

Lifting skills in the Pacific: using infrastructure procurement for skills transfer



by Richard Curtain

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If it was good enough for the London Olympics in 2012, why not use large infrastructure projects in the Pacific region to do more than merely build a new facility? Why not also aim, as the UK's Olympic Delivery Authority did, to get people into jobs, develop their skills and help them gain top-rate qualifications?

The Authority followed EU procurement requirements. However, it also wanted to give young people better access to new jobs and career opportunities. So it asked contractors to meet a target to provide **work and skills training for apprentices**. The target was exceeded, with 430 apprentices engaged by April 2011.

Infrastructure projects in the Pacific also can deliver more benefits than those intended. Skills training in the Pacific suffers from a lack of work experience in high performance workplaces. A key objective of the Australian Pacific Technical College is to “improve employment opportunities for Pacific islanders nationally, regionally and internationally”. However, holding an Australian recognised qualification without relevant work experience has little attraction to Australian employers.

The recent **World Development report on Jobs** calls for policies which move job creation and skills transfer to centre stage. Donor funded building, communication and renewable energy projects in the Pacific are a good place to start.

Ways to use procurement to transfer skills

Most multilateral agencies see social benefit as a legitimate objective of the procurement process. However, providing these additional benefits needs to be, as far as possible, risk free to the contractor. This is necessary to avoid demands from contractors for price increases due to unexpected costs, resulting in project cost overruns.

What are the ways for infrastructure projects, broadly defined, to transfer skills? The

most common approach is to run a skills training and infrastructure project in tandem with good cross linkages. But coordination is hard to achieve. First, the skills training project often takes much longer to get started than the infrastructure project. So the two projects soon get out of sync. Second, contractors are expected to provide training places out of their good will. But project managers driven by cost see little value in taking on a role not required in their contract.

The second way to transfer skills is for the procurement process to specify an open ended requirement in the contract. This involves spelling out in the tender document the desired skills transfer result. The bidder must propose the most cost effective means to produce this result. This part of the tender bid is evaluated separately on the specified criteria and the rating forms section of the total evaluation process for the tender.

However, this task is difficult for international firms without good local knowledge. They will find it hard, without detailed in-country assessment, to work out effective ways to transfer skills and estimate the costs accurately.

The third way to transfer skills also uses the procurement process but in a simpler way. The tender document includes a specific set of skills transfer requirements which are costed separately. These costs are included in the contract as a 'provisional sum', and the skills transfer requirements are not subject to competitive tender.

A 'provisional sum' refers to an established practice where the parties to a construction contract do not try to price the specified work accurately because the nature of the work cannot be clearly defined. A provisional sum refers to their agreed 'best guess'. The onus is on the client for the additional costs involved.

This third alternative offers simplicity and ease of implementation. Bidders are required to meet a clear target, for example, in relation to trainees or apprentices. This could be the number of training places as a proportion of the project workforce or the number of training places per monetary size of the contract (e.g. training places per \$1m investment). Alternatively, skills trainees could be given a specified number of the hours worked in delivering the contract.

Project managers respond well to incentives. So in addition to a required base target, it would also be a good idea to offer the contractor extra payments for achieving higher targets.

The tender document should also specify the roles of the skills training providers. Training providers need to commit to flexibility in where, when, how and what formal training is provided to the skills trainees during their employment on the project.

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The jobs and skills challenge of small island countries in the Pacific is huge. The disparate donor initiatives now focusing on skills and short-term work need to be brought together and linked with other donor activities to generate a demand for skills.

Richard Curtain is a Visiting Fellow at the Development Policy Centre.

Author/s:

Richard Curtain

Dr Richard Curtain is a research associate, and a former research fellow, with the Development Policy Centre. He is an expert on Pacific labour markets and migration.

Link:

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