

TACKLING POVERTY THROUGH PUBLIC PROCUREMENT

Poverty in the UK is growing, and social mobility is declining. These trends are likely to continue even as the economy improves. To help tackle these issues, targeted recruitment and training opportunities can be included in public contracts. Drawing on good practice from six UK-wide case studies, this study shows how to do this while complying with UK and European Union (EU) procurement rules.

Key points

- Tackling poverty through employment is an essential element of the UK's sustainable development framework that every contracting authority needs to consider, not just those focusing on poverty and disadvantage.
- With reductions in welfare budgets, it is important that all public expenditure is used in the fight against unemployment and associated poverty. This will reduce welfare costs and increase outcomes from public investment in training and employability, and therefore improve value for money overall.
- Targeting recruitment and training opportunities at disadvantaged people needs to be a key consideration in sustainable procurement. The case studies have shown how this can provide employment and apprenticeship opportunities for target groups at little or no extra cost.
- Contractors delivering targeted recruitment and training requirements recognise the business benefits of getting a more skilled and committed workforce. They are also better able to compete for other contracts with training and recruitment requirements.
- Social enterprises are good at delivering social and community benefits, but both they and small and medium-sized enterprises face barriers in competing for larger contracts. Providing smaller 'lots' within procurement exercises is key to increasing their opportunities to tender.
- Significant impacts on poverty and social mobility would be achieved if the entire UK public sector was committed to generating a year's work for a person from a target disadvantaged community for each £1m in contract value.

The research

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BACKGROUND

The UK is experiencing a growth in poverty and a decline in social mobility, which is likely to continue even as the economy improves. Targeted recruitment and training opportunities in public contracts can help to address these issues. Using good practice from six case studies, this study illustrates how this can be done, while complying with UK and European Union (EU) procurement rules.

Policy basis

Tackling poverty through employment is an essential part of sustainable development. Personal well-being, social cohesion and inclusion, and opportunities for all are part of the UK's principles for sustainable development that all contracting authorities need to consider, not just those focusing on tackling poverty and disadvantage. Targeted recruitment and training, and procurement which is more 'friendly' towards small and medium-sized enterprises (SMEs) are key considerations in sustainable procurement.

Glasgow Housing Association (GHA): Housing improvement contracts

GHA has always included recruitment and training targets in its construction tenders. Through 35 contracts, 1,158 apprentices and trainees have obtained nearly 60,000 weeks of employment – 11.4% of the total labour – while residents of the city's most deprived areas have taken 48% of these opportunities.

Birmingham City Council: Library of Birmingham

The council included jobs and skills requirements as conditions in the £193m library contract. This resulted in 306 jobs for Birmingham residents, including 82 apprenticeships. Residents of priority areas took 54% of these opportunities.

Processes for sustainable procurement in England are relatively weak on these social measures to help address poverty. The Scottish and Welsh devolved governments have more highly-developed policies and practices. The Public Services (Social Value) Act 2012 has the potential to improve the position in England, but is limited in scope – it does not cover construction, supplies and smaller services contracts. The scope can be widened through adopting policies for social and community benefits as part of each contracting authority's sustainable procurement policy. 'Social and community benefits' refers to innovative contract requirements that aim to achieve social, economic or environmental benefits for a target community. Facilitating change is a major part of innovation, and will be more effective if contracting authorities are supported, encouraged and rewarded through key parts of the delivery process. For example, Value Wales provides training on community benefits for the public sector and a web-based community benefits mailbox where procurement teams can post questions and get advice.

Good practice

The case studies provided excellent examples of public bodies which have adopted policies and procurement processes for delivering social and community benefits that help reduce poverty. This good practice has largely been developed in construction contracts, but can be applied to services contracts by developing suitable specifications and targets. Knowsley Metropolitan Borough Council (MBC) has pioneered a council-wide response to the Social Value Act 2012.

Knowsley MBC: Delivering social growth

Knowsley's Social Value framework is part of a wider programme for social growth that aims to create a more resilient, self-reliant community that can thrive without full dependence on the council and its services. It applies to all relevant council activities, including in-house services and asset transfers, not just procurement.

Targeted recruitment and training requirements can be delivered at little or no extra cost, and the best contractors on a range of quality measures also score highly on this requirement. Contractors are willing to deliver social and community benefits and get better at doing so over time, in part because they recognise the business benefits

Glasgow Housing Association

Recent tender exercises have indicated contractors' growing understanding and support for the community benefits approach. Many find imaginative ways to meet the targets even where the type of work makes this difficult. This is partly because they have seen the business benefits: they get a better, more committed workforce and are more able to compete for other contracts that include employment and training requirements.

UK and EU frameworks support the inclusion of social and community benefits in public procurement, provided this does not disadvantage non-local bidders. Drafting of the specification can accommodate this, typically by requiring the successful contractor to work with named local agencies linked to the targeted community. EU requirements on the freedom of labour movement do not prohibit public bodies from targeting recruitment activity at selected areas or agencies working in a target area, or asking their contractors to do likewise. Any named agency must be open to nationals of other EU countries, who must receive equal treatment to UK nationals. However, the agency can be pro-active about getting registrations from a target community. The availability of local agencies committed to developing employability within the target community and supporting employers to recruit from this population is therefore the key to success.

Derry City Council's Kickstart to Work programme

Kickstart's strength is the process for getting into the most disadvantaged communities and helping residents to apply for opportunities arising through contracts. The Peace Bridge project used Kickstart's job-brokerage service to employers to help them recruit long-term unemployed people from the most deprived communities. The volume of applications and successful appointments revealed the talent within disadvantaged communities.

Social enterprises are good at delivering social and community benefits, but face barriers in competing for larger contracts. More would be achieved by including social/community benefit requirements in larger contracts, which private companies mostly deliver. The barriers to social enterprises participating in public procurement exercises are similar to those facing other small and medium-sized enterprises (SMEs). Providing some smaller 'lots' within procurement contracts is key to increasing tendering opportunities for social enterprises and SMEs.

United Welsh Housing Association: Splitting contracts to enable SMEs to participate

In two housing refurbishments in Cardiff, United Welsh piloted a direct management approach – purchasing the materials and procuring local SMEs on a labour-only basis. The value of each contract was therefore much smaller and viable for local SMEs to bid for. This maximised opportunities for local businesses and workers, provided the client with better control of the development process, and produced a 20% cost saving.

There is a widely accepted approach for including social/community benefits within contract conditions. Where an appropriate policy has been adopted these requirements can form part of the subject of the contract and be used in awarding the contract. This method is more robust than using a voluntary charter or corporate social responsibility approach where the contractor, rather than the client, decides what to deliver and what information on outcomes to provide.

Conclusion

Sustainable development provides a clear route between policy and practice that public bodies can use in their procurement processes to make a contribution to tackling poverty in the UK. There is a commitment to this in Scotland and Wales and an emerging approach in Northern Ireland, while the Public Services (Social Value) Act 2012 has the potential to improve the position in England.

However, there is potential for the UK government to use sustainable procurement more widely to help to achieve a fairer society. With concerns about growing poverty, declining social mobility, lack of opportunities and the problems facing lower-skilled or less experienced workers the 'just society' elements of sustainable development need higher priority in public sector purchasing across the UK.

It would be possible to achieve a very significant impact on poverty and social mobility if the whole of the public sector committed itself to generating a year's work for a person from a target community for each £1m in contract value, with a strong focus on targeting the most disadvantaged in the labour market.

About the project

This study follows up *Achieving community benefits through contracts* (Richard Macfarlane and Mark Cook, Policy Press, 2002), which pioneered the methodology for including social and community benefits in public procurement. The current project draws on six UK-wide case studies: Glasgow Housing Association, Birmingham City Council, Knowsley MBC, United Welsh Housing Association, the Peace Bridge, Derry-Londonderry, and NHS Greater Glasgow and Clyde.

FOR FURTHER INFORMATION

This summary is part of JRF's research and development programme. The views are those of the authors and not necessarily those of JRF. The full report, **Tackling poverty through public procurement** by Richard Macfarlane with Anthony Collins Solicitors, is available as a free download at www.jrf.org.uk

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