Social procurement: Ticking the box

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# Introduction

While traditionally investment in vulnerable and disadvantaged communities has been the remit of governments, aid agencies, non-government organisations (NGOs) and the like, increasingly social procurement is providing a mechanism for investment in infrastructure and other private and public project expenditure to generate social, economic and environmental benefits within local communities.

Social Traders describe social procurement as “*the inclusion in purchasing decisions of any additional social, environmental and/or economic benefits that can be accrued to communities above and beyond the delivery of goods, services or works being purchased”[[1]](#footnote-1)*. This can be achieved in a number of ways, including via direct procurement from social enterprises, by requiring tenders to be assessed on the social impact they create, or by requiring successful tenderers to meet requirements such as the employment of a certain percentage of people from disadvantaged backgrounds[[2]](#footnote-2). Social procurement looks at how a project can diversify its supply chain to provide employment opportunities and up-skill those who are considered vulnerable or disadvantaged, for example in Australia indigenous people, people living with disability, long-term unemployed, disadvantaged youth, the elderly, women or refugees.

Social procurement is not a new concept - it has a longer history than spoken by many in today’s construction and infrastructure industry, dating back to the 19th century, and it is already established as an active form of procurement in industries such as retail today[[3]](#footnote-3). But there is no doubt that social procurement is being increasingly recognised for its significant potential to drive positive social, environmental and economic change, and for the benefits it can deliver for governments, industry and communities.

For governments, social procurement offers the potential for significant outcomes for a relatively small expenditure if delivered effectively. For industry and the private sector, competing in a market which increasingly mandates and values opportunities to create social value through project expenditure – particularly where there is government spend – means that developing effective mechanisms to improve performance in this area results in greater competitiveness for both tenderers and their supply chains. Further for communities, particularly disadvantaged and vulnerable communities, there is increased opportunities in employment, training and up-skilling via local infrastructure and other projects and investments means not only an income for a period of time, but should result in skills growth and opportunities for sustainable career development.

It has been proposed that social procurement can provide realised benefits beyond the proposed local infrastructure or built amenity, to the local community in very broad themes, such as more local economic spend, less reliance on the government funding, better health outcomes, less juvenile delinquency and greater community cohesion. Hence social procurement can be seen as a mechanism that transforms local communities into healthier, safer, stronger and more progressive environments.

When used strategically, social procurement can provide incredible returns. However, an enabling political and legal framework is required to support its implementation[[4]](#footnote-4). Worldwide, legislation and guidelines are increasingly being introduced to support social procurement.

Examples in Australia include the recent introduction of the Victoria Government a Social Procurement Framework for its own procurement processes which sees over 500 Government authorities and agencies required to diversify their supply chain and consider suppliers that provide social and sustainable benefits not only value for money.

In terms of the construction industry the Victorian Government quotas and compliance requirements, include:

i) social procurement supply chain strategy

ii) indigenous participation policy (%)

iii) local workforce initiatives plan (%)

iv) major projects skills guarantee policy (apprenticeships, graduates and interns)

v) Local content, and the Victorian Industry Participation Policy

In NSW a pilot program for the newly established NSW Infrastructure Skills Legacy Program is currently being implemented whereby targets are written into the contracts of awarded contractors along with penalties for noncompliance. These targets include:

• “20% of the total labour force of a project to be made up of ‘learning workers’ (defined as trainees and workers who need to update their qualifications to meet the needs of the infrastructure project);

• 20% of all trades positions on a project to be made up of apprentices

• double the number of women in trade-related work (up from the NSW average of 1% to 2%);

• 1.5% of the total contract value of a project to support Aboriginal and Torres Strait Islander participation;

• 8% of the total project workforce aged less than 25 years; and

• strategies to ensure projects employ and train people from the local region.”[[5]](#footnote-5)

Federally within the construction and mining industries there are two overarching policies to support and deliver on social procurement requirements, these being, the Commonwealth Government Indigenous Procurement Policy and the Australian Industry Participation Policy.

Further diverse examples from around the world including legislative requirements; guidelines and Acts, such as in the UK, Social Value Act 2010; Scotland’s Procurement Reform Act 2014; EU procurement directives (2004 and 2014); European 2020 Europe’s growth strategy (2010); ISO 204000 on sustainable procurement; Canadian Procurement Strategy for Aboriginal Businesses, and community benefit clauses are imbedded into the contracts of US development projects.

Globally, social procurement also supports the United Nations Sustainable Development Goals (SDGs), at a broad level through a shared focus on inclusivity and to ‘leave no one behind’, and through specific targets including 12.7 ‘Promote public procurement practices that are sustainable, in accordance with national policies and principles’, 8.5 ‘By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value’, and 8.6 ‘By 2020, substantially reduce the proportion of youth not in employment, education or training’[[6]](#footnote-6) .

Considering the significant amount of procurement spend each year (in Australia this is estimated to be approximately $600 billion per annum[[7]](#footnote-7)), it is clear to see that the potential impact of social procurement as a tool for change is phenomenal. So with this huge opportunity in front of us, how do we ensure that social procurement goes beyond ticking the box and leverages the opportunities and investments being made in Australia and around the world to create lasting, sustainable positive change?

This paper explores this question and how social impact assessments can support effective social procurement practices.

Social procurement – creating meaningful change

In the construction industry it is recognised that the key objective is to deliver a project on time and within budget. However, there is also another objective at play that comes through the legal requirements from both federal and state government, that require social outcomes be realised for local communities. These outcomes may vary depending on the community and the value of the projects being delivered.

Anecdotal evidence, suggests the intent of social procurement practices may not be being met instead a ticking the box approach is undertaken not creating sustainable employment and the transfer of skills as intended.

The huge opportunity presented by social procurement, as discussed above, can only be realised if a more strategic approach to ensuring long-lasting and far-reaching, sustainable change is delivered.

Barriers / challenges to social procurement

It is realised that the ticking of the box approach is possibly due to the barriers and challenges faced by all in the development and implementation of social procurement practice. These barriers and challenges are well documented and recognised by industry, nonprofits, social enterprises, employment providers, academics and government. There are raised concerns regarding compliance and capacity of SME / Aboriginal businesses and social enterprises to deliver on major projects. Concerns regarding meeting employment targets because there are not enough workforce ready local vulnerable peoples to fill the positions. Issues with internal ccommunication and information gaps between project authorities and projects and the sheer scale of projects and timeframes needed to be adhered too. Further, to this is the challenge of how social impact is measured and reported.

Social Impact Assessment – how can this support effective social procurement practices?

For social procurement to be deployed in a strategic manner, a comprehensive understanding of the local community is required. Where this understanding of the local context does not exist, social procurement risks becoming another tick-a-box exercise and missing an opportunity to generate far-reaching, sustainable change.

Social Impact Assessment (SIA) can help inform strategic social procurement practices, contributing valuable knowledge on the vulnerable groups within a community, the impact a project will have on those groups and the fabric of the community, the educational and employment needs of the community, and any potential barriers to participation in employment and training opportunities. With this knowledge, training courses can be designed, business opportunities and work packages can be identified, and strategies can be implemented to help position vulnerable groups to better pursue ongoing career opportunities. Integrating the findings from comprehensive SIA, social procurement strategies can be tailored to the needs and opportunities of the particular community, consequently delivering meaningful outputs and maximising the social value created in a community.

# Future Key Considerations

Future Key considerations for “revolutionising” social impact assessment (as proposed by the panel discussion), and areas for further investigation, include the exploration of the following questions:

* How can a SIA inform a social procurement strategy so that it is tailored to have a lasting far-reaching, including sustainable, positive impact within the community that the investment/project is situated?
* How can a SIA help inform social procurement and impact investment strategies, so as to, address the needs of vulnerable communities including those affected by resettlement, and additionally others identified as vulnerable within a project area?
* How do we measure success? Or in other words what does success look like for the projects, policy and the community?

# Conclusion

It is recognised that social procurement provides a once in generation opportunity to enhance the social outcomes of the communities in which our construction industry is operating in Australia, in particular, in Victoria.

The potential for widespread positive change is enormous. We need to take the time to ensure we go beyond the tick-a-box form of social procurement currently exhibited on some projects to strategically implement meaningful social procurement practices by beginning with the SIA process. The SIA can help us shape what success looks like, how it is measured and reported. SIA can provide the insight needed to develop and implement social procurement strategies that leverage from existing government social policies and build on the work undertaken by the non-profit and philanthropic sectors, to create sustainable social impact.

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