



CRC Construction Innovation
B U I L D I N G O U R F U T U R E

Report

A Framework for Assessing Social Policy Inclusion Proposals

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Introduction

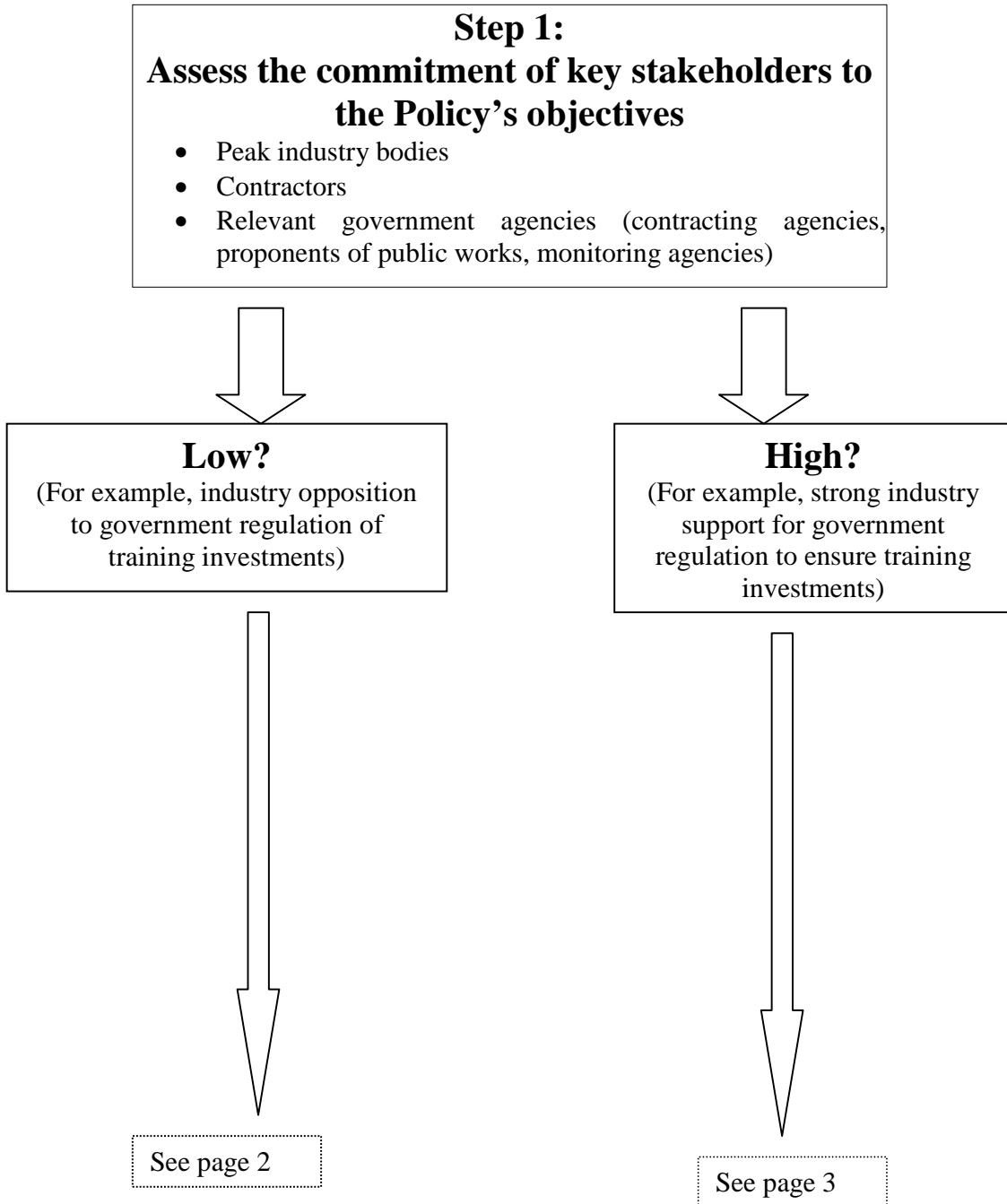
This document outlines a framework that could be used by government agencies in assessing policy interventions aimed at achieving social outcomes from government construction contracts. The framework represents a rational interpretation of the information gathered during the multi-outcomes construction policies project. The multi-outcomes project focused on the costs and benefits of using public construction contracts to promote the achievement of training and employment and public art objectives.

The origin of the policy framework in a cost-benefit appraisal of current policy interventions is evidenced by its emphasis on sensitivity to policy commitment and project circumstances (especially project size and scope). The quantitative and qualitative analysis conducted in the multi-outcomes project highlighted, first, that in the absence of strong industry commitment to policy objectives, policy interventions typically result in high levels of avoidance activity, substantial administrative costs and very few benefits. Thus, for policy action on, for example, training or local employment to be successful compliance issues must be adequately addressed.

Currently it appears that pre-qualification schemes (similar to the Priority Access Scheme) and schemes that rely on measuring, for example, the training investments of contractors within particular projects do not achieve high levels of compliance and involve significant administrative costs. Thus, an alternative is suggested in the policy framework developed here: a levy on each public construction project – set as a proportion of the total project costs. Although a full evaluation of this policy alternative was beyond the scope of the multi-outcomes construction policies project, it appears to offer the potential to minimize the transaction costs on contractors whilst enabling the creation of a training agency dedicated to improving the supply of skilled construction labour. A recommendation is thus made that this policy alternative be fully researched and evaluated.

As noted above, the outcomes of the multi-outcomes research project also highlighted the need for sensitivity to project circumstances in the development and implementation of policies for public construction projects. Ideally a policy framework would have the flexibility to respond to circumstances where contractors share a commitment to the policy objectives and are able to identify measurable social outcomes from the particular government projects they are involved in. This would involve a project-by-project negotiation of goals and performance measures. It is likely to only be practical for large, longer term projects.

Framework for Assessing Social Policy Inclusion Proposals



Step 2: Policy Design
Scenario 1: Low Levels of Support for Policy
(For example, opposition to government regulation by contractors)

Transaction **costs** relative to benefits are likely to be high unless compliance problems can be overcome

Assess the political and economic and social importance of pursuing social goals through public construction contracts.

Identify non-contract alternatives, such as general government expenditure on training or indigenous communities

If a decision is made to proceed, recommend a simple 'taxation type' scheme that imposes a financial levy on contractors. This is the only method that will minimise the transaction **costs** of the intervention
(For example, "% for art")
See the final Multi-Outcomes report for examples of costs/inefficiencies of other schemes

Contracting **costs** may be high in periods of strong economic conditions (that is, a levy is likely to push up contract prices)

Assess the willingness of agencies proposing public projects to meet higher contract **costs** before proceeding
(cost-plus pricing practices are likely to cause project prices to increase in proportion to the levy amount)

Administration **costs** will be involved with the management of the levy and, for example, the creation and operation of an agency to expend the funds to achieve the policy objectives.

Assess the availability of political and administrative support for the creation of a general fund and agency before proceeding

Step 2: Policy Design
Scenario 2: High Levels of Support for Policy

Government role in **facilitating** the achievement of shared social goals

Recommend approaches that address the barriers to the achievement of shared goals and maximise the participation of stakeholders. This approach will help to minimise **transaction costs** and maximise social outcomes

Case1: Large, long term projects
Relatively few barriers to the achievement of social goals are likely to exist.

Case 2: Small or short term projects
Contractors may be unwilling to commit to specific social investments due to concerns about the future viability of these investments (for example, they may be unsure of their ability to support apprentices in the post-project period).

Recommend collaborative approaches that identify specific social outcomes from the project and address particular practical problems with the implementation with a social plan (for example, a role for the government may exist in facilitating the identification of potential apprentices/employees through employment/training agencies)

Recommend an agency approach (see page 4 notes) in combination either with a levy or an equivalent project agreement.

Ensure mechanisms are in place to provide continuous feedback to industry and other stakeholders to maintain high levels of commitment to Policy



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