

# Estimating labour hours under the Major Projects Skills Guarantee (MPSG)

From 31 January 2023, estimating labour hours under the MPSG will be made simpler.

## What is changing?

The process for estimating labour hours is being streamlined so that a bidder submits a single employment commitment in the Local Industry Development Plan (LIDP). This employment estimate will be used to inform both the MPSG and Victorian Industry Participation Policy (VIPPP) requirements.

To date, contractors bidding for MPSG-applicable Local Jobs First projects have entered estimated project labour hours in both the employment commitment table and the MPSG section of their LIDP. For the MPSG section, bidders have been required to estimate total project labour hours using the Deemed Hours Formula.

For all MPSG projects with tenders released on or after 31 January 2023:

- Bidders will no longer be required to use the Deemed Hours Formula to estimate project labour hours under the MPSG
- A bidder's MPSG employment estimates will be incorporated into the existing employment commitment table of the LIDP
- The minimum 10 per cent MPSG requirement will be calculated from the estimated project hours entered in the LIDP employment commitment table.

The Local Jobs First *Agency Guidelines* and *Supplier Guidelines* have been updated to reflect these changes.

## Is there any change to the minimum MPSG requirement?

No – the MPSG obligation under Local Jobs First remains that a minimum of 10 per cent of total project labour hours must be performed by apprentices, trainees, and cadets. Agencies will continue to monitor delivery of MPSG commitments, including through regular reporting.

## Why is this change being made?

This change will make estimating labour hours for the MPSG easier for bidders. It will also provide bidders with the flexibility to give the most accurate labour estimates based on the information they have at the time of tendering for projects.

## How are employment commitments estimated?

Bidders estimate total labour hours for all LJF projects in the LIDP employment commitment table. This includes the number of local retained and/or new jobs to be created during the life of the project (including the supply chain). The bidder may estimate their LIDP employment commitment using whatever method they determine is most appropriate for the project, based on available information at the time of tendering.

Bidders should retain evidence of how estimates were calculated, including the methodology that was used, for review by the procuring agency, LJF Commissioner or DJPR if requested.

## How will the 10 per cent minimum MSPG requirement be calculated?

The [Victorian Management Centre \(VMC\)](#) is being updated to streamline the process for bidders when estimating labour hours for all project tenders released on or after 31 January 2023. The 10 per cent minimum MSPG requirement will be calculated based on the total project labour hours that a bidder enters into the employment commitment table of their LIDP. Bidders may still voluntarily increase their MSPG commitment above the minimum 10 per cent requirement should they wish to do so. Once a supplier is awarded the contract for a project, the MSPG commitment that they made in their LIDP during the tender will form part of the project contract.

## What is the Deemed Hours Formula?

The Deemed Hours Formula is a method for estimating a project's total labour hours based on the project type and estimated contract value. The formula utilises different labour rates and ratios depending on the project type.

Currently, bidders for MSPG projects must use the Deemed Hours Formula to calculate the total estimated labour hours for their project 10 per cent of this total estimated labour hour number then becomes the minimum MSPG requirement for the project.

## Can I still use the Deemed Hours Formula?

A simplified and updated Deemed Hours Formula will be available for optional use by suppliers and agencies. The updated formula reflects current market rates and ratios and is provided in the *Local Jobs First Agency Guidelines* and *Supplier Guidelines* available on the [Local Jobs First website](#).

For all project tenders released on or after 31 January 2023:

- **Suppliers** may use the updated Deemed Hours Formula to estimate total project labour hours to inform their LIDP employment commitment table, but this is not a requirement.
- **Agencies** may use the updated Deemed Hours Formula to benchmark employment commitments based on the project type and value, noting that it provides an indicative figure only and the individual nature of each project will impact job numbers. Agencies that wish to require bidders to use a specified methodology for calculating employment commitments may do so by stipulating this requirement in tender documentation.

## How will this impact MPSG project tenders released before 31 January 2023?

For tenders released before 31 January 2023, agencies and suppliers must follow the [previous guidance](#) for using the Deemed Hours Formula to calculate the MPSG requirement as outlined in the May 2020 Local Jobs First *Agency Guidelines* and *Supplier Guidelines* available on the [Local Jobs First website](#).

## How will this impact agencies developing project tenders for release on or after 31 January 2023?

Updated model clauses for MPSG projects will be provided for inclusion in market approach documentation.

## I have already applied the Deemed Hours Formula to my project, what impact will this change have?

These changes [are not retrospective](#) and will only apply to new MPSG-applicable project tenders released on or after 31 January 2023. Bidders with a submitted tender at this date will have followed the previous guidance for using the Deemed Hours Formula. This change will not impact the tender process for such projects.

## Will this change impact outcomes for ATCs?

This change reduces the complexity of estimating the MPSG commitment and provides suppliers with the flexibility to estimate project labour hours based on available information. It is not expected to significantly impact the number of hours required to be completed by ATCs on major projects. Agencies are responsible for monitoring supplier ATC commitments to ensure compliance. DJPR will continue to monitor the implementation of the policy to maximise outcomes.

## Will this change impact monitoring and reporting?

Monitoring and reporting of achievements against MPSG commitments will continue unaffected. Suppliers will continue to submit reporting through the VMC as normal and the structure, content and frequency of reporting will not be affected.

Authorised by the Department of Jobs, Precincts and Regions

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