

# The risks and opportunities of social procurement: a cross-sector collaboration perspective

This is the seventh regular fact sheet about recent 'social procurement research led by UTS.

This fact sheet summarises a research project which explored the risks and opportunities of social procurement from the perspectives of the key stakeholders involved in the implementation of these policies. These included: subcontractors; government agencies; social enterprises; registered training organisations; and job active organisations.

The detailed publications in which this research has been published are listed at the bottom of this factsheet. Please feel free to distribute this factsheet to anyone who may be interested.

## Why the study

- Social procurement policies are fundamentally collaborative in nature and are based on the premise that social problems are best resolved through collaboration between government, private businesses and third-sector organisations.
- True collaboration involves a different way of thinking and behaving based on deep interpersonal relationships, supported by systems, processes and mechanisms to facilitate systemic and transformational change.
- In a genuine collaboration, parties put aside self-interest so that something bigger can be created as a collective.
- There is little experience in the construction industry of how to facilitate effective cross-sector collaboration with the types of organisations involved in delivering social procurement outcomes.
- Collaborating across diverse sectors is risky and prone to failure due to divergent business models, systems, values and priorities, high costs, poor communication and differing cultures and languages.
- Understanding the perceived risks and opportunities of collaboration from each sector's perspective is critical to enable risks to be mitigated and opportunities to be maximised for all parties, enabling successful collaboration to occur.

## Aim

- This research investigated the risks and opportunities of social procurement in construction projects from the multiple perspectives of project stakeholders involved in the implementation of these policies.
- These include: government agencies; social enterprises and other third-sector organisations; private businesses (contractors and subcontractors); private employment agencies and other support.
- The objective was to recommend strategies for policy-makers and social procurement managers to maximise opportunities from social procurement and mitigate risks.

## What we did

- Data was collected via five focus groups conducted with thirty-five stakeholders involved in the implementation of social procurement in the construction industry.

## What we found

Research Question one: What risks does social procurement create for key stakeholders in Australian construction projects?

- Social procurement policies were generally seen as a risk rather than an opportunity across all stakeholder groups.
- Subcontractors perceived social procurement policies as most risky, followed by employment services providers, social enterprises, government and education providers.
- Subcontractors identified a range of risks which included: extra costs of compliance (employment and supervision); compromised safety; and reduced productivity.
- Subcontractors also perceived these risks to be unfairly distributed onto their shoulders by governments and principal contractors.
- Some subcontractors were seen to be more exposed than others because the nature of their work was perceived to be more risky to the people targeted by these policies.
- Subcontractors perceived social procurement requirements as unfairly preferencing the disadvantaged groups targeted by these policies.
- Subcontractors also raised concerns about the lack of supply of 'low risk' candidates to meet the employment targets set by these policies (particularly Indigenous employees who are the main focus of social procurement policies in Australia).
- Subcontractors complained about the disproportionate risks which social procurement policies create for project-based industries like construction compared to non-project-based industries.
- Subcontractors felt that these pressures would lead to "*gaming*" and "*exploitation*" of the policies and the commoditisation of intended beneficiaries, as they are shifted from project-to-project to meet these moving targets.
- Subcontractors questioned whether social enterprises represent a sustainable long-term solution to addressing disadvantage through construction. Although they specialise in specific groups, they would find it hard to achieve scale in the industry when competing with incumbent subcontractors. Longer-term solutions depend on leveraging the existing supply chain, although risks need to be managed.
- Government stakeholders raised concerns about the sustainability and quality of jobs created by social procurement policies.
- Employment agencies noted the highly regulated and masculinised culture of construction projects made the industry intimidating and potentially risky for already vulnerable job seekers:
- Employment agencies found it hard to plan for future labour requirements on construction projects and concerns were also raised about the fragmentation of the industry and the lack of resources and support to manage many subcontractor interfaces.
- Employment agencies noted emerging social procurement fatigue in the industry, raising concerns about the sustainability of these policies.
- Education providers raised around a lack of genuine commitment from many employers in the construction sector.
- Education providers felt that social procurement failed to address longer-term systemic unemployment by creating an over-reliance on temporary project-based employment.
- Social enterprises highlighted numerous new risks associated with working on construction projects. These included: unfair payment conditions in contracts; large work packages beyond the capacity of social enterprises; union opposition to social enterprises; negative perceptions of social enterprises; cut-throat construction culture; increasing competition from other social businesses targeted by social procurement; and the pressures and risks of working on projects.

Research Question two: What opportunities does social procurement create for key stakeholders in Australian construction projects?

- Subcontractors and social enterprises saw the greatest opportunities in social procurement, followed by Government, educators and employment agencies.
- A small number of subcontractor's noted potential workforce diversity and employee engagement and citizenship benefits for their businesses. These were in the minority.

- For subcontractors the main opportunity presented by social procurement was the elimination of their competitors which did not have the expertise and resources to 'carry' the unproductive people targeted by these policies. This is not the type of opportunity which these policies are designed to create.
- Social enterprises saw numerous opportunities in social procurement in: changing negative stereotypes and perceptions of social enterprises; improving income/cash flow; scaling-up their businesses; and opening doors into new markets.
- Government stakeholders viewed social procurement as having significant potential to address intransigent social problems like youth unemployment that were resistant to traditional policy interventions. This was seen a simple and low cost solution which simply involved inserting social clauses into construction contracts.
- There was little interest among government stakeholders for how private construction firms complied with their new contractual obligations.
- Employment agencies saw potentially large opportunities for their businesses and job seekers to build long-term careers in construction.

Research question three: What strategies can be employed to minimise the risks and maximise the opportunities?

- The recurring theme across all stakeholder groups was the need for more education to build awareness of social procurement and the opportunities it creates.
- Implementing social procurement requires special cross-sector skills, knowledge and relationships which project managers do not have.
- There is a need for new specialist roles to facilitate this process which transcend traditional CSR, HR type support structures.
- Governments should play a more proactive role in implementing these policies rather than passing the responsibility to others.
- Project managers need to provide a broad range of support for different stakeholders who need to collaborate to implement these policies, to reduce perceived risks.
- Governments play a critical role in increasing awareness of the potential business benefits associated with social procurement.
- The industry and community may benefit from more flexible bottom-up policies which allow the industry to respond to community needs on each project.
- Common social impact measurement methodologies should be developed for assessing the impact of these policies at a project level. Common social impact measurement frameworks could foster collaboration on projects. They could also facilitate continuous improvement in the sector by facilitating learning between from good and bad practice between and within projects.
- Finally, the results provide new insights into the potential value of project-based intermediaries in implementing social procurement policies into project-based industries like construction.

## What this means

- Despite the collaborative intent of social procurement, the results highlight a range of collaborative challenges in implementing these new project requirements.
- While the construction industry represents a potentially powerful tool to bring about positive social change, new social procurement policies could do more harm than good if introduced into industries like construction without regard for the risks and opportunities they create.
- There is a need to develop better education, support structures and systems to mitigate perceived risks and maximise opportunities.
- Some types of employers and disadvantaged groups may need more support than others in implementing these policies successfully.