



Library Fellowship Paper



The promise of social procurement

Leveraging purchasing power to create inclusive employment opportunities

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Executive Summary

Every year across OECD member states, public procurement accounts for almost 30 per cent of government spending, representing on average 12 per cent of GDP.¹ Given its significance, public procurement can play a major market-influencing role through the process of social procurement.² It does this in two ways:

- by stimulating the large-scale production and consumption of goods, services and works that are ecologically and socially conscious; and
- by creating employment opportunities for jobseekers experiencing disadvantage.³

It is the second role—the promise of social procurement for creating employment opportunities—that is explored in this paper. Using the state of Victoria as a case study, this paper demonstrates that linking employment policy objectives to public procurement has considerable potential, provided certain conditions are met.⁴

Social procurement refers to the process through which public and private sector organisations use their purchasing power to generate positive social, economic and environmental benefit.⁵ Over the past three decades Australia has made substantial progress strengthening the links between public purchasing and social policy outcomes across diverse government portfolios.⁶ However, more work can still be done to leverage the power of public procurement to address labour market equity issues. This includes exploring the benefits of making social value mandatory, on par with international models such as the United Kingdom’s *Public Services (Social Value) Act 2012*.⁷ Such reforms would explicitly integrate social and environmental objectives into value-for-money purchasing principles and demonstrate political commitment towards stimulating new social economies. Moreover, social value legislation would legitimise social procurement as a strategic policy tool for incentivising inclusive hiring practices.

In the aftermath of the COVID-19 pandemic, social procurement represents a significant strategy through which governments can help tackle some of the employment-related exclusion issues they face. By involving social benefit suppliers in their supply chains or using contractual obligations as a way of incentivising employers to take on jobseekers experiencing disadvantage, public bodies can help create employment opportunities through their goods, services and infrastructure contracts.

¹ Organisation for Economic Co-operation and Development (OECD) (2017) *Public procurement for innovation: Good practices and strategies*, OECD Public Governance Reviews, Paris, OECD, p. 3.

² W. Kahlenborn et al. (2011) *Strategic use of public procurement in Europe: Final report to the European Commission*, Berlin, adelphi.

³ European Commission (2010) *Buying Social: A Guide to Taking Account of Social Considerations in Public Procurement*, Luxembourg, Publications Office of the European Union.

⁴ See: Department of Jobs, Precincts and Regions & Department of Treasury and Finance (2019) *Whole of Victorian Government Social Procurement Framework: Annual Report 2018-19: Building a fair, inclusive and sustainable Victoria through procurement*, Melbourne, Victorian Government; Brotherhood of St Laurence (2019) *Submission to the Economy & Infrastructure Committee, Inquiry into sustainable employment for disadvantaged jobseekers*, August, Melbourne, The Committee.

⁵ I. Burkett (2010) *Social Procurement in Australia*, The Centre for Social Impact, Sydney, University of NSW. p. 10.

⁶ See: Standing Committee on Industry, Science and Technology (1994) *Australian Government Purchasing Policies: Buying our Future*, First Report, Canberra, Commonwealth of Australia; Joint Select Committee on Government Procurement (2017) *Buying into our Future: Review of amendments to the Commonwealth Procurement Rules*, Canberra, Commonwealth of Australia.

⁷ *Public Services (Social Value) Act 2012* (UK)

Furthermore, as the federal government prepares itself for a new employment service system in the coming years, social procurement provides an opportunity to initiate the types of employer-focused job creation initiatives that are needed to tackle long term unemployment.⁸

Questions remain, however, as to what the most effective way of implementing social procurement activation policies might be—both at a federal and state level. Namely:

- Is there significant benefit in pursuing social value legislation?
- Should local government be involved in the use of such laws?
- For which specific marginalised jobseeker cohorts might social procurement produce the best sustainable employment outcomes?
- What measures need to be in place to ensure that the jobs created facilitate successful transition into full labour-market attachment? and
- What are some of the unintended consequences of having overlapping, albeit complementary, social procurement policies?

⁸ S. Casey & A. Lewis (2020) *Redesigning employment services after covid-19: A per capita discussion paper*, Melbourne, Per Capita, p. 19.

Introduction

In 2018–19, the federal government spent \$64.5 billion procuring goods and services across 78,150 contracts.⁹ Given the magnitude of public procurement budgets, governments can leverage their significant purchasing power to tackle unemployment, which within the current context of COVID-19 constitutes a significant policy issue. While the ongoing pandemic has resulted in unprecedented widespread job losses, those likely to be most impacted and left behind in any recovery efforts are people who were already dealing with significant labour market marginalisation prior to the crisis.¹⁰

Informed primarily by a review of academic literature and policy analysis, this paper explores the promise of social procurement to create inclusive employment opportunities for jobseekers experiencing disadvantage.

Section one examines the difference between public and social procurement and looks at how the latter can generate additional social benefit. It explores the different mechanisms that drive social procurement and looks at the two methods through which public bodies can use social procurement to pursue employment policy outcomes.

At present, Australia's employment service model does not feature a significant social procurement approach. Instead, responses to unemployment are dominated by supply-side activation strategies that prioritise employability over addressing the more structural obstacles that limit employment opportunities.¹¹ Through an analysis of the federal government's employment policy landscape, section two considers how social procurement might help shift policy focus from supply-side to demand-side interventions.

Though exhibiting potential to successfully involve employers in the activation process, social procurement does present some unique implementation challenges.¹² Section three explores some of these challenges from a procurement practitioner, policymaker and employer perspective and highlights some of the strategies needed to overcome such issues—namely, adequate resource allocation, strong leadership, political commitment and meaningful cross-sectoral collaboration.

Within multigovernmental spaces, social procurement is often referred to as strategic public procurement. Indeed, the promise of strategic public procurement to help governments transition to more inclusive economies has been recognised by the European Union (EU), International Labour Organization (ILO), Organisation for Economic Co-operation and Development (OECD) and the United Nations (UN).¹³ Section four highlights exemplary international social procurement policies that support inclusive employment and explores the key features of Australia's federal and Victorian state government procurement policy context.

⁹ Department of Finance (2020) 'Statistics on Australian Government Procurement Contracts', DoF website.

¹⁰ Brotherhood of St Laurence (2020) *Covid-19—Opportunities for a Better Future*, Fitzroy, Brotherhood of St Laurence, p. 1.

¹¹ W. Smith (2017) *Unemployment policy in Australia: A brief history*, Melbourne, Per Capita, p. 5.

¹² Burkett (2010) op. cit., pp. 59–67.

¹³ See: Crown Commercial Service (2016) *A Brief Guide to the 2014 EU Public Procurement Directives*, Liverpool, Crown Commercial Service, p. 4; OECD (2019) *Reforming public procurement: Progress in implementing the 2015 OECD recommendation*, OECD Public Governance Reviews, Paris, OECD Publishing; United Nations Environment Programme (UNEP) (2017) *Global review of sustainable public procurement*, Nairobi, UNEP; and International Labour Organization (2014) 'Governments and corporate social responsibility: Sustainable public procurement on the rise', ILO website.

Victorian government social procurement policies have been shown to produce positive employment outcomes for marginalised jobseekers. For example, Local Jobs First Policy projects supported 1,059 positions for apprentices, trainees and cadets in 2018–19 alone.¹⁴ However, policies overlap and there is a lack of consistency between state and local government regarding the institutionalisation of social value.¹⁵ Moreover, the current system does not provide clear directives for creating sustainable employment opportunities. Section five concludes by proffering five key policy questions for the future of Victoria’s employment-focused social procurement policies.

¹⁴ Department of Jobs, Precincts and Regions (2019) *Local Jobs First: Annual Report 2018–19*, Melbourne, Department of Jobs, Precincts and Regions.

¹⁵ For example, the departments and agencies that must comply with the [Victorian Social Procurement Framework](#) must also comply with the [Local Jobs First Victorian Industry Participation Policy](#) (p. 4) and the [Tharamba Bugheen: Victorian Aboriginal Business Strategy 2017–2021](#) (p. 18).

What is social procurement and how can it generate employment-related social value?

To understand how social procurement might be a useful demand-side strategy, it is necessary first to explore the relationship between public and social procurement and to understand how social procurement works.

Public procurement is the formal process through which governments purchase the goods, services and works they require to operate. It seeks to achieve both primary and secondary functions. Primary functions are those core objectives directly related to the purchasing of goods, services and works, and are mainly based on the concept of value for money.¹⁶ Primary functions must follow best practice procurement guidelines, which are dictated broadly by principles of transparency, fairness, quality, reliability, timing and price.¹⁷

Secondary functions are additional goals which are based mostly on the concept of social value. Social value refers to the additional social benefits resulting from the procurement process, over and above the direct purchasing of goods, services and works.¹⁸ The word 'secondary' is used not as a way of denoting reduced importance, but rather to signal that these objectives are supplementary to the public procurement process.

What is social procurement?

Procurement that explicitly pursues secondary functions is referred to as social procurement, or strategic public procurement when it is restricted to the public sphere.¹⁹ As shown in Figure 1, social procurement shares similarities with procurement in that it must still follow best-practice procurement guidelines, but differs in that it aims to achieve more. Although social procurement can occur in any sector, the scope of this research is on public purchasing, specifically.

¹⁶ P. Tremblay & A. Boyle (2018) *Report: Literature review on public procurement: Theories, evidence and implications for regional Australia*, Northern Institute, Darwin, Charles Darwin University, p. 12.

¹⁷ C. Newman & I. Burkett (2012) *Social procurement in NSW: A guide to achieving social value through public sector procurement*, NSW, Social Procurement Action Group.

¹⁸ *ibid.*, p. 14.

¹⁹ OECD (2017) *Government at a glance 2017*, Paris, OECD Publishing, p. 174.

Figure 1. Definition of procurement vs social procurement²⁰



Government organisations can pursue a range of secondary functions, which broadly speaking fall into five categories. The categories promote:

- international relations and foreign trade;
- local suppliers that can boost the economy, i.e. local industry development;
- supply-chain diversity through the preferential treatment of specific business types, e.g. small and medium-sized enterprises (SMEs) and microenterprises;
- business and social innovation, environmental issues and other social causes; and
- economic and social empowerment of marginalised population groups, particularly through employment.²¹

When the intended secondary function or ‘social value objective’ is promoting the economic and social empowerment of marginalised groups through employment, the categories above are not mutually exclusive. To give an example, promoting supply-chain diversity and promoting local suppliers might ultimately create jobs for the same jobseeker cohort. Of course, what specific group or indeed what social value objective is pursued will have different policy implications in terms of approaches and instruments used.²² That is to say, policies that aim to create employment opportunities for people with disability will require a different implementation approach and different strategies from those that aim to develop Indigenous businesses.

At its core, social procurement is a political project. Secondary functions are complex goals requiring negotiation with various stakeholders and decisions must be made about which objectives to prioritise and which to sideline.²³ This can sometimes produce policy contradictions. There may be times, for example, when advancing environmental sustainability might mean privileging overseas over local

²⁰ Adapted from Local Government Victoria, Department of Environment, Land, Water and Planning & Municipal Association of Victoria (2017) *Beyond Value for Money: Social Procurement for Victorian Local Government*, Second Edition, Melbourne, LGV, DELWP & MAV, p. 4.

²¹ Tremblay & Boyle (2018) op. cit., pp. 71–87.

²² Barraket et al. (2016) op cit.

²³ E. Fisher (2013) ‘The Power of Purchase: Addressing Sustainability through Public Procurement’, *European Procurement & Public Private Partnership Law Review*, 8(1), pp. 2–7.

products. Purchasing officials must therefore make their secondary procurement decisions in the face of competing community pressures, budget restrictions and scrutiny from the government and parliament, who audit their processes.²⁴

How can social procurement create job opportunities?

Social procurement policies rely on different levers to enable the creation of social value. These include macro-level strategies such as legislation, policy, and supplier or market-development strategies—all of which are further explored in this paper.²⁵ They also include operational-level strategies in the form of various contractual obligations, including:

- **social benefit subcontracting:** involves mandating large commercial suppliers to subcontract a percentage of their work to social benefit suppliers.
- **social clauses:** involve the insertion of requirements in contracts that oblige commercial suppliers to engage in specific activities, such as employment for disadvantaged jobseekers.
- **social tendering:** comprises identifying purchasing opportunities that are ideal for social benefit suppliers and offering those opportunities specifically to these suppliers.
- **purchasing agreements and partnerships:** entail forming partnerships, usually below tender thresholds (or above with appropriate approval), with social benefit suppliers who can deliver goods and services in addition to creating social benefit.²⁶

Procuring bodies can create job opportunities using either the direct or indirect approach, as illustrated in Figures 2 and 3.²⁷ The direct approach involves purchasing goods and services directly from social benefit suppliers (direct employers), such as Australian disability enterprises (ADEs) and Indigenous businesses, whose core organisational objective is to generate positive social impact.²⁸ The indirect approach, on the other hand, involves purchasing goods, services and works from commercial suppliers (indirect employers) who are then obligated to create social value using any of the contractual obligations listed above.

When creating social value, purchasing officials need not limit themselves to just one approach. For example, a procurer can choose to unbundle an individual procurement contract and then use social tendering via the direct approach and social clauses via the indirect approach to involve both direct and indirect employers.

Successfully implemented social procurement policies often involve the participation of social procurement intermediaries (SPIs), whose goal is to connect procurers and suppliers. In addition to their brokering function, SPIs also help social benefit suppliers gain legitimacy through accreditation. By building networks, SPIs elevate the visibility of direct employers and they educate procurers—particularly those operating outside the public sector—on the financial and social benefits of engaging in social procurement.²⁹ In return, SPIs sometimes, but not always, receive financial compensation for

²⁴ K. V. Thai (2001) 'Public procurement re-examined', *Journal of Public Procurement*, 1(1), pp. 9–49.

²⁵ Burkett (2010) op. cit., pp. 59–67.

²⁶ *ibid.*, pp. 26–27.

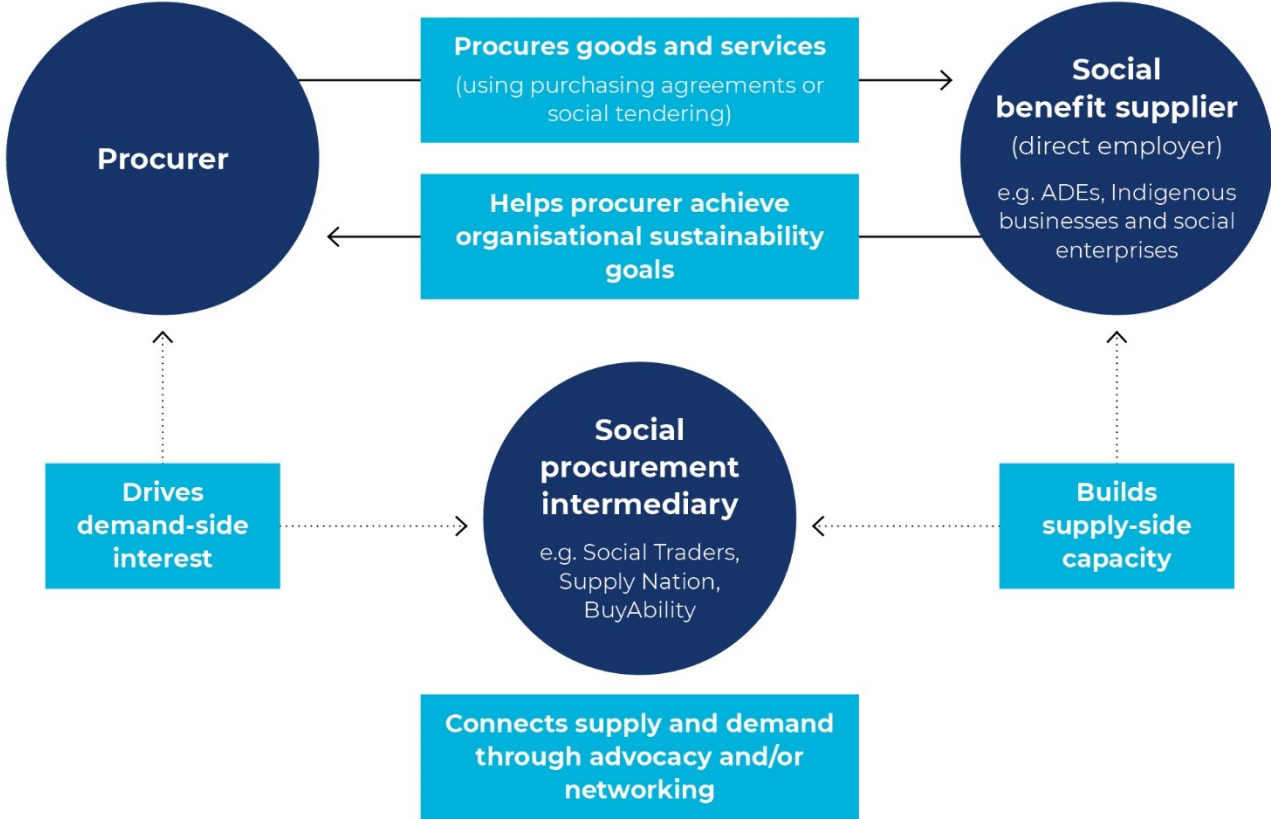
²⁷ Department of Economic Development, Jobs, Transport and Resources (2017) *Tharamba Bugheen: Victorian Aboriginal Business Strategy 2017–2021*, Melbourne, Department of Economic Development, Jobs, Transport and Resources.

²⁸ E. Castellás et al. (2017) *Map for Impact: The Victorian Social Enterprise Mapping Project 2017*, Hawthorn, Centre for Social Impact, Swinburne University.

²⁹ C. Revington et al. (2015) *The Social Procurement Intermediary: The state of the art and its development within the GTHA*, Toronto, The Learning Enrichment Foundation, pp. 20–26.

the services they provide. As Barraket, Keast and Furneaux explain, SPIs drive demand-side interest and build supply-side capacity.³⁰

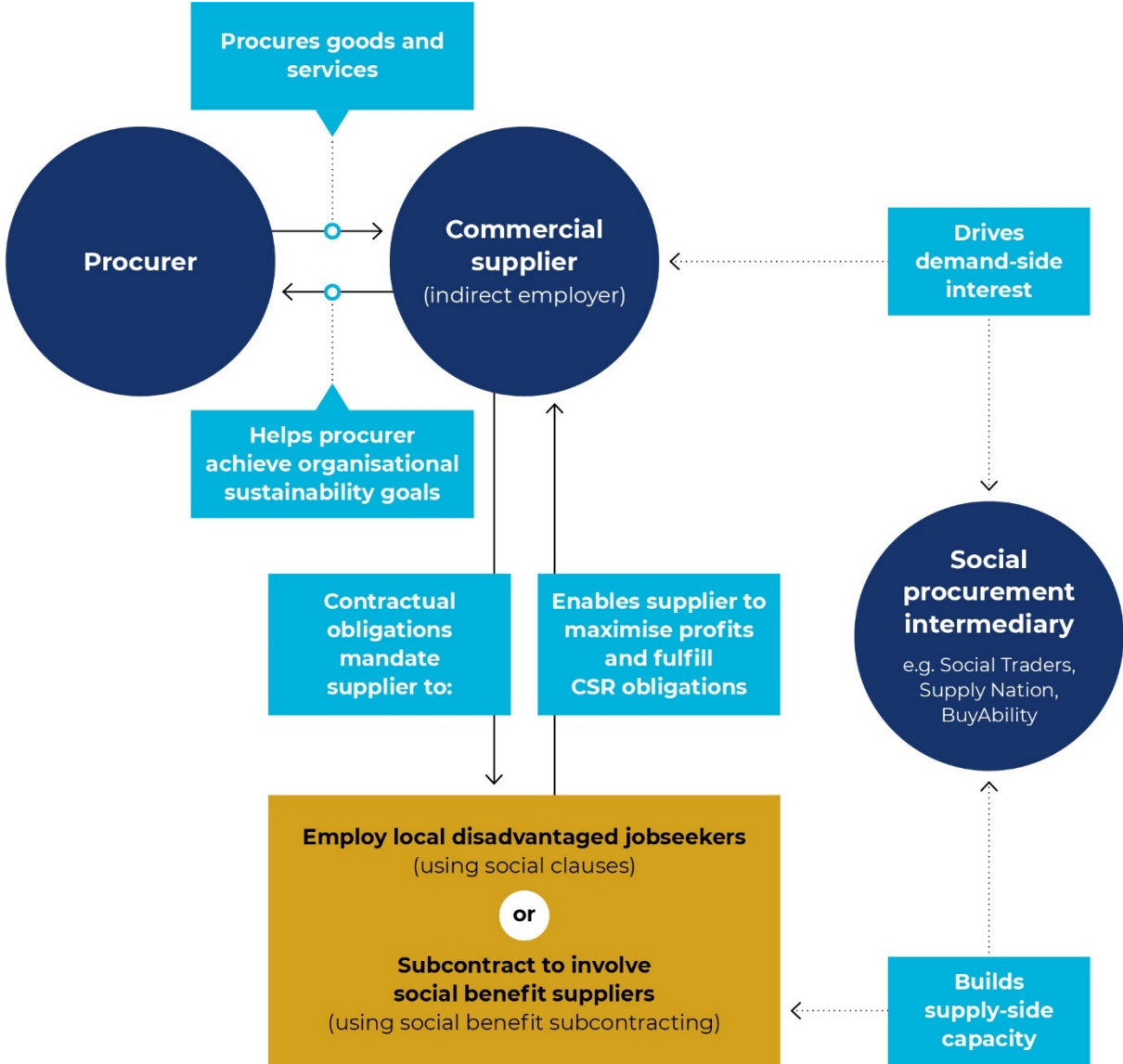
Figure 2. The direct approach to social procurement³¹



³⁰ Barraket et al. (2016) op. cit.

³¹ Adapted from M. Mupanemunda (2020) *Councils as employers of choice: How hiring and procurement decisions can create employment for people with disability*, Fitzroy, Brotherhood of St Laurence, p. 10.

Figure 3. The indirect approach to social procurement³²



Procurement officials need to decide which approach, or employer activation method, will produce the best employment outcomes in terms of sustainability for the marginalised cohort they wish to assist.

Direct employers are more likely to employ disadvantaged jobseekers but often lack scale

The direct approach is advantageous because it involves employers whose organisational philosophies tend to align with inclusive employment agendas. Direct employers tend to be businesses that function both to make a profit and to satisfy a social mission. Typically, they hire jobseekers whose personal and/or work-related characteristics such as race, age, ability, level of education and experience make

³² ibid. Corporate Social Responsibility (CSR) is discussed in more detail on page 19.

them more vulnerable to structural discrimination within the labour market.³³ Direct employers, such as Indigenous businesses, are not only almost 100 times more likely to hire Indigenous employees, but are also more committed to ensuring their professional development, once hired.³⁴ Although direct employers take on fewer people comparatively, their social mission and smaller business size mean such organisations are better able to provide individualised, on-the-job support.³⁵

However, direct employer activation presents challenges, as can be seen in Victoria. Although most Victorian social benefit suppliers recognise the opportunity social procurement represents to grow their businesses, the majority do not bid for government contracts.³⁶ There are two main obstacles. Firstly, bidding for public procurement contracts requires resources, be they expertise or financial, that many social benefit suppliers do not possess. Secondly, such contracts often represent opportunities that are too big in scale for the level at which most direct employers operate.

High-value infrastructure tenders currently make up one of the highest-spend categories across both federal and state government purchasing.³⁷ However, a mapping study of Victoria's social enterprise sector shows that 73 per cent of these businesses employ fewer than 20 people.³⁸ Unless procuring bodies unbundle larger contracts to involve these smaller suppliers, employers in this sector are left to contend for lower-value purchases. At these lower purchasing thresholds, direct employers have less of a competitive edge because social value is not mandated.³⁹ Government policies that can help direct employers to build their capacity, such as Victoria's Social Enterprise Strategy, are crucial in helping to address some of these issues.⁴⁰

Indirect employers can take on more jobseekers, but these opportunities are often given to those who can satisfy certain selection criteria

A key strength of the indirect approach is that it activates employers who can potentially create more jobs. However, those that get placements on large-scale contracts, the majority of which are currently in the construction industry, are usually male jobseekers who can satisfy certain selection criteria. Indirect employers offer opportunities to jobseekers who have the necessary skills and education, such as young apprentices, but who may lack experience.⁴¹ Though beneficial, this approach might exclude those jobseekers who have lower education and skill levels and who may also experience additional barriers to employment.

³³ Castellás et al. (2017) op. cit., p. 26.

³⁴ B. Hunter (2014) *Indigenous employment and business: Whose business is it to employ Indigenous workers?*, Centre for Aboriginal Economic Policy Research, Canberra, Australian National University, p. 11. Anecdotal evidence from the City of Auckland (New Zealand) reveals that Maori suppliers are more committed to the professional advancement of Maori employees than other employers; see: New Zealand Government Procurement (date unknown) 'From policy to practice – case study', New Zealand Government Procurement website.

³⁵ Seventy-three per cent of Victoria's social enterprises employ fewer than 20 people. See: Castellás et al. (2017) op. cit., p. 17.

³⁶ *ibid.*, p. 31.

³⁷ Joint Select Committee on Government Procurement (2017) op. cit., p. 6.

³⁸ Castellás et al. (2017) op. cit., p. 17.

³⁹ See: Buying for Victoria (2019) 'Social procurement document library: Victoria's Social Procurement Framework', Buying for Victoria website; Department of Economic Development, Jobs, Transport and Resources (2018) *Local Jobs First Policy: Under the Local Jobs First Act 2003*, Melbourne, Department of Economic Development, Jobs, Transport and Resources.

⁴⁰ Department of Economic Development, Jobs, Transport and Resources (2017) *Social Enterprise Strategy*, Melbourne, Department of Economic Development, Jobs, Transport and Resources.

⁴¹ Department of Economic Development, Jobs, Transport and Resources (2018) op. cit.

While it is important to understand the strengths and weaknesses of each employer activation approach, this is not to limit specific jobseeker cohorts to only one employer type. Rather, understanding the differences between direct and indirect employers can help public procurement officials to determine which employer might produce optimal employment outcomes for the population group their policies are targeting. There is no reason why, with the necessary supports, jobseekers who may require upskilling or who need help overcoming additional barriers, cannot be placed into job opportunities with indirect employers.

In cases where indirect employers do not have the necessary internal structures to adequately assist jobseekers experiencing disadvantage navigate the challenges they face, it is crucial to enable partnership approaches with specialist labour-market intermediary organisations that can help these employers support those they take on.⁴²

⁴² Brotherhood of St Laurence (2019) op. cit., p. 32.

Social procurement as a demand-side alternative in Australia's employment policy landscape

The use of public procurement to address employment equity issues must be taken in context with the various labour market policies successive governments have adopted over recent decades to tackle such challenges.

Responses to unemployment in Australia over the last 30 years have generally been dominated by the use of active labour market policies, which prioritise a focus on employability and a welfare-to-work policy rationale.⁴³ Accordingly, policy interventions emphasise supply-side over demand-side programs, which are implemented within a punitive employment benefits system.⁴⁴

Prioritising employability has not always been the dominant policy approach. Prior to the 1970s, the problem of unemployment was primarily understood as a government dilemma, until policy reforms at the beginning of that decade shifted the issue of unemployment from a collective to an individual responsibility.⁴⁵ Whereas the expectation had been that the government had a duty to maintain full employment, it was now the jobseeker who had an obligation to ensure that they were 'employable'. Such a position assumes that if jobseekers are qualified and motivated enough, then they will find work. By the late 1980s, jobseekers wishing to claim income support were required to register with employment services, to whom they had to report their job-seeking efforts.⁴⁶ The late 1990s saw the introduction of a mutual obligation framework, with compulsory policies such as Work for the Dole tightening the relationship between claiming unemployment-related income support and actively searching for work.⁴⁷

Employability, mutual obligation and the work-first approach play an important part in today's Australian labour market policy landscape, as exemplified through the federal government's main employment services program, Jobactive. Jobactive providers help jobseekers find work using either positive interventions that increase job readiness and skills, or negative interventions that aim to modify job-search behaviours.⁴⁸ For easier-to-place jobseekers who possess the right skills, or for those who possess limited skills but for whom some assistance can improve their job readiness, such a system might prove effective.⁴⁹ However, for those jobseekers who have limited skills, limited work experience and who may be dealing with other complex barriers to employment, supply-side interventions that aim to increase human capital alone prove inefficient.⁵⁰

Critics of Jobactive often point out the failures of a policy response built primarily on employability, particularly for disadvantaged jobseekers.⁵¹ For example, Mark Considine and colleagues from the

⁴³ Smith (2017) op. cit., p. 5.

⁴⁴ D. Bowman et al. (2016) 'Activation and Active Ageing? Mature-Age Jobseekers' Experience of Employment Services', *Social Policy & Society*, 15(4), pp. 647–58.

⁴⁵ Smith (2017) op. cit., p. 5.

⁴⁶ OECD (2012) *Activating jobseekers: How Australia does it*, Paris, OECD Publishing.

⁴⁷ Bowman et al. (2016) op. cit., p. 650.

⁴⁸ M. Considine et al. (2018) *Improving outcomes for disadvantaged jobseekers: The next generation of employment services - Response to discussion paper*, Melbourne, The Policy Lab, The University of Melbourne.

⁴⁹ Often referred to as Stream A or B participants, respectively. See: Senate Education and Employment References Committee (2019) *Jobactive: failing those it is intended to serve*, Canberra, Commonwealth of Australia, p. 33.

⁵⁰ Often referred to as Stream C participants; *ibid.*, p. 169–182.

⁵¹ O. Bennett et al. (2018) *Working it out: Employment services in Australia*, Melbourne, Per Capita.

University of Melbourne argue that, for people with complex barriers to employment, addressing unemployment by focusing on employability alone is inadequate.⁵² Instead, greater importance should be placed on giving jobseekers adequate support, addressing the lack of opportunities within the labour market, involving employers in the activation process—and also, importantly, critically examining the type and quality of jobs into which people are being placed.

Analysing the type and quality of jobs into which jobseekers are placed has become increasingly important in the context of the changing nature of work.⁵³ The growth in non-standard forms of employment in particular has had a significant negative impact on job security, quality and wages, with adverse consequences for workers in terms of increased economic insecurity.⁵⁴ Those with low skill and education levels are pushed into low-paying occupations where they work part-time, often casual jobs that offer none of the security of sustainable employment. This only exacerbates the issue of social exclusion amongst already disadvantaged groups. For example, not only are Indigenous Australians, people with disability, single mothers and people from culturally and linguistically diverse communities more likely to experience unemployment and underemployment, they are also more likely to be disproportionately impacted by poverty.⁵⁵ In addition, the development and application of new technologies will undoubtedly affect the opportunities available to those already disadvantaged in the labour market.⁵⁶

To help marginalised jobseekers find meaningful employment, policymakers need to re-evaluate their labour market policy objectives and reconsider what strategies are developed and implemented. This involves looking at not only those policies that target unemployment, but also those aimed at improving the skills of a changing labour market, addressing economic insecurity and social exclusion.⁵⁷ This issue calls for the implementation of a suite of policy responses, including macroeconomic policies that work to increase the number of job opportunities available and education policies that equip jobseekers with required skills. It also involves effectively engaging employers, a crucial but often overlooked element of successful activation.⁵⁸

On its own, social procurement cannot possibly address all the failings of the current unemployment policy system, nor can it go all the way towards fully addressing the challenges resulting from the changing nature of work. What it can do, however, is move beyond the individual by involving both employers and intermediary organisations in the activation process. In so doing, it can provide a balance between supply-side interventions that target employability and demand-side approaches that incentivise employers to take on jobseekers.

⁵² Considine et al. (2018) op. cit.

⁵³ T. Balliester & A. Elsheikhi (2018) *The Future of Work: A Literature Review*, Working Paper no. 29, Geneva, International Labour Office.

⁵⁴ I. Laß & M. Wooden (2019) 'Non-standard employment and wages in Australia', paper presented at the 2019 RBA Conference, Sydney, 4–5 April, Melbourne Institute of Applied Economic and Social Research, The University of Melbourne.

⁵⁵ J. Qian et al. (2019) *Do employment-focused social enterprises provide a pathway out of disadvantage? An evidence review*, Hawthorn, The Centre for Social Impact Swinburne, pp. 32–33.

⁵⁶ OECD (2019) *The future of work: OECD employment outlook 2019*, Paris, OECD publishing.

⁵⁷ OECD (2019) *Preparing for the changing nature of work in the digital era*, OECD Going Digital Policy Note, Paris, OECD.

⁵⁸ Bredgaard (2018) op. cit., pp. 365–77.

Challenges of implementing social procurement policies

Although social procurement policies are useful in helping to address unemployment, such strategies do present some implementation challenges.⁵⁹ These challenges apply to procurement practitioners, policymakers and employers.

For procurement practitioners

This research does not fully explore the intricacies of social procurement from a practitioner standpoint. Nonetheless, the implementation challenges for purchasing officials need to be anticipated and addressed for the promise of social procurement to be fully realised.

In addition to the operational complexities of conventional public procurement, purchasing officials must also deal with the following:

Risk	Public procurement occurs in a high-risk environment for reasons ranging from increased probability of corruption to inefficiencies related to the procurement process. ⁶⁰ In such a setting, implementing policies that aim to achieve secondary policy outcomes can often be associated with heightened risks. Additionally, social procurement involves engaging with suppliers that may be viewed as less established or purchasing innovative products that may not have a long history on the market. ⁶¹
Cost	Strategic public procurement can often be perceived as more expensive, which may be true in cases where short-term financial decisions are prioritised. However, when the potential long-term impacts of strategic public procurement are considered, the cost is often comparatively less. ⁶² Without proper consideration of the long-term economic impact of such policies on public budgets, government officials may view social procurement as a purchasing strategy that presents unnecessarily high expenses.
Ambiguity around the meaning of social value	In addition to perceived risk and cost, the lack of clarity as to what exactly constitutes social value presents another implementation hurdle for procurement practitioners. ⁶³ When purchasing officials are unclear about what social value is, it becomes harder for them to embed such considerations into their purchasing practices. Understanding what social value is, and then demonstrating its social, economic and environmental benefits, is necessary for ensuring practitioner buy-in and is a key element in securing political commitment for policy intervention. ⁶⁴

⁵⁹ Burkett (2010) op. cit., pp. 68–76.

⁶⁰ OECD (2019) *Government at a glance 2019*, Paris, OECD Publishing, p. 142.

⁶¹ European Commission (2015) op. cit.

⁶² Newman and Burkett (2012) op. cit., p. 58.

⁶³ Cabinet Office (2015) op. cit., p. 5.

⁶⁴ Joint Select Committee on Government Procurement (2017) op. cit., p. 99.

Practitioner training and skill development	Social procurement will require purchasing officials to have specific expertise in strategic purchasing. ⁶⁵ This necessitates investment in additional training and skill development. Without these technical skills, it is difficult for purchasing officials to effectively manage their strategic procurement processes.
Measuring impact	<p>To demonstrate the effectiveness of social procurement policies, purchasing officials need to ensure that relevant data is consistently collected across different contracts. However, this is not without its issues.⁶⁶ Procurement contracts vary in scale and scope, which is likely to have an impact on the type of data collected and the frequency with which this occurs. Most procurement contracts require suppliers to self-report—a process susceptible to low response rates and biases. Agreeing on what is being measured also presents challenges.⁶⁷</p> <p>For example, should the direct results of an intervention, such as ten apprentices completing a work placement program, or the changes in the community, such as a reduction in youth unemployment, be used as a measure of success? Suppliers need to have adequate resources to measure social value, once the definition has been agreed upon. Considerable resource investment is therefore required to ensure evaluation data is being collected and that measurement frameworks are in place to accurately capture the impacts of social procurement.⁶⁸</p>
Underdeveloped social benefit supplier market	In some jurisdictions, even where public officials are willing to implement social procurement policies, suppliers lack the scale to provide the corresponding products, services or works. ⁶⁹ Where the social enterprise market is still developing, purchasing officials often have limited knowledge of and/or interaction with the few social benefit suppliers that may be able to provide goods and services. Accordingly, successfully implementing social procurement policies also calls for the development and implementation of supplier capacity-building policies.

For policymakers

Social procurement is not a panacea. Rather, it is a promising strategy in a suite of policy responses aimed at addressing long-term unemployment. Its potential as a demand-side strategy can only be fully realised if it helps place jobseekers into sustainable employment. The challenge for policymakers, particularly when activating indirect employers through short-term contracts, is therefore to ensure

⁶⁵ *ibid.*, p. 71.

⁶⁶ T. Hebb & H. Hachigian (2017) *Social value procurement measurement and evaluation: A global review and assessment of social value procurement evaluation toolkits and frameworks*, Ottawa, Carleton Centre for Community Innovation.

⁶⁷ I. Burkett & J. McNeill (date unknown) *Measuring the Impact of Social Procurement: A new approach: Framing the value question in commissioning and social procurement – Generating social value case study three*, Melbourne, Social Traders, p. 11.

⁶⁸ *ibid.*

⁶⁹ Castellas et al. (2017) *op. cit.*

that the jobs created through public procurement place participants into secure roles that exhibit as many of the characteristics of sustainable employment as possible.

Sustainable employment is defined as freely-chosen productive work that ideally satisfies most of the following criteria: a living wage, job security, access to training or upskilling, human dignity and non-discrimination, opportunities to participate in social dialogue and a healthy workspace that complies with labour standards.⁷⁰ Social procurement policies might not be able to guarantee job opportunities that exhibit all these characteristics. However, at the very least, these policies should help jobseekers transition into longer-term labour-market attachment through upskilling and training. Anything less risks undermining what is being attempted.

As illustrated in Figure 4, the immediate and long-term individual benefits of placing jobseekers into sustainable employment are numerous and such opportunities are necessary for meaningfully tackling long-term unemployment. Moreover, sustainable employment benefits not only the individual and their family, but also the communities in which they live—and the government more broadly.⁷¹

⁷⁰ European Commission (2010) *op. cit.*, pp. 7–8.

⁷¹ Legislative Assembly Economy and Infrastructure Committee (2020) *Inquiry into sustainable employment for disadvantaged jobseekers*, final report, Melbourne, The Committee, August.

Figure 4. The many individual benefits of sustainable employment⁷²



⁷² Adapted from I. Burkett & J. McNeill (date unknown) *Measuring the impact of social procurement: A new approach: Great Lakes Resource Recovery – Generating social value case study one*, Melbourne, Social Traders, p. 8.

Governments can use their dual role as purchaser/regulator to shape the conditions under which employers take on jobseekers, thereby facilitating sustainable employment opportunities. This can happen in one of two ways. Firstly, contractual obligations can specify, for example, that jobseekers be placed into opportunities that provide as many of the characteristics of sustainable employment as possible. As a case in point, the City of Auckland's social procurement policy requires all new entrants to be placed into secure jobs that provide training and upskilling, a guaranteed minimum wage for the first year of employment and a guaranteed wage increase after the second year commensurate to the level of training received.⁷³

Alternatively, policymakers can facilitate sustainable employment by cultivating active employer engagement. Although there are many definitions of employer engagement and what actions this might constitute, the term broadly refers to a range of 'activities and partnership configurations between labour market intermediaries and employers' for the purposes of helping jobseekers into employment.⁷⁴ Here, the term 'active employer engagement' is used to refer to any activity and partnership configuration between policymakers, labour market intermediaries and employers for the purposes of:

- increasing a participant's chances of succeeding on a job placement opportunity; or
- maximising that opportunity through professional development for successful transition into longer-term labour-market attachment.

Cultivating active employer engagement requires policymakers to: understand different employer attitudes and behaviours towards social procurement; explore the value-add of social procurement for different employer types; and then develop strategies that demonstrate to employers the value of social procurement in ways that resonate with their core organisational objectives.

In examining different employers across a range of labour market activation strategies, Bredgaard proposes a typology of four employer types:

1. Committed employers have a positive attitude and participate actively;
2. Sceptical employers have a negative attitude but still participate;
3. Passive employers have a positive attitude but do not participate;
4. Dismissive employers have a negative attitude and do not participate.⁷⁵

Bredgaard's typology is useful for policymakers who wish to understand different employer behaviours across social procurement systems and to develop strategies through which to increase the number of committed employers in their supply chains. That is, those employers who actively participate in social procurement policies and who are actively engaged in supporting the jobseekers they take on through public procurement contracts.

Social procurement means different things to different employers. For Victorian social benefit suppliers, social procurement is understood primarily as an opportunity for business growth.⁷⁶ Employers in this sector need very little convincing to actively engage with social procurement policies because the value of such involvement is immediately obvious for their organisations. They are likely

⁷³ New Zealand Government Procurement (date unknown) op. cit.

⁷⁴ J. Van Kooy et al. (2014) *Understanding employer engagement programs for disadvantaged jobseekers: An exploratory study*, Fitzroy, Brotherhood of St Laurence.

⁷⁵ Bredgaard (2018) op. cit., pp. 365–77.

⁷⁶ Castellas et al. (2017) op. cit., p. 5.

to already be committed employers or, in circumstances where they find themselves without adequate resources to compete for government contracts, passive employers.

Strategies for developing committed direct employers include:

- providing access to business start-up capital and government funding;
- developing capacity-building initiatives, such as those that support smaller suppliers to participate in public procurement; and
- supporting social procurement intermediary organisations that help raise the profile of social benefit suppliers.⁷⁷

Victoria's Social Enterprise Strategy is one example of a policy that works to develop direct employer capacity.⁷⁸ The strategy has three action areas which aim to help social enterprises build business capacity and skills, improve market access and increase their impact and innovation.

For large-scale commercial businesses, social procurement is understood primarily as a tool for satisfying corporate social responsibility (CSR) obligations.⁷⁹ However, because CSR is not driven by law, it may be risky for policymakers to rely on this as a motivator for active engagement since financial considerations can at any moment override CSR obligations.⁸⁰

Encouraging committed indirect employers requires developing strategies that highlight not only the benefits of social procurement to fulfil CSR obligations, but also the long-term financial benefits to the employer of taking on marginalised jobseekers. Policymakers must make it a priority to demonstrate to indirect employers how inclusive workforces can increase their profits through, for example, brand differentiation, employee loyalty and increased productivity.⁸¹ In other words, put forth the business case for social procurement.

Strategies for developing committed indirect employers include:

- facilitating partnerships between employers and intermediary organisations to help employers connect with and support the marginalised jobseekers they take on; and
- conducting public awareness and capacity-building workshops to highlight the financial and social benefits of social procurement for large-scale private sector employers.

Ultimately, cultivating active employer engagement is about ensuring that social procurement is framed as a 'mutually beneficial deal', no matter the sector in which the employer operates.⁸²

⁷⁷ *ibid.*, pp. 37–39.

⁷⁸ Department of Economic Development, Jobs, Transport and Resources (2017) *Social Enterprise Strategy*, *op. cit.*

⁷⁹ Van Kooy et al. (2014) *op. cit.*, p. 17.

⁸⁰ International Labour Office (2007) *Equality at work: Tackling the challenges: Global report under the follow-up to the ILO Declaration on Fundamental Principles and Rights at Work*, International Labour Conference, 96th session, Geneva, International Labour Office, p. 93.

⁸¹ J. Gonzalez (2013) 'Matchmaking: Community and business unit racial/ethnic diversity and business unit performance', *International Journal of Human Resource Management*, 24(21); N. Watts & A. Trlin (2000) 'Diversity as a Productive Resource: Employment of Immigrants from Non-English Speaking Backgrounds in New Zealand', *Social Policy Journal of New Zealand*, 15.

⁸² T. Wren (2011) *Lifting participation and employment for disadvantaged job seekers: Demand-led and supply-sensitive reforms*, paper presented at the ACOSS National Conference, Melbourne, 29 March, p. 7.

For employers

The challenge for employers, particularly large-scale commercial suppliers, is twofold. Firstly, employers may experience challenges connecting with disadvantaged jobseekers, as such cohorts are often outside their usual recruitment pools. Labour market intermediaries, as well as other specialist employment services, play a crucial role in helping to overcome this hurdle.⁸³ These organisations also educate employers on the structural, physical or cultural barriers within their organisations that might negatively impact on disadvantaged jobseekers' ability to succeed, and support employers to successfully address these barriers. Second, large-scale commercial suppliers may lack the high-level organisational support that is required to propel the necessary cultural and capacity shift needed to foster committed employers.⁸⁴ Without high-level organisational commitment, social procurement activation strategies are likely to be seen as yet another government compliance exercise.

The need for strong leadership and organisational buy-in is not only restricted to employers. High-level commitment is required at a policy and practitioner level, to ensure that staff are supported in understanding how social procurement can help their departments achieve their social value objectives, while also satisfying their purchasing needs.⁸⁵ Moreover, procurement practitioners and policymakers alike require institutional support in order to help them overcome the implementation challenges they face.⁸⁶ A supportive organisational culture that embraces social procurement, including through the provision of necessary and adequate resources, will allow for the effective implementation of strategic purchasing. The promise of social procurement as a demand-side measure cannot be realised unless such policies are fully supported by leaders in the public, private and community sectors.

⁸³ Brotherhood of St Laurence (2019) op. cit., pp. 21–22.

⁸⁴ See J. Haie et al. (2019) *The journey towards strategic sustainable procurement: Benchmarking of 40 organisations assessed on their alignment with ISO 20400:2017—Sustainable procurement—Guidance*, London, Action Sustainability, p. 20; Burkett (2010) op. cit., p. 63.

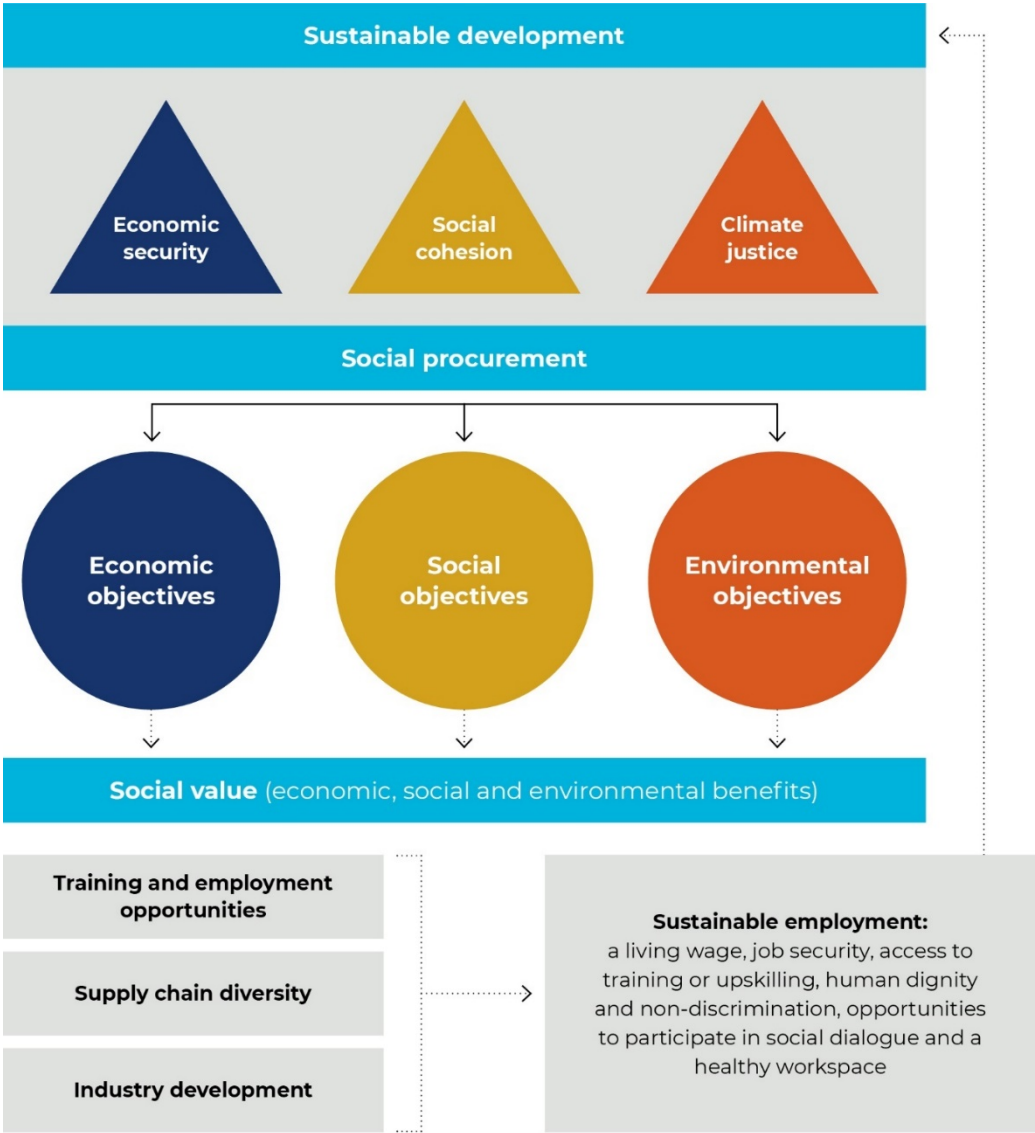
⁸⁵ European Commission (2010) op. cit., p. 15.

⁸⁶ Barraket et al. (2016) op. cit.

Policy frameworks supporting procurement activation strategies: international and Australian examples

Using public procurement to address labour market equity challenges is a policy approach with a long history across the developed world.⁸⁷ Many intergovernmental organisations, including the EU, ILO, OECD and the UN, recognise the importance of strategic public procurement as one of the key mechanisms for facilitating inclusive growth and economic security for all. As illustrated in Figure 5, economic security, social cohesion and climate justice constitute the three complementary pillars of sustainable development.

Figure 5. Social procurement’s contribution to sustainable development⁸⁸



⁸⁷ *ibid.*; see also: C. McCrudden (2004) ‘Using public procurement to achieve social outcomes’, *Natural Resources Forum*, 28, pp. 257–267.

⁸⁸ Adapted from Llywodraeth Cymru Welsh Government (2014) *Community benefits: Delivering maximum value for the Welsh pound*, Cardiff, Llywodraeth Cymru Welsh Government, p. 11.

The European Union Public Procurement Directives encourage member states to simplify procurement procedures and to engage in strategic public procurement. This includes partitioning large procurement contracts into smaller lots, as a way of encouraging supplier diversity through direct employer involvement.⁸⁹ The ILO has identified initiatives that focus on how governments can promote corporate social responsibility through strategic public procurement.⁹⁰ Across the OECD, strategic public procurement is being used to create employment opportunities for jobseekers experiencing disadvantage, using both direct and indirect employer activation.⁹¹ The United Nations identifies strategic public procurement as one of the strategies through which governments can achieve national economic, social and environmental objectives, in alignment with the Global Sustainable Development Goals.⁹²

Jurisdictions successfully linking employment policy objectives to public procurement include Canada and the United Kingdom. In the UK, four pieces of legislation govern public procurement. These include the Public Contracts Regulations 2015, which link government purchasing to supply-chain diversity through the involvement of SMEs.⁹³ Additional policies that focus on employment include the Procurement Policy Note 14/15: Supporting apprenticeships and skills through public procurement (PPN 14/15). PPN 14/15 mandates that all central government procurement contracts worth £10 million or above, with a duration of 52 weeks or more, must include a skill development and apprenticeship component.⁹⁴

On top of that, England and Wales have their own specific social procurement legislation through the *Public Services (Social Value) Act 2012* (UK), which considers employment for disadvantaged jobseekers to be a form of social value. Similarly, Scotland and Northern Ireland also have their own employment-focused strategic public procurement policies. The procurement policies that explicitly pursue employment-related secondary functions found in Canada, UK (England and Wales), Scotland and Northern Ireland are discussed in further detail, below.

Canada

In Canada, several social procurement policies exist at the federal and provincial level that are aimed at creating employment opportunities for disadvantaged jobseekers.

These include the Procurement Strategy for Aboriginal Business (PSAB), which applies to all federal departments and agencies.⁹⁵ The PSAB supports four government policy priorities, two of which are directly related to employment. First, maximising economic outcomes for Indigenous Canadians,

⁸⁹ Crown Commercial Service (2016) op. cit., p. 4.

⁹⁰ International Labour Organization (2014) op. cit.

⁹¹ OECD (2018) *SMEs in public procurement: Practices and strategies for shared benefits*, OECD Public Governance Reviews, Paris, OECD Publishing.

⁹² UNEP (2017) op. cit.

⁹³ See: L. Dobson & R. Geldart (2020) 'The government procurement review – Edition 8: United Kingdom', The Law Reviews website. These are the Public Contracts Regulations 2015, the Utilities Contract Regulations 2016, the Concession Contracts Regulations 2016 and the Defence and Security Public Contracts Regulations 2011 (DSPCR). All four extend to England, Wales and Northern Ireland. Scotland has a separate procurement legislative system but must still comply with the DSPCR.

⁹⁴ Crown Commercial Service (2015) *Procurement policy note – Supporting apprenticeships and skills through public procurement*, Action Note 14/15, London, Crown Commercial Service, p. 1.

⁹⁵ Government of Canada (2014) 'Procurement Strategy for Aboriginal Business: Booklet', Government of Canada website.

including through the insertion of Indigenous employment targets in government contracts; and second, supporting skills and training to create new opportunities for Indigenous peoples.⁹⁶

The PSAB uses four contractual obligation components:

- **Mandatory Set-Asides:** all federal procurement contracts worth more than \$5,000 for goods or services delivered to a primarily Aboriginal population must have a mandatory set-aside. Effectively, competitive bidding on the contract is limited to Indigenous-owned businesses.
- **Voluntary Set-Asides:** in addition to mandatory set-asides, federal departments and agencies may also choose to voluntarily set aside select procurement opportunities for Indigenous-owned businesses.
- **Joint Ventures and Partnerships:** Indigenous suppliers are supported to establish joint ventures either between themselves or with other non-Indigenous businesses. These partnerships are then allowed to bid on mandatory or voluntary set-aside opportunities.
- **Aboriginal criteria:** federal departments and agencies can request Indigenous business sub-contracting as a requirement for awarding major contracts.

A 2014 evaluation of the PSAB highlighted an increase in the number of Indigenous businesses awarded government contracts, as well as in the number of procurement activities promoting Aboriginal women in business. Since its implementation in 1996, more than 100,000 contracts worth \$3.3 billion have been awarded to Indigenous suppliers.⁹⁷

Several Canadian provinces have also implemented their own state-specific social procurement policies. For example, Nova Scotia's Sustainable Procurement Policy, legislated through the province's *Public Procurement Act* (2011) uses public procurement to activate direct employers, especially those that create opportunities for underrepresented populations.⁹⁸ The policy applies to 238 public-sector entities, including local governments, universities, health authorities and school boards.⁹⁹

Québec's Social Economy Action Plan, established through the *Social Economy Act* (2013), aims to increase the capacity of direct employers and to grow the social economy. Québec's approximately 7,000 social benefit suppliers provide employment for more than 150,000 people.¹⁰⁰

Ontario's *Infrastructure for Jobs and Prosperity Act* (2015) aims to encourage strategic long-term infrastructure planning that enhances job creation, training opportunities and economic growth.¹⁰¹ Under the Act, all public bodies undertaking infrastructure projects must develop a plan detailing the number of apprentices that will be involved on the project, including how they will be supported, with a particular focus on those from disadvantaged backgrounds.¹⁰² In 2015, Ontario's regional transportation agency, Metrolinx, began work on a \$5.3 billion Eglinton Crosstown rail transit project.¹⁰³ Major employers working on the project were required to submit a Community Benefits and Liaison Plan, as well as an Apprenticeship Plan, outlining their commitment to apprenticeships, employment, local procurement and social enterprises.¹⁰⁴ Since construction on the project began,

⁹⁶ *ibid.*

⁹⁷ *ibid.*

⁹⁸ [Public Procurement Act 2011](#) (NS)

⁹⁹ N. Dragicevic & S. Ditta (2016) *Community Benefits and Social Procurement Policies: A Jurisdictional Review*, Toronto, Mowat Centre & Atkinson Foundation, p. 7.

¹⁰⁰ (2015) 'Québec Government launches social economy action plan', *The Canadian CED Network*, 11 June.

¹⁰¹ [Infrastructure for Jobs and Prosperity Act, 2015](#) (ON)

¹⁰² Dragicevic & Ditta (2016) *op. cit.*, p. 8.

¹⁰³ Metrolinx (2020) 'Metrolinx launches community benefits program', Metrolinx website.

¹⁰⁴ Metrolinx (2020) 'Community benefits', Metrolinx website.

Crosslinx Transit Solutions Constructors, a major employer on the project, has hired 104 apprentices and supported 150 people, all from historically disadvantaged communities.¹⁰⁵

Toronto's Social Procurement Program, implemented in 2016, comprises supply-chain diversity and workforce development strategies. The Program focuses on creating employment opportunities for marginalised communities, such as Indigenous peoples, people with disability and new immigrants that 'disproportionately experience unemployment, underemployment, discrimination, or barriers to equal opportunity'.¹⁰⁶ The program aims to increase the number of social enterprises on government supplier lists for lower-value contracts. For example, government divisions are required to seek at least one quotation from a direct employer for purchases between \$3,000 and \$50,000 in value.¹⁰⁷ Workforce development activities include targeted recruitment, as well as training and skills development opportunities for registered apprenticeships on infrastructure projects.¹⁰⁸

United Kingdom

In the United Kingdom, social procurement is legislated through the *Public Services (Social Value) Act 2012*.¹⁰⁹ The Act, which extends to England and Wales, requires government officials—prior to procuring services (or works with a service element)—to consider how their purchases can be used to create social value for the communities they serve.¹¹⁰ The Act applies to services above the European Union procurement threshold, which is £111,676 for central government departments and £172,514 for other bodies. Below these thresholds, social value can be considered but it is not a requirement.¹¹¹

A key strength of the Social Value Act is that it is non-prescriptive. This means that procurement officials are given room to decide which approach is best to achieve maximum social impact and to allow for innovative approaches to purchasing.¹¹² However, because the Act asks that purchasing officials only 'consider' rather than 'implement or evaluate' social value, procurers need only to demonstrate that they have thought about the potential social, economic and environmental benefits of their procurement processes.¹¹³

Since its implementation, the legislation has been evaluated twice: first in 2015 and again in 2017, with both evaluations showing the promise of social procurement for demand-side activation. The first evaluation, commissioned by the government and led by the Prime Minister's Advisor on Enterprise, revealed that, in circumstances where the Act was used, a positive impact had been recorded at both a local and central government level.¹¹⁴ Social value impact was identified in the areas of employment for young people and other disadvantaged jobseekers, as well as increased opportunities for social benefit suppliers. Notable social value outcomes include a consortium of social enterprises whose collective aim is to assist people experiencing homelessness through various methods, including employment. Driven by the Act, the syndicate gained access to significant procurement contracts,

¹⁰⁵ Crosslinx Transit Solutions (2019) *Eglinton Crosstown: Community Benefits & Apprentice Plan: 2018 End of Year Report*, Toronto, Crosslinx Transit Solutions.

¹⁰⁶ City of Toronto (2016) *City of Toronto Social Procurement Program*, Toronto, City of Toronto, p. 20.

¹⁰⁷ *ibid.*, p. 10.

¹⁰⁸ City of Toronto (2020) 'Social Procurement Program', City of Toronto website.

¹⁰⁹ See: *Public Services (Social Value) Act 2012* (UK)

¹¹⁰ R. Macfarlane (2014) *Tackling poverty through public procurement*, York, Joseph Rowntree Foundation, p. 14.

¹¹¹ Cabinet Office (2015) *op. cit.*, p. 14.

¹¹² *ibid.*, p. 15.

¹¹³ J. Butler (2016) *Procuring for good: How the Social Value Act is being used by local authorities*, London, Social Enterprise UK, p. 3.

¹¹⁴ Cabinet Office (2015) *op. cit.*

translating to savings of approximately £1.5 million in emergency costs for the Department of Health and over £1.2 million in welfare for the Department of Work and Pensions.¹¹⁵

Though largely positive, the 2015 evaluation did, however, identify some challenges. These included: slow uptake of the Act across government departments; differing interpretations of how to apply the Act, particularly in relation to defining social value and how to incorporate this into the procurement process; measuring impact; and applying the Act within the EU legislative procurement context.¹¹⁶

The 2017 evaluation was conducted by one of the UK's largest social procurement intermediary organisations, Social Enterprise UK. Its findings revealed that many of the implementation challenges identified in 2015 had been largely addressed. Awareness and uptake of the Act had increased substantially, and considerable progress had been made regarding impact measurement.¹¹⁷ A significant finding from the 2017 evaluation related to the role of local government in creating social value, with many councils applying the Act not just to services but also to goods and works. Exemplary initiatives included the City of Croydon (CC) and Birmingham City Council (BCC). CC aims to create accessible pathways to employment and to support local employment through its Social Value Policy 2019–2023 and its Social Value Framework.¹¹⁸ BCC aims to maximise the local social, economic and environmental benefits generated from the procurement process. Its approach includes creating employment opportunities for disadvantaged jobseekers through its Business Charter for Social Responsibility and its Living Wage Policy.¹¹⁹

The 2017 evaluation also found that a majority of public and private sector organisations, that had adequately understood the impacts and benefits of the Act, recommended that the Act be extended. Several endorsements for extension were included in the evaluation, including one from the House of Lords, stating, 'we recommend as a first step that the Government requires public sector commissioners to 'account for' rather than merely 'consider' social value. We further recommend that the Government sets measurable targets for the use of social value in commissioning and outlines the steps it will take if those targets are not met'.¹²⁰

Since 2017, there has been some debate around extending the scope of the Act, with such discussions generally falling along one of two lines: either vertical or horizontal extension.¹²¹ Vertical extension would mean strengthening the requirements from 'consider', to a mandate by which public officials would have to either implement or evaluate social value. This would also see the Act mandate procuring officials to include social value in their tender documentation rather than consider, at the pre-procurement stage, whether it would be appropriate to include social value in that purchase. Horizontal extension, on the other hand, would mean that the Act would be made applicable to purchases below the European Union procurement threshold. Moreover, it would mean applying social value to goods and works, including infrastructure. This approach would not change the Act as it currently is; rather, it would mean that public officials would have to consider social value in more situations.¹²²

¹¹⁵ *ibid.*, p. 16.

¹¹⁶ *ibid.*, pp. 16–28.

¹¹⁷ White (2017) *op. cit.*, p. 3.

¹¹⁸ Croydon City Council (2019) *Council Social Value Policy 2019–2023*, Croydon, Croydon City Council.

¹¹⁹ See: Birmingham City Council (2017) *Birmingham Business Charter for Social Responsibility: Charter Measures* and (2017) *Birmingham City Council's Living Wage Policy*, Birmingham, Birmingham City Council.

¹²⁰ White (2017) *op. cit.*, p. 8.

¹²¹ See: White (2017) *op. cit.*, p. 25; L. Kay (2018) 'Minister promises to extend scope of social value act', *ThirdSector*, 25 June.

¹²² White (2017) *op. cit.*, p. 8.

In September 2020, driven in part by the COVID-19 pandemic, the government confirmed the Act would be vertically extended, beginning 1 January 2021.¹²³ According to the government's Procurement Policy Note (PPN) 06/20, social value would now have to be 'explicitly evaluated in all central government procurement, where the requirements are related and proportionate to the subject-matter of the contract, rather than just 'considered' as currently required under the Public Services (Social Value) Act 2012'.¹²⁴ This change effectively means that government departments must now demonstrate social value outcomes along five policy priority areas, including tackling economic inequality through the creation of training and employment opportunities, particularly for disadvantaged jobseekers.¹²⁵

Wales

In Wales, public procurement is considered a key driver in delivering the government's sustainable development commitments. Although the UK Social Value Act also extends to Wales, in many cases Wales' Community Benefits Policy (CBP) is privileged.

The CBP applies to all public procurement for goods, services and works, with a measurement of social value required for all contracts over £2 million.¹²⁶ Evaluations show that, of the first 35 projects since its 2010 implementation, 85 per cent of the £465m total spend has been re-invested into local communities. Of that total, £124m was spent directly on salaries for Welsh citizens and £277m went to Wales-based businesses—80 per cent of which were SMEs. In addition, approximately 562 marginalised jobseekers have been helped into employment.¹²⁷ In 2018, as part of the CBP, local authorities working on the 21st Century Schools and Education Programme included training, apprenticeships and employment-creation as part of their social value objectives. As stipulated, for every £1m in contract value, suppliers have to provide a minimum of 52 weeks of employment to one new jobseeker.¹²⁸

Scotland

Scotland's *Procurement Reform (Scotland) Act 2014* requires public officials to consider how procurement can be leveraged to 'improve the economic, social, and environmental wellbeing' of the local area, and how government contracts can be made more accessible to direct employers.¹²⁹

The Act, which provides the national legislative framework for social procurement, applies to all public procurement but at various thresholds: £50,000 for goods and services; £2 million for public works; and £4 million for community benefit requirements.¹³⁰ Community benefit requirements are mandatory contractual requirements imposed by procuring bodies and relate to training, recruitment

¹²³ UK Government Cabinet Office (2020) '[New measures to deliver value to society through public procurement](#)', UK Government website.

¹²⁴ UK Government Cabinet Office (2020) *Procurement Policy Note – Taking account of social value in the award of central government contracts*, Action Note PPN 06/20, London, UK Government Cabinet Office, p. 1.

¹²⁵ *ibid.*, p. 4.

¹²⁶ Llywodraeth Cymru Welsh Government (2014) *op. cit.*, p. 20.

¹²⁷ *ibid.*, p. 4.

¹²⁸ Llywodraeth Cymru Welsh Government (2018) *Guidance for community benefits*, Cardiff, Llywodraeth Cymru Welsh Government, p. 6.

¹²⁹ V. Sutherland et al. (2015) *Analysis of the impact and value of community benefit clauses in procurement*, Training and Employment Research Unit, Glasgow, University of Glasgow, p. 1.

¹³⁰ The University of Edinburgh (2020) '[The Procurement Reform \(Scotland\) Act 2014](#)', The University of Edinburgh website.

and subcontracting opportunities for the purposes of creating social value.¹³¹ The Scottish Government uses community benefit requirements to link public procurement to broader national policy objectives—such as economic security for all—as well as education and skills-development outcomes.¹³²

Northern Ireland

Social value is also an important policy objective for the Northern Ireland Executive. The government includes social clauses in its Public Procurement Policy, with a particular focus on creating jobs through construction contracts.¹³³ Government departments in Northern Ireland must produce annual procurement plans detailing how their practices consider social value. In addition, local governments are also encouraged to consider the inclusion of social clauses in their contracts, in cases where this represents best value and in accordance with the European Public Procurement legislation.¹³⁴

Following a review of the Public Procurement Policy, the Northern Ireland Procurement Board endorsed the Buy Social Approach, which was developed by the Strategic Investment Board (SIB). The SIB's role is to help government plan infrastructure, assist procurement teams to integrate social considerations into their contracts and to ensure appropriate implementation support and monitoring arrangements are available to departments and their contractors.¹³⁵

The Buy Social Approach is a toolkit which aims to maximise the social and economic benefits of public purchasing.¹³⁶ It focuses mainly on targeted recruitment and training opportunities for marginalised jobseekers who are collectively referred to as 'new entrant trainees'. To be eligible for employment as a new entrant trainee, a jobseeker must be:

- over the age of 25 and out of work for a period of 52 weeks or more;
- under the age of 25 and out of work for a period of 26 weeks or more; or
- leaving/have left education in the last year.¹³⁷

People with disability do not need to satisfy these eligibility criteria.¹³⁸

Buy Social applies to building contracts which have a contract value greater than £2 million and civil engineering contracts which have a contract value greater than £4 million. Buy Social mandates the delivery of:

¹³¹ Scottish Government (2016) '[Procurement Reform \(Scotland\) Act 2014: statutory guidance](#)', Scottish Government website.

¹³² Scottish Government (date unknown) '[Economic Action Plan 2019–20: Public Procurement](#)', Scottish Government website.

¹³³ RSM McClure Watters & T. Tweddell (date unknown) *Social clauses in Northern Ireland: a research paper*, Belfast, Centre for Economic Empowerment.

¹³⁴ Department of Finance and Personnel (2014) *Northern Ireland public procurement policy*, Version 11, Belfast, Central Procurement Directorate.

¹³⁵ Construction and Procurement Delivery & Department of Finance (2019) *Construction procurement policy framework*, Procurement Guidance Note PGN 06/10, Belfast, Construction and Procurement Delivery, p. 39.

¹³⁶ The Strategic Investment Board (date unknown) *Buy social training toolkit: Targeted recruitment and training*, Buy Social Unit, Belfast, The Strategic Investment Board.

¹³⁷ *ibid.*, p. 9.

¹³⁸ Buy Social (2018) '[Procurement – Resources for procurement teams – Clauses for specific opportunities e.g. for people with disabilities](#)', Buy Social website.

- 52 weeks of paid work for disadvantaged jobseekers, i.e. new entrant trainees, for each £1 million of construction build contract value; and
- 26 weeks of paid work for disadvantaged jobseekers for each £1 million of construction civil contract value.¹³⁹

Australia

The Australian Government is party to various international procurement agreements, many of which pursue secondary functions related to promoting foreign trade and international relations. These include the Australia–New Zealand Government Procurement Agreement, the World Trade Organization’s Government Procurement Agreement and the European Union–Australian Trade and Investment Relationship.¹⁴⁰

Federally, the legal basis for public procurement is provided by the Commonwealth Procurement Rules (CPRs).¹⁴¹ The CPRs set out the mandatory purchasing requirements for all public procurement officials; principal among these being achieving value for money. Although in recent decades value for money has expanded to mean not just the cheapest option, there remains ‘ongoing tension between the concept of value for money and lowest cost’.¹⁴² This leaves very little room for social and environmental considerations, both of which may require additional upfront purchasing expenses.¹⁴³ A 2017 Commonwealth public procurement review argued that the failure of the CPRs to offer a clear definition of what exactly constitutes value for money contributes significantly to exacerbating such tensions.¹⁴⁴ Removing ambiguity around value for money, by demonstrating how incorporating social and environmental considerations into purchasing decisions can translate into long-term public savings, is essential in ensuring that public procurement shifts from a lowest-cost transactional procedure to an effective socio-economic policy lever.¹⁴⁵

Connected to the CPRs are three policies aimed at directly or indirectly creating employment opportunities for jobseekers who have traditionally been marginalised in the labour market. These are the Workplace Gender Equality Procurement Principles, the Australian Industry Participation Plan for Government Procurement and the Indigenous Procurement Policy.¹⁴⁶

The Workplace Gender Equality Procurement Principles focus on promoting and improving gender equality outcomes in the workplace and, by extension, employment for women. While employment rates for women in Australia have increased over the past four decades, women remain overrepresented in part-time and casualised work.¹⁴⁷ Accordingly, the policy requires Commonwealth agencies to procure goods and services over a specific threshold only from organisations that can demonstrate their compliance with the *Workplace Gender Equality Act 2012* (Cth).¹⁴⁸

¹³⁹ The Strategic Investment Board (date unknown) op. cit., p. 12.

¹⁴⁰ Joint Select Committee on Government Procurement (2017) op. cit.

¹⁴¹ Department of Finance (2019) *Commonwealth Procurement Rules*, Canberra, Commonwealth of Australia.

¹⁴² Joint Select Committee on Government Procurement (2017) op. cit., p. 36.

¹⁴³ *ibid.*

¹⁴⁴ *ibid.*, p. 51.

¹⁴⁵ L. Knight et al. (2007) *Public procurement: International cases and commentary*, London, Routledge.

¹⁴⁶ Joint Select Committee on Government Procurement (2017) op. cit., pp. 17–21.

¹⁴⁷ Workplace Gender Equality Agency (2020) *Gendered Impacts of Covid-19*, Sydney, Workplace Gender Equality Agency.

¹⁴⁸ Department of Families, Housing, Community Services and Indigenous Affairs (date unknown) *Workplace Gender Equality: Procurement Principles and User Guide*, Canberra, Commonwealth of Australia.

The Australian Industry Participation Plan for Government Procurement supports local industry to participate in major procurement projects. Suppliers that bid for Commonwealth contracts valued at or above \$20 million must prepare and implement an Australian Industry Participation Plan, showing how the supplier will provide full, fair and reasonable opportunity for other Australian businesses to participate in all aspects of the contract.¹⁴⁹

The Indigenous Procurement Policy (IPP) requires a percentage of the Commonwealth's procurement spend be allocated to Indigenous businesses, with a target of three per cent to be reached by 2027.¹⁵⁰ The IPP has two employment-related components. First, any contracts delivered in remote areas valued between \$80,000 and \$200,000 must be set aside and offered first to Indigenous businesses. Second, Indigenous employment participation is required in contracts valued at \$7.5 million or above.¹⁵¹ Involving Indigenous businesses in public procurement has significant flow-on effects in terms of employment and social value. Not only are Indigenous businesses almost 100 times more likely to hire Indigenous employees but, for every \$1 spent procuring from Indigenous ventures, \$4.41 is generated in economic and social return.¹⁵²

Victoria

The state of Victoria has been internationally recognised as having a progressive social procurement legislative environment.¹⁵³ Although states and territories must comply with federal laws and any international procurement obligations to which the Australian Government is a party, each jurisdiction has the power to develop its own specific legislation and policies.¹⁵⁴

While different, state policies share similarities relating to the public procurement principles of:

- value for money;
- open and fair competition;
- probity and transparency;
- accountability; and
- risk management.

In Victoria, responsibility for government procurement lies with the Victorian Government Purchasing Board (VGPB), which sets the procurement policies governing goods and services purchasing across all government departments. As with the Commonwealth Procurement Rules, all VGPB policies have value for money as their primary procurement principle. The VGPB has five goods and services supply policies, two of which consider procurement issues related to employment. These two policies were developed to help government departments structure their procurement processes in ways that encourage direct employer activation.¹⁵⁵

Rules for Victoria's public construction works are set out in the Ministerial Directions and Instructions for Public Construction (MDIPC), in which value for money and consideration of 'environmental, social

¹⁴⁹ Department of Industry, Science, Energy and Resources (2019) '[Australian industry participation](#)', DISER website.

¹⁵⁰ Commonwealth of Australia (2015) [Commonwealth Indigenous Procurement Policy](#), Canberra, Commonwealth of Australia, p. 13.

¹⁵¹ National Indigenous Australians Agency (2020) '[Indigenous Procurement Policy overview](#)', NIAA website.

¹⁵² R. Burton & E. Tomkinson (2015) [The Sleeping Giant: A Social Return on Investment Report on Supply Nation Certified Suppliers](#), Sydney, Supply Nation, p. 5.

¹⁵³ See: Joint Select Committee on Government Procurement (2017) op. cit., p. 109; Department of Jobs, Precincts and Regions & Department of Treasury and Finance (2019) op. cit., p. 3.

¹⁵⁴ Knight et al. (2007) op. cit.

¹⁵⁵ Buying for Victoria (2019) '[Goods and services supply policies](#)', Buying for Victoria website.

and economic factors' are among the guiding principles.¹⁵⁶ In situations where a government agency falls within the remit of both the VGPB's supply policies as well as the MDIPC, the latter is privileged in procurement related to public construction.¹⁵⁷

State-specific strategic public procurement policies include the Victorian Local Jobs First Policy (LJFP)—with its related Victorian Industry Participation Policy (VIPP) and Major Projects Skills Guarantee (MPSG); the Victorian Social Procurement Framework (SPF); and the Victorian Aboriginal Business Strategy 2017–2021. These policies allow the state government to successfully create training pathways for young people as well as job opportunities for disadvantaged jobseekers and Indigenous Australians/businesses, respectively.

Victoria's Local Jobs First Policy, legislated under the *Local Jobs First Act 2003* (Vic), pursues employment-related secondary functions through industry and workforce development.¹⁵⁸ The LJFP applies to all government departments and some specified agencies, and is implemented through the VIPP and the MPSG.¹⁵⁹ As specified through the MPSG, all construction projects valued at or over \$20 million must allocate ten per cent of their total estimated labour hours to Victorian apprentices, trainees or cadets.¹⁶⁰ In 2018–19, LJFP projects supported 1,059 positions for apprentices, trainees and cadets and, given the right supports, young people can leverage these opportunities into full labour market integration.¹⁶¹

Similar to the MPSG and its objective of creating employment opportunities for young Victorians is the Social Procurement Framework, which also extends across all Victorian government departments and some select agencies.¹⁶² The SPF pursues seven social and three environmental secondary functions, with employment for disadvantaged jobseekers being prioritised.¹⁶³ The Victorian Government Purchasing Board differentiates between the SPF and policies like the MPSG by highlighting the fact that the SPF applies to all procurement activities 'irrespective of the value of the individual procurement activity'.¹⁶⁴ While the requirements of the SPF are relevant to all procurement irrespective of value, the Framework relies on non-obligatory language to motivate employer activation for lower-value purchases.¹⁶⁵

For example, procuring departments need only 'seek opportunities to' or 'consider whether' they can involve direct employers in their purchasing decisions below the threshold (regional under \$1 million; metro or state-wide under \$3 million) and at the low band (regional \$1m to \$20m; metro or state-wide \$3m to \$20m). Employment targets for disadvantaged communities, including for people with disability, are only set at the middle (\$20m to \$50m) and upper bands (over \$50m).¹⁶⁶ As with the LJFP, the SPF has also been shown to successfully create employment opportunities for disadvantaged

¹⁵⁶ Buying for Victoria (2020) '[Guiding principles \(Construction Direction 1.2\)](#)', Buying for Victoria website.

¹⁵⁷ Buying for Victoria (2020) '[Law, policy and construction](#)', Buying for Victoria website.

¹⁵⁸ Department of Jobs, Precincts and Regions (2020) '[Local Jobs First: Key documents](#)', DJPR website.

¹⁵⁹ Department of Jobs, Precincts and Regions (2019) op. cit., p. 6.

¹⁶⁰ Department of Jobs, Precincts and Regions (2020) '[Local Jobs First: Major Projects Skills Guarantee](#)', DJPR website.

¹⁶¹ Department of Jobs, Precincts and Regions (2019) op. cit.

¹⁶² Buying for Victoria (2019) '[Scope of the Social Procurement Framework](#)', Buying for Victoria website.

¹⁶³ Buying for Victoria (2019) '[Social procurement document library: Victoria's Social Procurement Framework](#)', op. cit.

¹⁶⁴ Buying for Victoria (2019) '[Social procurement – Determining the value of individual procurement activities](#)', Buying for Victoria website.

¹⁶⁵ Buying for Victoria (2020) '[Social Procurement Framework requirements and expectations](#)', Buying for Victoria website.

¹⁶⁶ *ibid.*

groups including people with disability, young Victorians, people from refugee and asylum-seeker backgrounds and Indigenous Australians.¹⁶⁷

The Tharamba Bugheen Victorian Aboriginal Business Strategy 2017–2021, which pursues employment outcomes for Indigenous Australians, mandates that one per cent of Victorian Government spending be allocated to Indigenous businesses.¹⁶⁸

Local government

Victoria's *Local Government Act 1989* sets out the rules and regulations that local government officials should adhere to when procuring goods and services. In considering value for money, councils are encouraged to also consider factors such as promoting 'opportunities for local employment growth'.¹⁶⁹ However, they are under no obligation to embed social value throughout their procurement processes in the same way as state government departments and agencies.

Evidence from the UK and its Social Value Act reveals that significant employment opportunities for disadvantaged jobseekers can be created at the local level, where social value legislation is extended to apply to councils.¹⁷⁰ Currently, Victorian councils use their discretion to decide if they will actively pursue social procurement as a method for activating demand-side participation. Such decisions rely largely on the organisational culture towards social procurement rather than on legislation. Given the international examples discussed throughout this paper, this lack of incentive reflects a missed opportunity.

¹⁶⁷ Department of Jobs, Precincts and Regions & Department of Treasury and Finance (2019) op. cit.

¹⁶⁸ Department of Economic Development, Jobs, Transport and Resources (2017) *Tharamba Bugheen: Victorian Aboriginal Business Strategy 2017–2021*, op. cit.

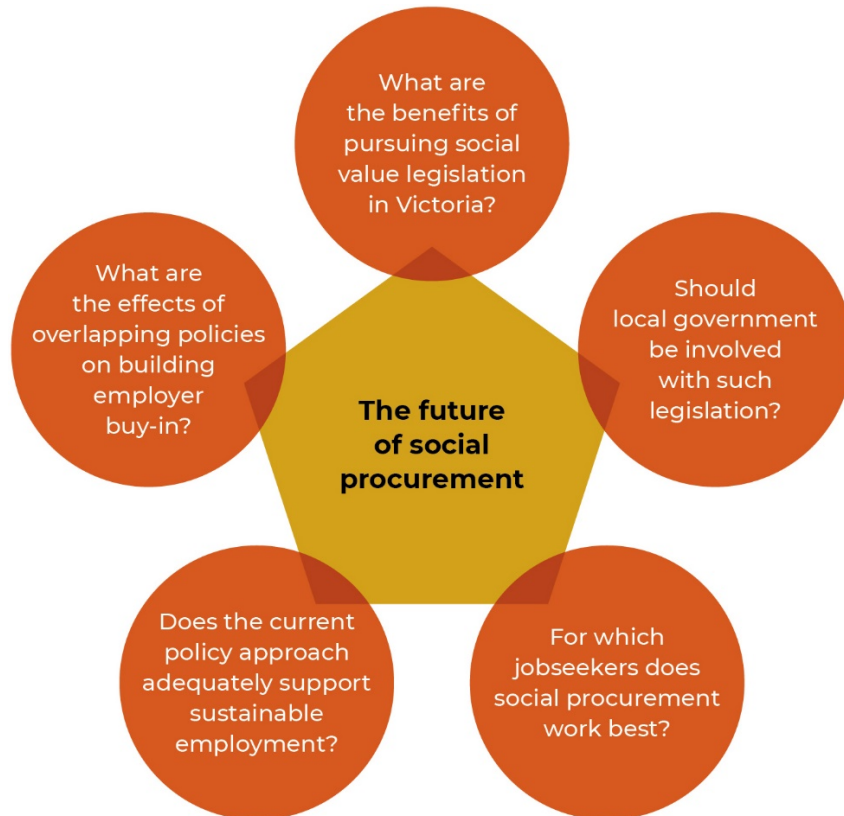
¹⁶⁹ *Local Government Act 1989* (Vic)

¹⁷⁰ Macfarlane (2014) op. cit.

Five questions for the future of Victoria’s employment-focused social procurement policies

It is important to analyse how Victoria’s employment-focused social procurement policies might evolve, and how these policies might be used to create the best employment outcomes for disadvantaged jobseekers. Such analysis has been organised around five key questions (see Figure 6).

Figure 6. Key questions about the future of social procurement in Victoria



What are the benefits of pursuing social value legislation in Victoria?

By drawing on the experiences of international governments, including the United Kingdom and its *Public Services (Social Value) Act 2012*, is there some value to be gained in pursuing social value legislation in Victoria?

Strategies such as Victoria’s Local Jobs First Policy and Social Procurement Framework currently only mandate employment outcomes for high-value purchases (\$20 million and above).¹⁷¹ These opportunities have significant gendered implications because of the industries in which suppliers bidding for those high-value contracts operate.

Much like the earlier version of the UK’s Social Value Act, Victoria’s current policy landscape relies on non-obligatory language to activate employers. This means that at the lower thresholds, where it is

¹⁷¹ See: Buying for Victoria (2020) ‘[Social Procurement Framework requirements and expectations](#)’, op. cit.; Department of Jobs, Precincts and Regions (2019) op. cit.

easier to involve direct employers, social procurement is effectively voluntary. This might work in jurisdictions that have a strong social enterprise sector, as is the case in Canada and the UK, or where procurement officials are institutionally supported to procure strategically. Victoria, which has an underdeveloped social enterprise sector, might benefit from adopting a more mandatory approach.

As illustrated in this paper, different jurisdictions have chosen different approaches. Supporting legislation signals to the public the importance of social value and situates social procurement as a prominent demand-side strategy within Australia's current employment policy landscape. As strategic public procurement gains prominence, social procurement requires a more progressive policy environment that challenges the traditional ways of purchasing. A strong legislative basis may help smooth over some of the initial resistance that comes with such change.

Legislation, however, does present some challenges. First, social procurement is inherently a political project requiring careful negotiation with diverse stakeholders. This means much work would have to be done before reaching the stage of legislation.¹⁷² Second, there is a risk that legislation would result in policies that are overly prescriptive or uninspiring, which may have a significant impact on the innovative aspect of social procurement. Lastly, adopting a legislative approach may be interpreted as too confrontational, which might hinder successful implementation. It may also seem premature until the current Victorian policies have been given time to mature.

There is merit to both viewpoints. While some might argue that the current Victorian policy framework already puts in place measures to support the creation of social value, the question remains, does it do so adequately?

Should local government be involved with such legislation?

Currently, Victoria's local governments are under no obligation to comply with state social procurement policies. Although local governments have no direct responsibility towards addressing unemployment, the benefits of tackling unemployment have local impacts. International examples explored in this paper show how local governments are successfully using social procurement to create employment for disadvantaged jobseekers.¹⁷³ Given this, and the power of place-based approaches, there is an argument to be made that councils have a significant role to play in creating employment opportunities for disadvantaged jobseekers through their purchasing decisions.¹⁷⁴ The question then is, if the answer for social value legislation were to be in the affirmative, should local government also be involved in the use of such laws? If legislation is not pursued, what are some of the drivers that can be used to get local governments involved with social procurement?

For which jobseeker cohorts does social procurement work best?

Different jobseekers require different employment supports. Mandating an employer to take on an individual with complex needs without adequately preparing the employer for that placement can result in unnecessary risk for the participant and future resistance from the employer.¹⁷⁵ Jobseekers who rely on income support are especially vulnerable. If they are not supported to succeed on a

¹⁷² Fisher (2013) op. cit.

¹⁷³ White (2017) op. cit.

¹⁷⁴ Mupanemunda (2020) op. cit.

¹⁷⁵ M. Loosemore, S. Alkilani & R. Mathenge (2020) 'The risks of and barriers to social procurement in construction: a supply chain perspective', *Construction Management and Economics*, 38(6), pp. 552–569.

placement and end up losing the job, they may face long wait periods before getting their income support payments reinstated.¹⁷⁶ This is not to say that employers must not take on jobseekers with complex needs. Rather, it highlights that what a jobseeker with disabilities might need to succeed on a social procurement employment opportunity might be very different to the supports that are needed by an able-bodied young apprentice. Policy instruments and approaches need to reflect such nuances and, where jobseeker cohorts require different activation approaches or extra support, these should be pursued and/or provided.

Determining for which jobseeker cohort social procurement might produce optimal results may simply mean procurement officials need to decide on the best employer types for the jobseeker cohort they wish to assist. In some cases, it might be better for a procurer to partition a large procurement contract and involve, for example, Indigenous suppliers who are committed to providing adequate support and training pathways for Indigenous jobseekers. This points to the importance of policies like the Tharamba Bugheen Victorian Aboriginal Business Strategy 2017–2021 that build the capacity of different employer types.

Does the current policy approach support sustainable employment?

Analysis of Victoria's current employment-focused social procurement policies reveals a tendency towards 'work first' strategies. For example, the Victorian Social Procurement Framework includes 'targets for labour hours' as a measurement of policy success.¹⁷⁷ However, measuring employment outcomes using labour hours does not accurately reflect if such an opportunity was one that provided, for example, access to training and upskilling. A focus on labour hours cannot accurately reflect the quality or duration of the job and runs the risk of placing jobseekers into work that offers little or no security.

This research acknowledges that, on their own, social procurement policies might not be able to guarantee a job that offers all the qualities of sustainable employment as defined in this paper. However, moving forward, policymakers can and should prioritise the development of social procurement policies that prioritise sustainable employment. In cases where contracts are short term and cannot guarantee job security, at a minimum they must provide opportunities for professional development to increase the chances of longer-term labour-market attachment.

At the very least, policies need to adjust from measuring impacts, e.g. number of job hours, to measuring outcomes, e.g. number of jobseekers who were employed for specific periods (say 26 or 52 weeks) and the training or upskilling opportunities those jobseekers were given. Policies should also examine, where possible, the percentage of jobseekers that transition into sustainable employment post procurement placement. Looking to international jurisdictions, such as Northern Ireland and its Buy Social policy, might help shape the future direction of Victorian policy as it relates to sustainable work.

¹⁷⁶ Global Sisters (2018) *Submission to the Employment Services Expert Advisory Panel's Review of the Next Generation of Employment Services*, North Curl Curl, Global Sisters.

¹⁷⁷ Department of Jobs, Precincts and Regions & Department of Treasury and Finance (2019) op. cit.

What are the effects of overlapping policies on building employer buy-in and measuring impact?

Lastly, what might some of the unintended consequences of having overlapping, albeit complementary, social procurement policies be on cultivating employer buy-in and on measuring impact?

Victoria's current social procurement policy landscape is hampered by a tendency towards work-first strategies as well as by policy overlap. For example, the government departments and agencies that must comply with the Victorian Social Procurement Framework must also comply with the Local Jobs First Policy, together with its related Victorian Industry Participation Policy and Major Projects Skills Guarantee.¹⁷⁸ Though the Victorian Social Procurement Framework is intended to complement other government policies, there are likely to be significant implications of such overlap for employers, specifically in terms of engagement and impact measurement. Questions arise as to what effect this overlap has on building employer buy-in. Moreover, what does overlap mean for measuring outcomes?

By way of illustration, do the Indigenous employment outcomes achieved through the Victorian Social Procurement Framework and the Local Jobs First Policy apply to the one per cent Tharamba Bugheen target across government departments? If so, are these policies requiring employers to report against different impact measurement frameworks? Overlapping policies heighten the issue of social value measurement, a significant social procurement implementation challenge that policymakers need to anticipate. What measurement frameworks are being used across these different policies and are employers supported to understand and capture data that allow effective outcomes-measurement? If employers are not adequately supported to collect data across various policy frameworks, this might undermine their willingness to actively engage with such policies. Might policy overlap breed resistance and ultimately jeopardise policy buy-in amongst employers and would it be beneficial to have a single policy across all government purchasing?

¹⁷⁸ See: Department of Economic Development, Jobs, Transport and Resources (2018) *Local Jobs First: Victorian Industry Participation Policy: Annual Report 2017–18*, Melbourne, Department of Economic Development, Jobs, Transport and Resources; Buying for Victoria (2019) 'Scope of the Social Procurement Framework', op. cit.

Conclusion

Unemployment-related poverty is one of the most significant causes of disadvantage and inequality in Australia.¹⁷⁹ The longer a person is unemployed, the greater their risk of labour market exclusion and related economic insecurity.¹⁸⁰ As Australia moves through the COVID-19 pandemic, such vulnerabilities are only likely to increase, particularly for those who were experiencing long-term unemployment prior to the health crisis. Now is the time for policymakers to give serious consideration to the ways in which social procurement might be able to contribute to reducing unemployment post-COVID-19 and to help jobseekers transition into employment opportunities that offer adequate security.

International case studies and examples from Victoria clearly illustrate that social procurement policies can create opportunities for jobseekers experiencing disadvantage. However, certain conditions must be met for such policies to fulfil their potential. Public procurement officials must be given adequate resources, including skills training, to effectively carry out strategic public procurement. A supportive policy environment, that encourages not only social procurement policies but the growth of social benefit suppliers, must also be cultivated. Research shows that employers in the social benefit supplier sector take on a large percentage of marginalised jobseekers and they must be supported in building capacity to take on more.¹⁸¹

Partnerships must be established between government procurers, employers and intermediary organisations, so that disadvantaged jobseekers are supported to connect to available opportunities. Those jobseekers who take up opportunities with large-scale suppliers must be adequately supported to transition into longer-term labour-market attachment, post procurement contract. Employers, particularly those in the commercial sector, must also be educated on the value-add of social procurement and the ways in which it can contribute to their organisational financial goals—and be supported to understand that, with some adjustments, social procurement can be a part of business as usual.

Governments must lead by example and demonstrate how, through strong leadership, they are building the foundation of thriving social procurement policies.¹⁸² Cross-party political commitment is also needed to develop policies that successfully link government spending to employment policy objectives. Those social procurement policies already in place require regular evaluation so that such strategies tackle long-term unemployment in truly meaningful ways.

This paper aims to prompt discussion, especially amongst those who oversee our legislative and policy processes, around the promise of social procurement for demand-side activation. As Australia and Victoria ready their employment policy responses post-pandemic, the promise of social procurement for creating inclusive employment represents a truly unmissable opportunity.

¹⁷⁹ Qian et al. (2019) op. cit.

¹⁸⁰ Jobs Victoria (2019) *Parliamentary Inquiry into sustainable employment for disadvantaged jobseekers*, Melbourne, Department of Jobs, Precincts and Regions.

¹⁸¹ Castellás et al. (2017) op. cit.

¹⁸² European Commission (2010) op. cit.

Glossary

Corporate social responsibility:	refers to the way corporations balance their economic activities with their social and environmental responsibilities. ¹⁸³
Demand-side activation:	employment-creation policies or strategies that target employers. ¹⁸⁴
Jobseekers experiencing disadvantage:	refers to a wide group of people who experience increased difficulties finding work due to one or a combination of individual and work-related factors, which may include race, gender, age, ability, language, education level or work experience. Certain population groups are disproportionately represented within this category; for example, Indigenous peoples, those from migrant or refugee backgrounds and people with disability. ¹⁸⁵
Public procurement:	the process through which governments purchase the goods, services and works they require to operate. ¹⁸⁶
Social benefit and social impact:	social benefit refers to the positive changes on people’s lives, such as providing jobs for the long-term unemployed. Social impact, by contrast, is the measurable positive influences of an activity—for example, the number of disadvantaged jobseekers who have gained employment. ¹⁸⁷
Social benefit supplier:	suppliers whose core organisational objectives prioritise social impact over profit. Examples include social enterprises, Australian disability enterprises and Indigenous businesses. ¹⁸⁸ Social benefit suppliers are also referred to throughout this paper as ‘direct employers’.
Social enterprise:	a business driven by a social, cultural or environmental mission that is in alignment with a public or community benefit. ¹⁸⁹

¹⁸³ United Nations Industrial Development Organization(2020) ‘What is CSR?’, UNIDO website.

¹⁸⁴ K. Froyland et al. (2019) ‘Contrasting Supply-Side, Demand-Side and Combined Approaches to Labour Market Integration’, *Journal of Social Policy*, 48(2), pp. 311–28.

¹⁸⁵ Qian et al. (2019) op. cit.

¹⁸⁶ Tremblay & Boyle (2018) op. cit.

¹⁸⁷ Burkett (2010) op. cit.

¹⁸⁸ Buying for Victoria (2019) ‘[Social procurement document library: Victoria’s Social Procurement Framework](#)’, op. cit.

¹⁸⁹ Qian et al. (2019) op. cit.

Social procurement:	the process through which public and private sector organisations use their purchasing power to generate positive social, economic and environmental benefit. ¹⁹⁰
Social value:	the additional social benefits derived from procurement, over and above the direct purchasing of goods, services and works. ¹⁹¹ Social value considers the benefits and impacts of procurement but focuses more on the ‘value’, usually but not always financial, of those benefits and impacts. ¹⁹²
Strategic public procurement:	the process through which governments use public procurement as a strategic policy lever for achieving additional social policy goals. Within OECD publications, this term is often used when discussing social procurement. ¹⁹³
Supply-side activation:	employment-creation policies or strategies that target jobseekers. ¹⁹⁴
Sustainable employment:	refers to freely chosen productive work that, ideally, satisfies most of the following criteria: a living wage, job security, access to training or upskilling, human dignity and non-discrimination, opportunities to participate in social dialogue and a healthy workspace that complies with labour standards. ¹⁹⁵
Value for money:	a procurement principle that takes into consideration both financial factors such as the overall cost, as well as non-financial factors such as the effectiveness and efficiency of procured goods, services and works. ¹⁹⁶

¹⁹⁰ Burkett (2010) op. cit.

¹⁹¹ Newman & Burkett (2012) op. cit.

¹⁹² Burkett (2010) op. cit.

¹⁹³ OECD (2017) *Government at a glance 2017*, op. cit.

¹⁹⁴ Froyland et al. (2019) op. cit.

¹⁹⁵ European Commission (2010) op. cit.

¹⁹⁶ Definitions of value for money vary from one publication to the next. See: Barraket et al. (2016) op. cit. and Newman & Burkett (2012) op. cit.

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- [Public Procurement Act \(2011\) – Nova Scotia](#)
- [Public Services \(Social Value\) Act 2012 – United Kingdom](#)
- [Social Economy Act \(2013\) - Québec](#)

About this publication

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