

A STRATEGY FOR THE CONSTRUCTION INDUSTRY

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by the Industries Committee**



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Introduction

The Industries Committee's mandate within its terms of reference includes the following -

“to form, through Strategic Development Boards, a comprehensive, integrated, industrial and economic strategy for the Island, encompassing responsibility for economic policy as it relates to all industries and the Island's workforce, and to oversee its implementation, once agreed by the States as one of a set of government strategies contained in the States' strategic plan.”

Existing States' strategies

States policies and other strategic objectives that affect the Island's economy form the basis for the construction industry sector strategy. These objectives include -

- (a) maintaining a resident population of the Island at the same or less than the current level of around 85,000 (States decision in 1995). Keeping immigration to a minimum must, therefore, be a policy objective;
- (b) sustaining an efficient and cost-competitive local construction industry (States decision in 1995);
- (c) containing inflation to 2.5% (Anti-Inflation Strategy September 2000);
- (d) having regard to the States' Anti-Inflation Strategy, to seek to manage demand on construction sector activity within the industry's actual capacity. If demand appears to exceed the industry's capacity, and there is evidence of inflation levels above that which would normally be expected, the Committee may, through consultation and negotiation with developers, seek to delay projects in order to reduce demand on the industry and the Island's resources. (Policy on Part III of the Regulation of Undertakings and Development Law-R.C.20/2001); and
- (e) ensuring that all industry sectors operate within generally accepted principles of competition.

Strategic objectives for the Construction Industry

Consultation with a wide range of stakeholders has produced these clear objectives for the construction industry -

- (a) to improve the productivity and quality of the construction industry;
- (b) to improve the skill levels of the industry's workforce;
- (c) to improve the level of competition within the construction industry in Jersey;
- (d) to encourage innovation with the potential to impact upon key areas such as cost, quality, productivity, health and safety, etc.;
- (e) to improve consumer protection and consumer education relating to procurement and dispute remedies;
- (f) to increase the environmental sustainability of the industry and the use of recycled materials by a target of 25% over 5 years; and
- (g) to encourage a sustainable construction industry to serve the Island.

Actions needed to support the strategic objectives

- (a) Establish a Jersey Construction Association to promote productivity and quality within the construction industry. It is proposed that registration with the Association would require evidence that the Principal or Manager of the Company was competent within the field of operation and cognisant of the organisation's legal responsibilities (for example in health and safety). This body would also ensure that companies would be properly insured or bonded.

- (b) Amend Code of Directions No. 8 in order to encourage contractors and sub-contractors engaged on States' projects to be members of the Jersey Construction Association.
- (c) Improve and widen the Jersey Apprenticeship Scheme to provide training and development for employees and encourage young people into the industry.
- (d) Promote employee development and life-long learning throughout the industry.
- (e) Increase the supply of skilled workers to the industry by supporting the importation of labour that has been identified as having those skills that are in short supply.
- (f) Promote an even flow of work, monitoring building activity to avoid unsustainable peaks and troughs of demand for building services. (Part III Regulation of Undertakings and Development Law)
- (g) Move towards harmonisation with European construction standards, where appropriate.
- (h) Establish a range of relevant performance indicators for the sector and mechanisms for collecting information to measure the success of strategic objectives, making this available to the industry and the consumer.
- (i) Encourage local and international partnerships to promote knowledge and innovation within the industry.

Background and discussion

The success of any industry depends upon the level of skill and competence of the people within it. The Construction Skills Audit conducted by the University of Westminster reported a critical shortage of skills throughout the Industry "leading to diminished productivity and quality". This strategy tackles the matter of training within the industry as a priority in order to achieve many of the objectives outlined above.

A key element of the proposed strategy is the establishment of a Jersey Construction Association. The purpose of this body would be to promote productivity and quality within the construction industry by co-ordinating training and setting standards. A Management Board would be elected from within the industry in a similar manner to the Jersey Hospitality Association. The Association would implement and administer a voluntary registration scheme for the construction industry. This approach is preferred to a compulsory scheme which would have to be founded upon a legal basis and which might be contrary to the proposed new Competition Law.

There has been support for many years for a training levy to be raised to fund training initiatives in the industry. However, a levy as originally proposed has not been implemented, primarily because it has been impossible to reach agreement about how such a scheme would be administered. This strategy proposes that funds would be raised through registration fees paid to the Association. The Management Board would decide at what level registration fees would be set and, as part of this process, may take into consideration the size of each organisation applying for membership. These fees would be used to address the issues raised in the University of Westminster's report and generally to promote and co-ordinate training in construction with the other organisations involved.

The Jersey Construction Association would also be responsible for making sure that the Principal, if a sole trader, and Managers of a company were competent and possessed the appropriate qualifications and insurance cover for the business they were undertaking. This is proposed partly to address the matters raised in the Boleat Review of Consumer Protection in Jersey and partly as a means of promoting productivity and quality within the Industry. If there continues to be no form of quality assurance over who can set up as a builder, there is no incentive for people in the industry to achieve appropriate qualifications and acquire the necessary skills and the Island is exposed to "cowboys". This, in turn, reduces the attractiveness of the industry to potential newcomers. Furthermore, there is concern that some industry sectors are fragmented because too many individuals have set up business on their own. A vetting procedure and registration fee may discourage this and help to safeguard the client against insufficiently qualified and experienced individuals. It would also help improve the industry's productivity. Whilst the concept of vetting Principals and Managers could be unpopular with some, there are distinct advantages for the protection of clients and the achievement of higher standards within the Industry.

It is recognised, of course, that since this scheme would be voluntary, it would still be possible for inadequately qualified

operators to become established. It is for this reason that the strategy proposes the amendment of States Codes of Directions to permit only members of the Jersey Construction Association to be employed on States contracts. The Construction Industry Board believes that, because the States are major clients of the industry and no construction company would want to be prevented from tendering for their projects, this would be a powerful incentive to join the Association. There would be a clear need for a marketing campaign to publicise the aims of the Association generally and the quality assurance aspects of membership in particular, as well as encouraging the public to employ those people in the industry who are members in preference to those who are non-members.

Strategic objective (c) promotes the concept of greater competition in Jersey's construction industry. The Industries Committee has indicated its view that the 5% rule should be removed. However, the intention is that a licence would still be required under the Regulation of Undertakings and Development Law (RUDL) for a non-local contractor to undertake work in the Island. As part of this process, evidence would be required that local contractors had been given the opportunity to tender on a level playing field basis and/or the work to be undertaken was specialist in nature and could not be undertaken by local firms. There would be additional safeguards for local sub-contractors and clients through registration with the Jersey Construction Association. Firstly, membership would be seen as a quality mark by clients. Secondly, by amending Code of Direction 8 to ensure that membership of the Association was taken into account as a significant qualifying criterion for being engaged on States projects. However, there would have to be an agreement with the Association on the level of registration fees for non-local operatives to ensure that this did not become a barrier to trade. Indeed, care would have to be exercised when drawing up the Articles of Association to ensure compliance with the new competition law, currently out to public consultation. There would still be the problem in that non-local companies could trade, even though they would not be registered with the Association. This is similar to the situation today where a company might operate unlawfully without a licence under the RUDL.

Another important part of the strategy is the encouragement of the importation of labour from outside the E.U. to provide those skills in short supply. If labour is imported from outside the E.U., the Island's immigration laws require those individuals to leave at the end of their fixed term of employment. This is preferable to importing labour from within the E.U. because such individuals may stay in Jersey and expand the capacity of the industry rather than address short-term supply of skills. There is reportedly an amount of labour from outside the E.U. which has experience of working in European Countries; for example, workers in Germany originating from Poland.

Adopting European construction standards, where appropriate, will help improve the efficiency of imported labour with experience of working in the E.U. The amount of supervision required would be reduced because they would be familiar with the standards being used. Furthermore, alternative sources of building materials and fittings may become available if European standards are adopted.

The objective relating to the environment and recycling is included to focus attention on the problems created when demolishing buildings and making excavations. For example, the La Collette reclamation site is filling considerably more quickly than forecast because of the differential between the amount of recycling and the amount of demolition and excavation being undertaken. The simple adoption of a stated recycling target will require measurement of the amount of recycling being undertaken, which is currently unknown, although rough estimates are made.