



NEW ZEALAND
GOVERNMENT PROCUREMENT

Construction Skills and Training

Construction Procurement Guidelines

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**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

Construction Procurement Guidelines

The purpose of the Construction Procurement Guidelines is to provide government agencies with guidance on the government's standards of good practice for the development of their construction procurement strategy. The Guidelines are intended to support government agencies to improve the quality and consistency of their construction procurement practices.

The Guidelines consist of a suite of sections, each covering a subject matter area. They are considered to be live documents which we may update and add to, from time to time, to ensure they remain current and relevant. You can download the latest version of each section, along with any accompanying tools and templates, from www.procurement.govt.nz.

To provide feedback on the Guidelines, email procurement@mbie.govt.nz.

Major infrastructure project guidance

Major infrastructure projects by their very nature are large scale and complex – they have bespoke issues, risks and challenges that may require more sophisticated project planning, management, procurement and governance approaches. The New Zealand Infrastructure Commission - Te Waihanga, publishes major infrastructure guidance for projects with a total cost of ownership of greater than \$50m.

For more information about major infrastructure project guidance and the support provided by the Infrastructure Commission, see www.infracom.govt.nz or contact the Infrastructure Commission at info@infracom.govt.nz.

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New Zealand Government Procurement

PO Box 1473 | Wellington 6140 | New Zealand

www.procurement.govt.nz | procurement@mbie.govt.nz



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Construction skills and training

Overview

The construction sector is an important part of New Zealand's economy. It is the country's fourth-largest industry, employing nearly 250,000 people, and fifth-largest contributor to gross domestic product at around NZD \$15 billion each year.

There is a critical national shortage of capability and capacity in the New Zealand construction sector, and addressing this is a priority for government and industry in order to deliver New Zealand's growing pipeline of construction projects.

A shared priority for government and industry

The government and industry have committed to work together to transform the sector through the Construction Sector Accord, making it a priority to increase the number of skilled workers, lift the sector's capability, and meet New Zealand's growing housing and infrastructure needs.

For more information, see: [Construction Sector Accord](#)

Construction Skills Action Plan

The Government has developed an action plan to help build the capacity and capability of the construction sector. One of the plan's initiatives is for government to use procurement to find ways to partner with the construction sector to boost capability and capacity.

For more information about the plan, see: [Construction Skills Action Plan](#)



Using procurement to boost construction skills

Because construction skills and training are a priority focus for the government, agencies who are procuring construction works valued at \$9 million or more (excluding GST) must also:

- › ask suppliers and their sub-contractors what they can do over the life of the contract to train new construction workers and develop the skills of existing ones
- › carefully consider the information suppliers provide about construction skills and training in their tenders, including applying weighting if using a weighted attribute evaluation model
- › monitor contracts to make sure suppliers and their sub-contractors deliver the training and skills development they agree to
- › consider the health and safety practices of suppliers and the training they provide to workers to ensure their health and safety.

This applies to all suppliers providing construction-related services, including consultants and contractors.

For more information about the specific Rules that apply, see:

- [Rule 7: When the Rules apply – new construction works](#)
[Rule 18: Construction skills and training](#)

Plan

Procurement strategy and plans

Successfully incorporating a broader outcome, such as construction skills and training, into your procurement activities should start with creating a strategy, and then an action plan.

For detailed information on how to do this, see: [Implementing broader outcomes](#)

Individual construction contracts

For one-off construction contracts, at a minimum your agency needs to ask key questions in their tender documents to evaluate the suppliers' commitment to improving and/or building skills, and providing health and safety training. This might include asking questions about their approach to:

- recruiting and retaining apprentices or new entrants to industry
- on-the-job training
- employing people from targeted groups.

Targeted groups

Employing people in targeted groups can help to improve social outcomes, as well as increasing the capacity and capability of the construction workforce. Examples of targeted groups include:

- people not in employment, education or training
- refugees
- young people
- Māori
- Pasifika people
- women
- people with disabilities, including people with ongoing mental health challenges or illness
- people getting back into the workforce after children, ill health, injury or a correctional sentence
- lone parents
- older workers transitioning from other sectors in the workforce
- people who are under-employed and/or under-trained in their current roles.

Significant construction contracts



Agencies must create a specific project skills and training development plan for significant construction contracts (over NZD \$50 million).

Significant value construction contracts (over NZD \$50 million) provide more opportunity for agencies and suppliers to increase construction skills and training. For example, by agreeing to employ a certain number of trainees or apprentices, or people from targeted groups, to work on the project, particularly in regions where skilled resources are scarce.

To make the most of these opportunities, your agency is expected to create a specific project skills and training development plan for significant construction contracts. To develop this plan, your agency will need to:

- consider the local context
- analyse the opportunities for increasing skills and training, or employment opportunities in that context
- consider if it's appropriate to include set targets in the contract
- consider how it will measure and monitor progress against any set targets.

The Skills in Construction website has published a number of case studies which show some of the ways that construction skills and training, including for targeted groups, are being incorporated into contracts.

For more information, see [Skills in Construction case studies](#)

Long-term construction work programmes



Agencies must create a specific programme skills and training development strategy for construction programmes of three or more years.

Construction programmes of three or more years provide great opportunities to increase construction skills, training and employment. Agencies with long-term construction programmes are expected to have a specific programme skills and training development strategy. At a minimum, this strategy should detail:

- your agency's operating environment and the opportunities to influence suppliers to develop skills, and provide training and employment in the construction sector
- how your agency will engage with senior leaders of minor and major supply chains, including centrally and locally based business and training organisations, to help inform an appropriate programme skills training development strategy
- the initiatives your agency has in place to support training and skills development in the supply chain and how you plan to deliver on these
- the outcomes your agency plans to achieve, and the processes for establishing, measuring and monitoring targets to track your progress against
- your agency's governance arrangements for ensuring construction skills and training outcomes are achieved, including oversight, monitoring and risk management
- any outcomes that have been achieved under the plan, any lessons learned and any opportunities to improve
- the specific requirements your agency will include in tender documents to ensure skills, training and employment outcomes are met
- your plans for cross-agency collaboration.

Developing objectives

Developing objectives and including them in strategy and tender documents helps suppliers understand the skills and training outcomes agencies want to achieve from their procurement activities.

This doesn't have to be limited to increasing the number of workers or developing "on the tools" skills. As important as these two elements are, including construction skills and training objectives should incentivise and recognise the contributions that all parties across the construction sector can make, including:

- consultants
- specialist trade contractors
- materials suppliers and manufacturers.

Including objectives in strategy and tender documents drives suppliers to think innovatively, beyond technical requirements, about how they can contribute to resolving the construction sector's capacity and capability shortfalls.



Agency checklist for setting objectives

When setting objectives, your agency should:

- Engage with key stakeholders and the market to test early thinking and understand how objectives are likely to be actioned – this should include suppliers and training organisations.
- Consider how the objectives align with the government's priorities and your own agency's functions and priorities. This could include thinking about your future construction projects and the skills that may need to be developed to deliver the work.
- Assess the capacity and the capability of the construction sector to deliver on your projects. Make sure your assessment of any shortfalls in these areas, particularly by region, is based on detailed data, and not assumptions. National Construction Occupations Projections publishes some helpful data.
- Develop a range of objectives. Examples include encouraging suppliers to:
 - employ new recruits and people from target groups into quality roles across the entire construction project lifecycle that offer genuine career progression and training, such as apprenticeships or micro-accreditations - not just 'on the tools' jobs
 - develop the trade and professional skills of all of the existing construction workforce, from new entrants to senior leaders
 - support social outcomes by employing workers, including from target groups, on terms and conditions that help them to live a dignified life and feel their work has value, meaning and purpose
 - provide all workers with the health and safety training they need to safeguard themselves from work-related health and safety risks, including position-specific training
 - ensure they comply with employment standards.

For information about health and safety, and employment standard requirements, see [Improving conditions for New Zealand workers](#).

Deciding whether to set requirements and targets

Depending on the value and length of your project, your agency may wish to consider setting requirements and targets as well as objectives. This can help give suppliers direction about how your agency expects objectives to be met.

Contract value

The value of a contract affects the degree to which skills and training requirements and targets are able to be achieved. Higher-value contracts offer the most scope, by setting requirements and targets.

Contract length

The length of a contract can also affect what might be feasible for a contract or programme of work to deliver. Shorter contracts may suit 'softer' requirements, such as on-the-job training. Longer contracts may suit more tangible requirements, such as employing a set number of apprentices.

Unintentional consequences

Before deciding whether to set requirements and targets, your agency will need to think about how these could affect suppliers. If not well scoped, they can:

- favour certain approaches that stifle the suppliers' ability to be innovative in how they meet objectives
- give a supplier an unfair advantage, for example by requiring skills or training that disproportionately favour that supplier, or set a higher or narrower standard than is necessary to successfully deliver the contract
- have consequences beyond the term of the contract. For example, requirements based solely on employment targets per contract can encourage short-term compliance, but might not lead to continuing work for new entrants, such as apprentices, who could lose their job at the end of the contract, potentially before completing their formal training programme.

Setting requirements and targets

If your agency chooses to set requirements and targets, you should first do some early market testing. This means discussing specific contract requirements with the supply market before advertising the tender. This can be a useful way of testing the capabilities of the market and developing challenging, yet realistic, requirements.

Make sure that any market testing your agency does is open and transparent. It is important to make sure all suppliers are treated fairly and equally.



Developing realistic requirements

Use the following checklist to help you develop realistic requirements:

- Identify and engage with stakeholders that can help your agency shape and support skills and training outcomes. These can include other agencies, local councils, regional employment groups, local iwi, chambers of commerce, training organisations and others.
- Engage suppliers early and widely. Discuss your project pipeline, and give them an opportunity to shape the requirements, so you can incorporate them.
- Make sure you understand what skills will be needed to design and deliver the works.
- Make sure you understand the barriers to upskilling and training workers, and adapt your procurement strategy to help overcome these, for example by leveraging strategic relationships with panel suppliers.
- Consider any undesired consequences that could occur from setting requirements and targets, including what could happen if they're not met at the project's end.
- Consider how requirements and targets can be used to contribute to longer-term social outcomes, for example to keep workers employed after the project or contract ends.
- Engage with your supply chain, and training and employment organisations. It's important to do this nationally and regionally, to help you understand current and future capability and capacity, and identify potential gaps and pain points. For example, it may be more difficult for suppliers to get access to people, and appropriate training for them, in certain regions.
- Using all that you've learned from your analysis of the previous steps, engage with the supply chain to explain the outcomes your agency expects to achieve from the project or programme. Examples of areas your agency might consider include:
 - creating employment and economic growth
 - getting people into apprenticeships
 - upskilling the existing workforce
 - re-training.
- Test your requirements and targets with the market – these should take into account the value and length of the project. For example, it may not be realistic to require suppliers to take on a new apprentice if the project is only six months long.
- Write agreed outcomes into the contracts you award.
- Set KPIs and benchmarks and use them to track progress against skills and training outcomes over the term of the contract. If it's appropriate to do so, link payment mechanisms to achieving those outcomes
- Work out what extra help your agency might need to support the supplier to successfully implement your skills and training requirements.

Source

Construction skills and training evaluation criteria

Tender questions



Agencies must ask questions about what more a supplier would do over the course of the contract to improve or build skills, including health and safety.

If your agency uses a weighted attribute model to evaluate tender response, you'll need to weight the responses to the questions you ask about the supplier and their sub-contractors' skills development and training practices.

If a weighted attribute model isn't used, you'll still need to carefully consider the information suppliers provide about construction skills and training in their tenders.

In both cases, your agency will also need to consider the health and safety practices of suppliers and the training they provide to workers to ensure their health and safety.

It's up to individual agencies what questions they include in tender documents, but it's a good idea to ask suppliers about:

- their existing practices
- their future plans
- how they will meet your objectives, and any requirements and targets you may have set.

For examples of the kinds of questions you might like to ask, see the 'Sample construction skills and training questions' at the end of this document.

For more information, see [Rule 18: Construction skills and training](#)

Evaluation criteria weightings

The Government is serious about supporting the construction sector to grow its capability and capacity, so it's important that agencies using a weighted attributed model apply appropriate weighting to construction skills and training evaluation criteria.

Agencies can apply their own weighting. They can choose to do this either by setting an agency-wide policy, or on a project-by-project basis. When deciding what weighting to apply, your agency will need to take into account the nature of the project, its value, and duration.

Agencies may find it useful to use a pairwise comparison (or similar) to help decide the exact weighting to apply to each criterion based on its relative importance.

Even if you're not using a weighted attribute model, you'll still have to make sure you evaluate supplier responses to your questions about construction skills and training.

Multi-stage processes

If your agency chooses to use a multi-stage procurement process, it can evaluate weighted skills and training criteria at the registration of interest (ROI) or request for tender (RFT) stage, or both. Your choice will depend on the nature of the project.

For low-value contracts, evaluating weighted criteria at the ROI stage may be sufficient to get an understanding of the suppliers' broader commitment to skills and training at an organisation level.

For contracts of significant value (NZD \$50 million or more), you'll need to include weighted criteria at the RFT stage too. This is so you can evaluate how well supplier responses meet your specific skills and training requirements.

Tender documents

Your agency should include information and instructions in tender documents that suppliers can use to prepare their responses, such as:

- an explanation of your agency's procurement strategy. This should include the context of the procurement, any definitions, your agency's objectives, and its construction category objectives
- information about broader outcomes and the construction skills and training priority outcome
- any specific requirements and targets the supplier needs to meet (if your agency set them)
- the level of detail required in responses, and the structure and format to use when responding
- the weightings that apply to your construction skills and training questions, and how you will evaluate responses
- how progress against construction skills and training outcomes will be tracked
- any information that supports suppliers to respond. This can include resources, a list of contacts and websites, and links to key organisations, such as other agencies and local businesses.

Be open to requests from suppliers for support to respond to tenders. For example, if your agency includes a requirement to provide opportunities for people re-entering the workforce from correctional facilities, you may be able to provide or connect them with advice and support services that can help them do this.

Evaluation

Evaluating a supplier on their skills development practices incentivises suppliers to invest in (and increase) their workforces, for example by employing and training more apprentices. This also means that suppliers who invest in developing either their own, or the sector's workforce will have an advantage over those that don't. A supplier's investment in construction skills and training should be evaluated as a non-price attribute, with appropriate weighting to counter low-cost tenders from those with no commitment to construction skills and training.

When evaluating the construction skills and training portion of tenders it is important that your agency:

- briefs the evaluation panel on the procurement strategy and provides them with any background information you have, such as data on building sector skills and training shortages that are specific to the region at the time of the project going to market
- takes into account the training and skills development provided by and through sub-contractors and suppliers
- considers the longer-term, ongoing effects (positive and negative) of supplier responses over short-term compliance with requirements or targets
- identifies when it might need to ask for more information from suppliers so that the evaluation panel can better compare responses.

The evaluation of tenders should consider existing practices and future plans, and how these relate to agencies' objectives. The table below illustrates how tender responses may be scored based on their strength.

Illustrative view of scoring based on strength of tender response

		Future plans and delivery on objectives		
		Excellent	Good / acceptable	Deficiencies / unacceptable
Existing practices	Excellent	Excellent	Good	Acceptable
	Good / acceptable	Good	Acceptable	Minor reservations
	Deficiencies / unacceptable	Minor reservations	Serious reservations	Unacceptable

Suppliers can commit to delivering on objectives in different ways

Different suppliers with differing means (based on their size, balance sheet and so on) will have differing abilities to commit to delivering on objectives. Not all suppliers will be able to grow their business by taking on new recruits (growing capacity). This is particularly true for smaller companies, although they may be able to invest in upskilling their existing workforce to be more productive (growing capability).

When evaluating tenders, agencies should consider each supplier's commitment to delivering on their objectives in the context of their means, relative to others.

What a good response looks like

There is no one-size-fits-all model of what good looks like. Examples of ways suppliers may set themselves apart include:

- **Past performance** – existing practices show commitment to worker development, skills training, and development programmes in the past.
- **Supply chain** – suppliers show they have engaged with their supply chain, including sub-contractors, and have their buy-in and support to meet objectives.
- **Level of commitment** – suppliers propose or commit to delivery outcomes that exceed or are additional to your agency's expectations, but are still realistic.
- **Robust plans** – suppliers provide a robust explanation of how they will meet objectives, including showing an understanding of the extra support certain target groups and trainees may require.
- **Asking for help** – suppliers show a clear understanding of specific challenges and reach out for support to relevant government agencies, and training organisations.

For information to help you identify the key attributes to look for when evaluating responses to questions about skills development and training, read 'Examples of key attributes related to skills development and training' at the end of this document.

Effecting change through the supply chain

Successfully delivering requirements is not without challenges. A significant portion of the work in large contracts will be sub-contracted to other businesses. Because of this, it's important to understand how suppliers intend to co-operate with sub-contractors and sub-suppliers to make sure skills and training requirements are delivered.

Due diligence

It's important that your agency carries out due diligence to validate the statements suppliers make in their responses and to scrutinise the robustness of their plans to meet construction skills and training objectives. This can include asking:

- referees about the supplier's past performance delivering skills training and development programmes
- for evidence of relationships and engagement with sub-contractors, suppliers and training organisations
- questions when interviewing the supplier, about how they implement planned skills and development programmes
- Suppliers to make a presentation or undertake a site visit.

Manage

Incorporating commitments in contracts

There are a number of ways of incorporating construction skills and training into contracts. These will vary depending on the type of contract, the form of the skills or training, and the commitments made. Examples of ways to incorporate construction skills and training include:

- contractual clauses
- skills and training charters
- voluntary agreements.

Contractual clauses

Specific requirements for skills and training and reporting and monitoring requirements can be incorporated as obligations in the contract. Providing they are used legitimately and appropriately, they will usually be the most legally enforceable method of making sure the supplier meets the requirements of a specific contract.

Skills and training charters

A charter tends to be a "non-legally binding" approach to setting out how two parties will commit to achieving a set of shared strategic priorities and goals for a project or programme. While commitment to a charter can be set out in contract clauses, commitments are usually relationship-based, rather than contract-based. This approach is highly dependent on committed leadership from the top, both of your agency and the supplier. It can be an effective way for agencies and suppliers to be clear on:

- shared strategic priorities and goals for a project or programme
- the responsibilities and actions of each party in achieving these
- the principles the relationship will be based on.

Voluntary agreements

Voluntary agreements are a retrospective approach for existing, long-standing contracts such as term contracts or panels of suppliers, where it would not be possible or practical to re-negotiate the contract terms to include additional skills and training requirements. This approach can help agencies work with suppliers to secure commitments to specific skills and training outcomes over a specific time period, with support provided by a range of agencies.

Contract management

Incorporating construction skills and training outcomes into a contract emphasises the importance of effectively and proactively managing the contract, and supplier relationships. In practice, this means that agencies should actively work with their suppliers, as well as other stakeholders, to:

- monitor KPIs and any risks, issues, gaps or constraints that arise throughout the contract
- take necessary action to ensure the outcomes continue to be delivered effectively
- make sure contract reporting is used to review and improve performance - improvements don't have to be limited to the requirements and targets agreed at the start of the project.

Monitoring and reporting



Agencies must conduct sufficient monitoring of contracts to ensure that skills development and training commitments made in the tender process are delivered and reported on, in compliance with any reporting framework published by MBIE.

A priority outcome reporting framework is currently under development. When the framework is in place agencies will be required to provide information to MBIE about construction skills and training. MBIE intends to use this information to monitor and report on the effect of the construction skills and training priority outcome on the construction sector's overall capacity and capability.

To sufficiently monitor contracts, there need to be clear and unambiguous reporting requirements tailored to the specific skills and training commitments in the contract, as well as clear responsibility for:

- monitoring contracts
- reporting the results of the monitoring
- following up with the supplier if they do not meet their commitments.

Your agency may choose to have a dedicated resource (internal or external) to manage these responsibilities.

Self-reporting by suppliers will be a common feature of most contracts. This should be supported by regular audits of suppliers by your agency or a third party. Make sure you consider the scale and size of the contract when deciding how often to carry out audits.

Reporting responsibilities

Sub contractors and sub suppliers	Report to the main contractor on progress of sub contracted requirements
Main contractor	Reports on progress for themselves, their sub-contractors, and sub-suppliers against contracted requirements to the agency that engaged them
Agency	Collects information from all contractors and projects, and reports on the aggregated progress towards priority outcomes to MBIE
MBIE	Collects information from all agencies and reports overall progress towards priority outcomes to the Government.

It's important to include a requirement in the contract to provide reporting in line with MBIE's Priority Outcome Reporting Framework, including from any sub-contractors.