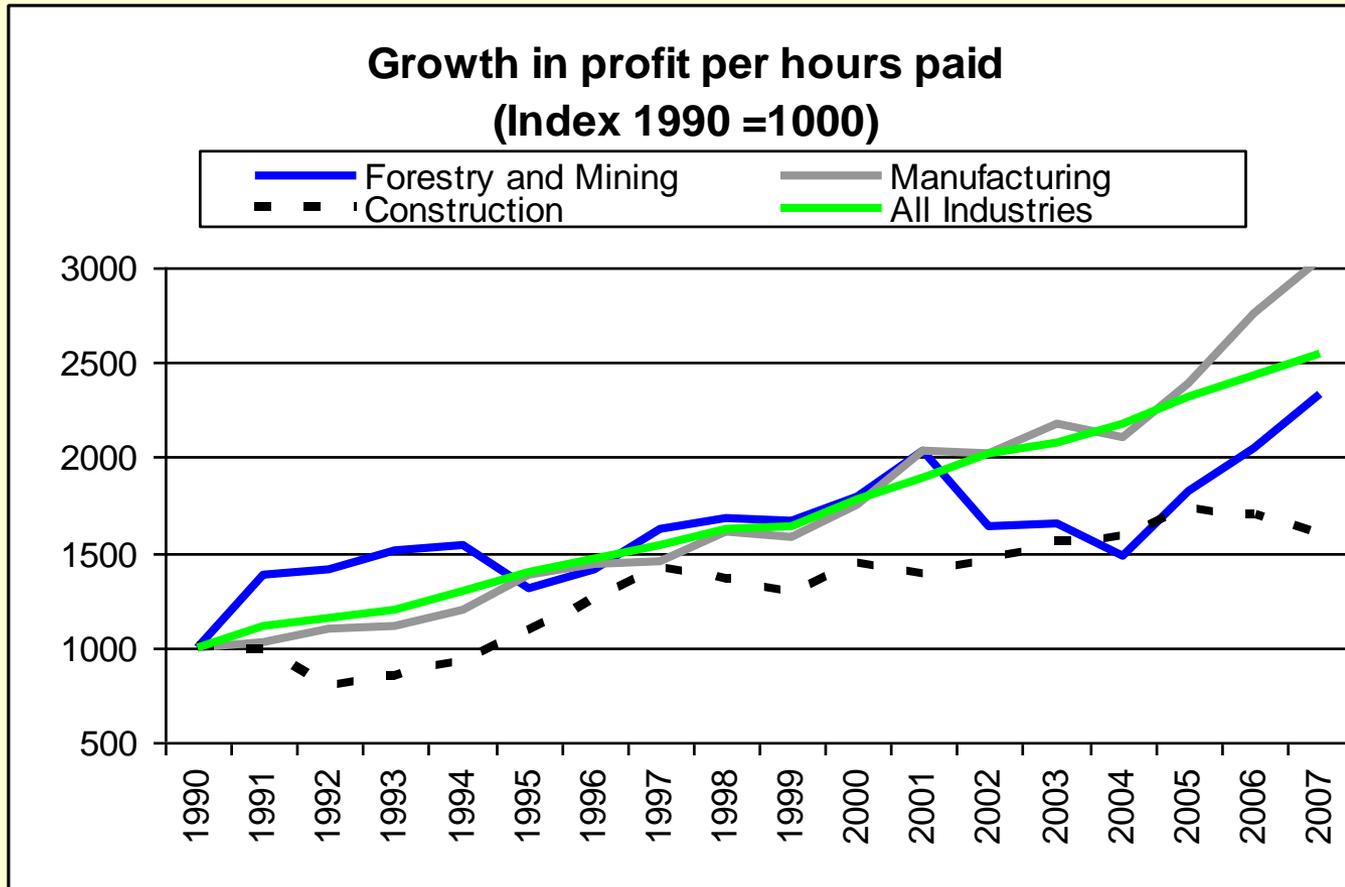
Status as at 30 March 2011

**Building and Construction Sector
Productivity Partnership**



Establishment Board

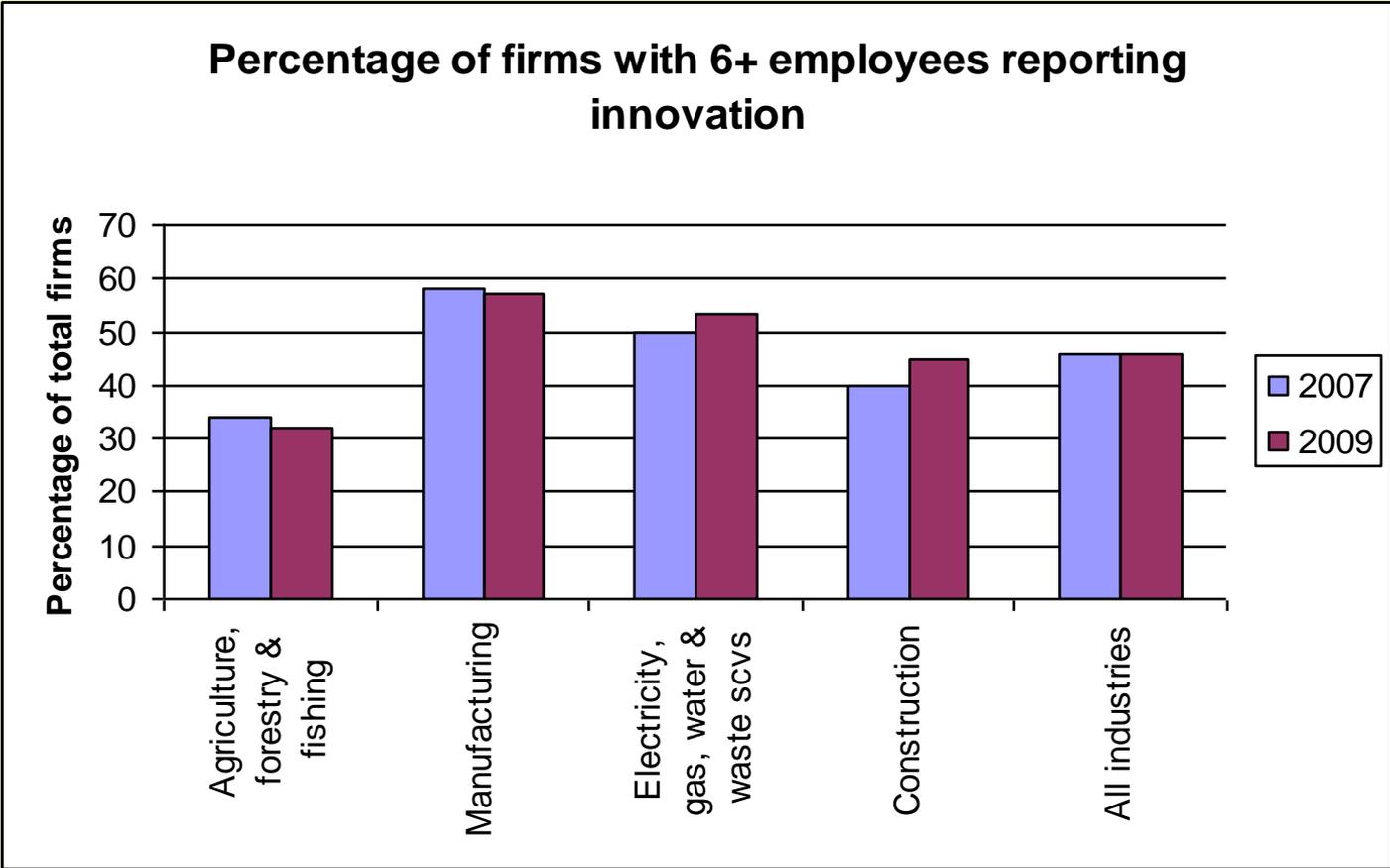
... by working more rather than smarter



Status as at 30 March 2011



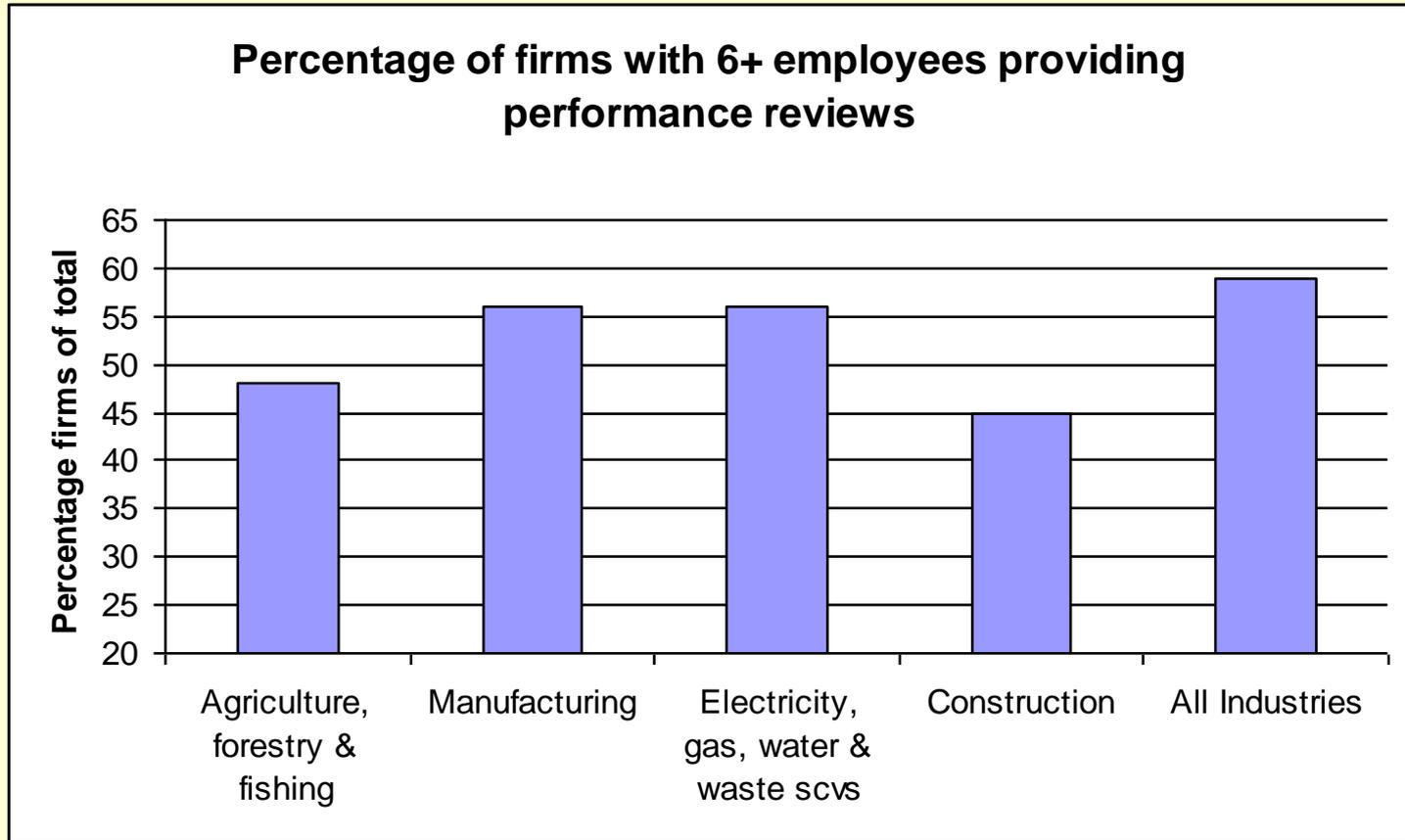
We're improving our rate of innovation but it's still low



Status as at 30 March 2011



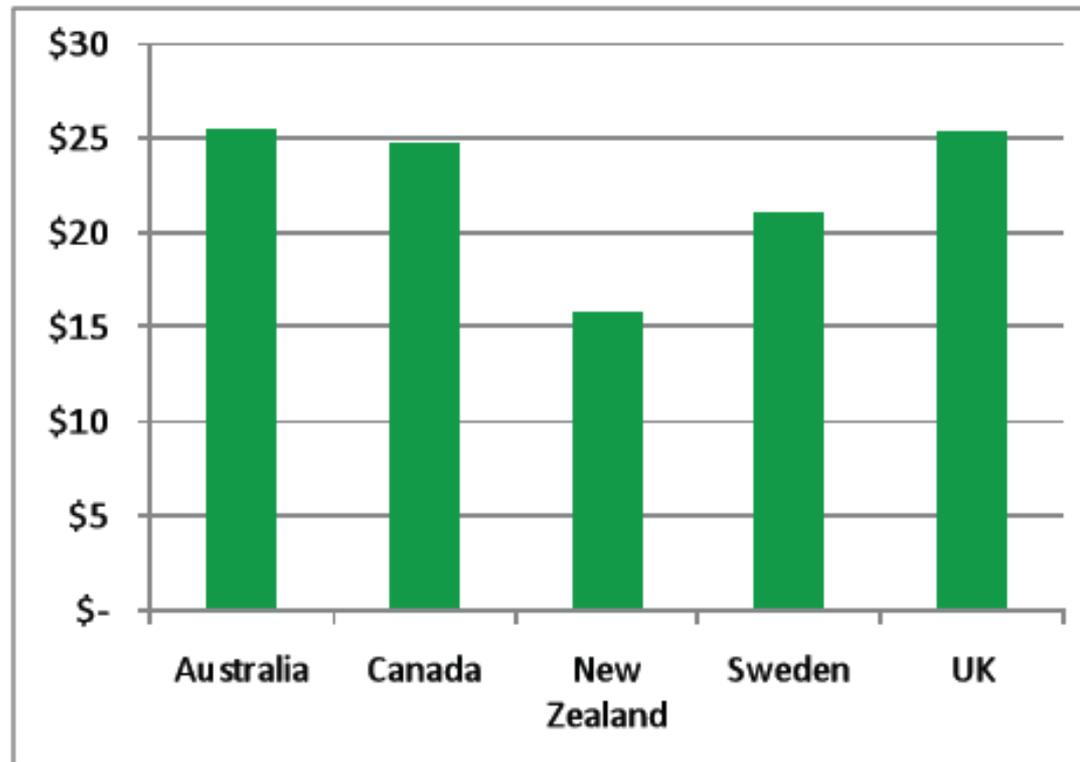
We're not developing our people as well as we should



Status as at 30 March 2011

Our hourly wage rates are low

Figure 2: Average hourly wage rates for construction (\$US)



Sources: Australian Bureau of Statistics, Statistics Canada, Statistics New Zealand, Statistics Sweden, UK National Statistics, OECD

Status as at 30 March 2011

**Building and Construction Sector
Productivity Partnership**



Establishment Board

We don't want to see more of this

 **Media release**

 **Statistics**
New Zealand
TATAURANGA AOTEAROA

Manufacturing and construction pull down productivity growth

Embargoed until 10:45am – 25 March 2011

Manufacturing and construction were the main contributors to the annual 1.2 percent decline in multifactor productivity from 2006 to 2009, Statistics New Zealand said today.

“However the finance and insurance industry performed strongly, alongside the communication industry, and the long-term average remains positive – at 0.9 percent per year,” economic statistics development manager Jude Hughes said. Multifactor productivity measures how effectively existing resources such as workers and capital are used to produce goods and services.

Labour productivity, which is the amount of goods and services produced per worker, did not grow over the three years to 2009. Manufacturing and construction drove the weak labour productivity performance, but these industries were offset by the finance and insurance, agriculture, forestry and fishing, retail trade, and communication industries.

Despite no growth from 2006 to 2009, long-term labour productivity growth (1978–2009) remained positive at 2.0 percent. With the exception of accommodation, cafes, and restaurants, all industries had positive growth – with communications, agriculture, and transport and storage having the highest.

Productivity statistics are available for 24 industries, covering approximately 80 percent of the economy. Excluded are government administration and defence, health, and education.

Geoff Bascand
Government Statistician

25 March 2011

END

For media enquiries contact:
Jude Hughes
Wellington 04 931 4600
Email: productivity@stats.govt.nz

Status as at 31 March 2011

**Building and Construction Sector
Productivity Partnership**

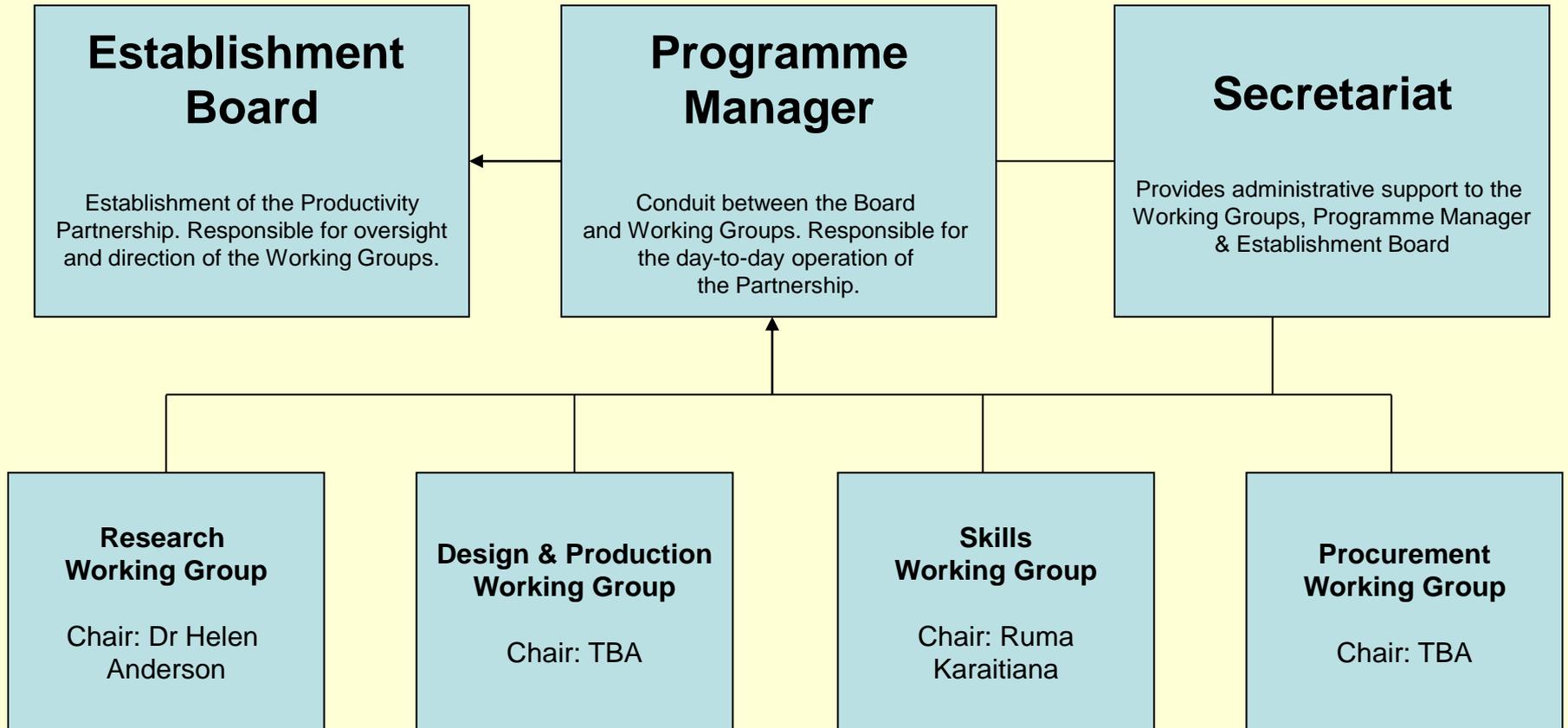


Establishment Board

**We need to work in partnership –
to empower our sector and lead the way
for change**

Status as at 30 March 2011

Structure of the Productivity Partnership



Status as at 30 March 2011

Productivity Partnership Establishment Board

- Bill Smith (Chair)
- Peter Gomm (Mainzeal)
- Brent Mettrick (Stonewood Homes)
- Gordon Moller (Moller Architects)
- Ian Elliot (BETA and Plumbing etc ITO)
- Pieter Burghout (BRANZ)
- Katrina Bach (DBH)

Status as at 30 March 2011



Progress to date

- Set up of Establishment Board
- Confirmation of initial funding
- Development of draft operational rules and governance arrangements
- Commencement of 3 Working Groups
- Initial industry engagement and communication

Status as at 30 March 2011



Skills Working Group

- **Chair:** Ruma Karaitiana
- **Purpose:** Find ways to improve labour productivity and skills in the sector
- **Progress:** BETA has been taking the lead on skills which precedes the establishment of the Productivity Partnership
- **Funding:** BETA (supported by the Tertiary Education Commission)

Status as at 30 March 2011



Skills Working Group

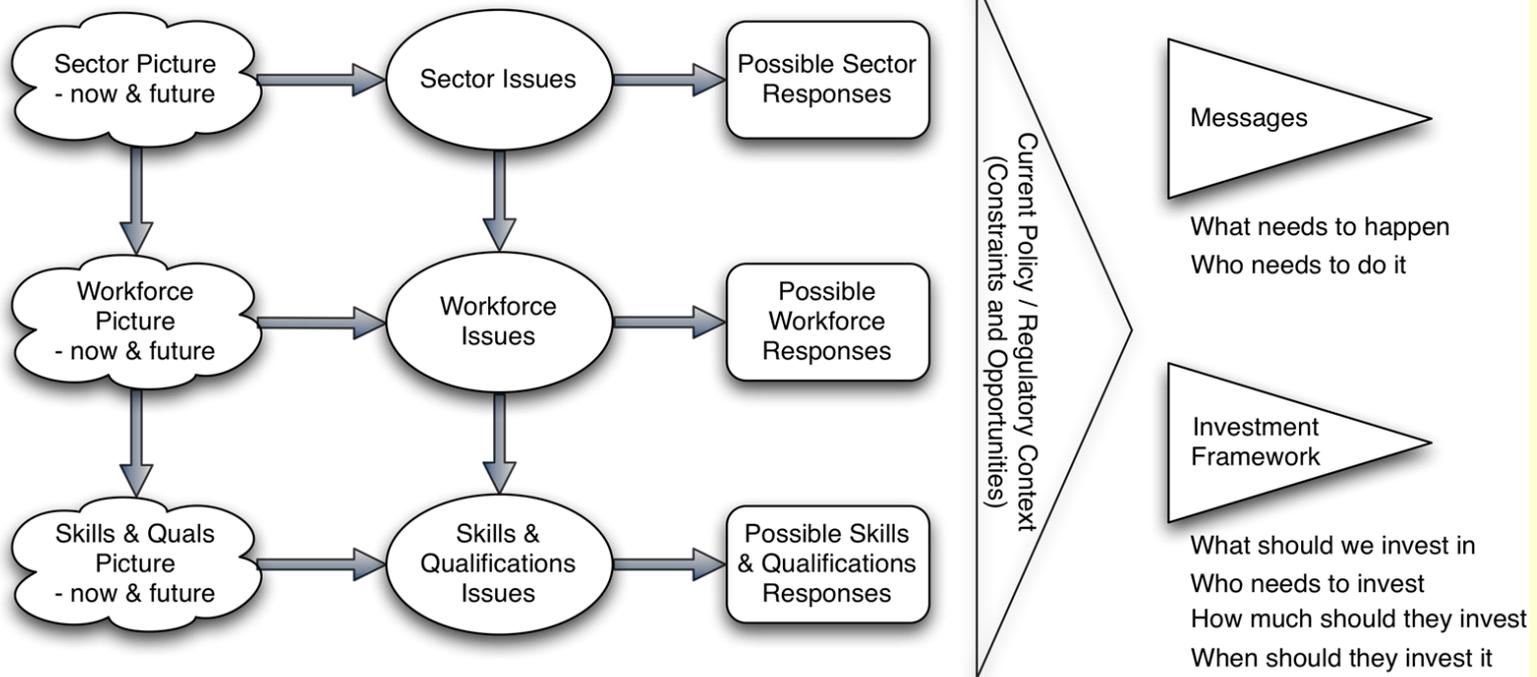
Ruma Karaitiana (chair)	BCITO
Victoria Troake	Troake Wall & Ceiling Services
David Nummy	UNITEC
Derek Baxter	Certified Builders Association of NZ
Doug Gorman	Department of Labour
Jeremy Baker	ITF
David Fabish	David Fabish Ltd
Tom Ellis	Fletcher Construction Ltd

Status as at 30 March 2011



Skills Working Group

Sector Skills Strategy Development Framework



Status as at 30 March 2011

**Building and Construction Sector
Productivity Partnership**



Establishment Board

Research Working Group

- **Chair:** Helen Anderson
- **Purpose:** Determine how research can be used to target and progress productivity improvement
- **Progress:** Two projects underway
 - measurement of KPIs
 - research action plan
- **Funding:** BRANZ

Status as at 30 March 2011

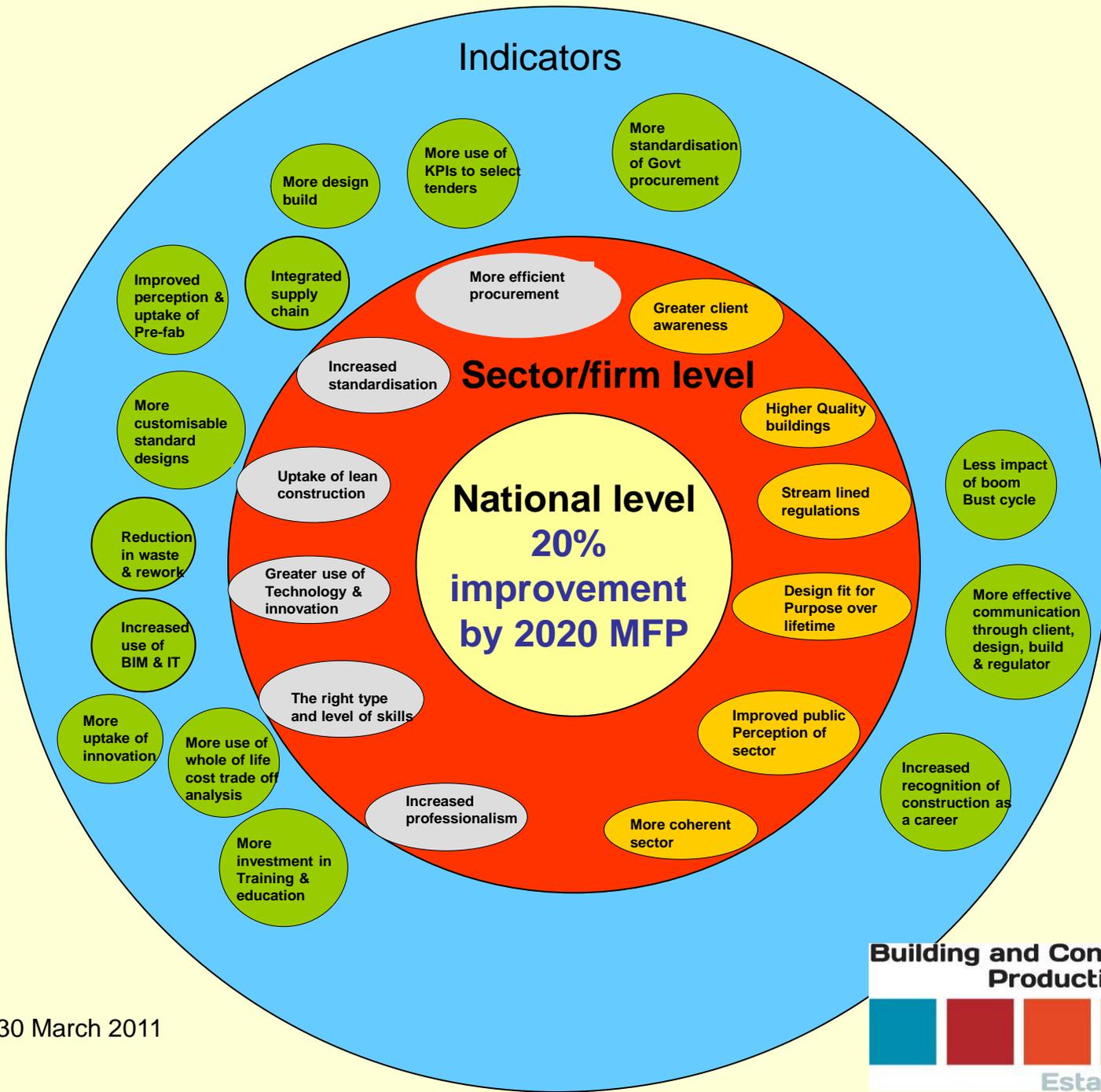


Research Working Group

Tony Lanigan	AUT
Anthony Leighs	Leighs Construction
Derek (Bax) Baxter	Certified builders
Kevin Golding	Winstone Wallboards
Pam Bell	Prefab Consortium
Ruth Berry	Research Consultant
Wayne Sharman	BRANZ
Adrian Bennett	DBH
Jeff Seadon	Scion

Status as at 30 March 2011





Status as at 30 March 2011

Research action plan

- Stocktake of research has shown
 - Existing research is mostly about national (economic) measures of productivity
 - There's quite a lot of knowledge about the makeup and skills of the sector
 - There are gaps in our knowledge of what makes the biggest difference at a firm and project level
- We now need to identify gaps and priorities for future research

Status as at 30 March 2011

Research workstream – likely outcomes

- A set of KPIs most likely to improve performance of firms and the construction sector
- Possible proposal for on-line tools to help firms collect and use the data
- A research action plan with projects and likely funding needed.

Status as at 30 March 2011

Procurement Working Group

- **Chair:** To be determined because of withdrawal
- **Purpose:** Find how a different approach to procurement can improve productivity, quality of outcomes and client satisfaction
- **Progress:**
 - Working Group has considered
 - the Taskforce recommendations; and
 - what determines good procurement practice
 - Development of a project plan and work programme to deliver on change
 - Establishment of clients/constructors forum one likely step

Status as at 30 March 2011



Procurement Working Group

Chair: TBA

Don Stock

Naylor Love

Amanda Warren

Constructing Excellence NZ

Warren Warfield

RPC Ltd

Jerome Sheppard

Ministry of Education

Richard Quinn

NZTA

Kerry Hollingsworth

National Infrastructure Unit (Treasury)

Kevin Doherty

Auckland CCOs

Mike Blanchard

Transpower

Richard May

PMMS Consulting

Status as at 30 March 2011

**Building and Construction Sector
Productivity Partnership**



Establishment Board

Design and Production Working Group

- **Chair:** To be determined
- **Purpose:** This Working Group will look at ways to see how design, supply chain and production changes can operate more productively
- **Progress:** Working through the terms of reference for the project, including Chair and membership of workstream
- **Key issues**
 - Some supply chains are long and complex
 - Techniques and technologies that make processes more transparent are not widely used
 - Lean production, prefabrication and modularisation need wider application
 - How do you reach SMEs?

Status as at 30 March 2011

Change won't happen overnight but it will happen

Status as at 30 March 2011

**Building and Construction Sector
Productivity Partnership**



Establishment Board

What can be achieved?

- Greater client confidence and satisfaction
 - Higher quality buildings and houses
 - Less faults and design floors
- More innovative and competitive businesses
 - Lower cost of service
 - Less waste, rework and downtime
 - Higher productivity and profitability
 - Reduced work-related fatalities and injuries
- A higher performing industry supporting social and economic growth
- Less need for regulatory oversight

Status as at 30 March 2011

Opportunity for a win-win-win for consumers, industry participants and New Zealand Inc

Status as at 30 March 2011

Importance of culture

- Sector leaders seen as taking ownership of the productivity challenge
- Employees empowered to challenge the status quo
- Training for a changing culture
- Openness with the value v cost dichotomy
- Outcomes need to be clear, well defined and understood
- Acceptance culture must change for real progress
- “Coopertition” v silo’d competition
- Being open to sharing innovation and performance information
- Learning from others

Status as at 30 March 2011

Final Comments

- Plenty of scope for the sector to lift its game
- The Productivity Partnership offers a chance to achieve public/private 'win-wins'
- The Productivity Partnership doesn't have all the answers
- We need your involvement and contribution
- Any Questions?

Status as at 30 March 2011