

A STATE GOVERNMENT LED SOCIAL PROCUREMENT STRATEGY

As at January 2018

The following has been prepared as a summary of feedback from various roundtables and workshops convened by the Don Dunstan Foundation as part of the Thinkers in Residence program.

1. What is the opportunity of social procurement?

As part of its role, the State Government expends significant funds everyday on programs and other efforts to achieve its policy objectives, to increase the social and economic participation of citizens who need additional assistance to take up these opportunities.

While much case management, support, training and other activity occurs in assisting key citizen groups become more ready for employment opportunities, the **key factor** in the success of these efforts is the availability of guaranteed employment opportunities as the end point of this activity. As many programs operate without the availability of these guaranteed opportunities, many programs are unable to achieve the success they might otherwise be able to.

At the same time, the State Government also expends significant funds in procuring goods and services across all aspects of its business – we estimate this at over \$2 billion annually, though this requires further consideration.

In keeping with new State Government commitments for [more effective procurement](#), the opportunity exists to bring these two currently separate considerations together – for State Government to utilise social procurement as a key element to address social and economic participation, by more strategically using its significant existing procurement spending to create employment and training opportunities for key citizen target groups.

2. What is social procurement?

Social Procurement is the practice of achieving social impact through normal procurement spending, using funding that is **already budgeted** for spending.

This occurs by procuring goods or services **to the same quality and cost** that would be expected to occur through normal arrangements, but with the deliberate intention to also maximise the creation of employment and training opportunities targeted to citizens who might not normally receive these opportunities – i.e. those who are long term unemployed or at risk of long term unemployment, including but not limited to:

- Youth
- Early school leavers
- Young people currently/previously under guardianship of the Minister
- People from new and emerging migrant communities

The objective of social procurement is to provide these citizens with a 'step-up' – i.e. the opportunity to develop both technical (e.g. skills, knowledge, experience, work history) and personal (e.g.

confidence, worth, purpose, [social bonding and bridging capital](#)) benefits from social procurement opportunities, that can then better place those citizens to compete for further work into the future.

3. How does social procurement work?

Social procurement occurs through setting mandatory outcome targets in tenders and contracts e.g.:

- Quarantining specific contracts (or sub-contracts) for preferred or mandatory provision of goods and services by [profit-for-purpose/social enterprise organisations](#) ; and/or
- Setting requirements for lead commercial providers within other contracts to meet employment and training outcomes for specified groups.

Social procurement outcomes can include:

- Employment creation e.g. X% of persons employed are from specified groups
- Training/work experience requirements e.g. X number of on-the-job training or work experience roles are created (which can also potentially be linked to employment creation outcomes)

Social procurement generally provides entry level employment and training opportunities (e.g. that don't require participants to have a pre-existing trade qualifications or high skills). These opportunities can occur in a range of capacities, including provision of services within the contract, or back-of-house e.g. administration positions within the wider supplier organisation.

The guaranteed nature of employment, training and work experience outcomes that occurs through social procurement is a powerful incentive for other organisations to contribute resources in assisting citizens to become ready for and/or support people in these opportunities – for example, by investing in pre-employment programs. This is an important point of difference between other programs which seek to support citizens into employment or similar, but where there are no guaranteed opportunities.

In setting social procurement outcomes within individual tenders, it is important that Government focus on the outcomes it requires, and leaves flexibility to providers in how they choose to meet those requirements. For example, if a lead supplier is required to generate X employment outcomes as part of a contract, in liaison with Government, they should be able to choose to meet this:

- Directly e.g. through direct employment within their own workforce
- Indirectly e.g. through employment requirements of any sub-contractors (including through partnerships with profit-for-purpose/social enterprise organisations as sub-contractors)

4. Social procurement in South Australia

There are a number of good examples of social procurement success with State Government. For example, the [Renewal SA Works Program](#) has been in place for [over 10 years](#), delivering significant direct entry level employment, training and work experience outcomes for citizens directly through social procurement practices. In 2016-17, this included:

- 199 employment outcomes
- 420 training outcomes
- 506 work experience outcomes
- 86 Renewal SA contracts included some form of social procurement outcomes
- Over \$3m in funding was secured through partnerships with other stakeholders to contribute towards employment, training or work experience programs.

Over the last 10 years, the program has delivered **over 7,800** employment, training or work experience outcomes.

The above contribution of other partners funding highlights the additional attraction of social procurement – partners have more incentive to **contribute additional resources** to assist citizens to prepare for and access employment, training or work experience opportunities, if these are guaranteed – as occurs through social procurement.

The RSA Works program has also shown considerable innovation in how it has identified potential social procurement opportunities – for example, in selling land to a large supermarket chain for the development of a new shopping complex, RSA successfully set employment and training requirements not only for the development and construction phase, but also subsequent employment in the operation of on-site commercial businesses.

In 2016-17, the Works Program delivered outcomes in industries as diverse as:

- Aged care
- Childcare
- Construction (general and civil)
- Disability support
- Engineering
- Home and community care
- Horticulture/landscaping
- Retail, food and automotive services
- Warehousing and logistics.

5. Social procurement at scale

While many Government Departments can demonstrate examples of social procurement practices, these often occur as ‘demonstrations’ (e.g. to show good corporate citizenry), and are not mainstreamed as standard practice.

To achieve impact at scale, it will be important to develop an eco-system that supports social procurement as standard practice i.e.:

- There is a consistent stream of contracts that include mandatory social procurement requirements at scale;
- There is a competitive pool of providers who are able to respond to these opportunities at scale;
- There is policy and practice direction to ensure social procurement becomes the normal way for Government to operate; and
- There is adequate support to enable providers to meet social procurement requirements.

It is critical to understand that to achieve social procurement at scale, it is important to create **both** demand and supply at the same time:

- There will be minimal benefit in creating an expanded profit-for-purpose/social enterprise sector, without social procurement opportunities that the sector can then access; and
- There will be minimal benefit in creating social procurement opportunities, without a pool of profit-for-purpose/social enterprise organisations who can meet these opportunities.

At the same time, it is also important that Government recognise that at least initially, many lead commercial suppliers may have little social procurement understanding and experience. To achieve social procurement at scale, Government will have an important role in assisting these suppliers to

meet social procurement requirements by providing them with as-simple-as-possible mechanisms to achieve this, such as connections with:

- Profit-for-purpose/social enterprise organisations;
- Training organisations that can provide a pool of ready participants able to be considered for any specific opportunities (if these will not be met by profit-for-purpose/social enterprise organisations); and/or
- Support organisations who can support suppliers and individuals in undertaking social procurement opportunities.

For example, there are commonly pre-training requirements for both employment and training/work experience positions that potential participants must be able to meet before they can be considered for these positions – e.g. white card (basic knowledge of construction work, work health and safety (WHS) laws), basic skills or similar.

To help provide lead suppliers with as-simple-as-possible mechanisms to meet social procurement requirements, it will be important to develop ‘supply pathways’ of potential participants who meet relevant pre-training requirements for upcoming opportunities, based on a forward schedule of upcoming tenders. This will help ensure that:

- Lead suppliers bidding for tenders have surety about how they will potentially be able to meet tender social procurement requirements; and
- There is a ready-made pool of potential participants that lead suppliers who win tenders can consider, soon after being awarded contracts.

6. Why a State Government lead for social procurement?

As one of the largest procurers of goods and services within the State, the State Government has an important and unique opportunity to lead the development of social procurement in SA, for the greater benefit of the State.

It is important to recognise that a deliberate State Government led strategy to achieve social procurement at scale would provide additional strategic benefits **beyond** the real opportunities to assist disadvantaged people into economic and social participation at scale.

These include:

1. The very real nature of the employment opportunities created will provide a significant lever to engage further and influence policy, practices and resourcing of a range of other stakeholders, to reinforce benefits (e.g. the Commonwealth, large corporates, universities, small to medium enterprise business sector, non- government organisations and philanthropics);
2. It will support the development of the profit-for-purpose/social enterprise sector as a new sector of the State economy, that can expand over time beyond State led social procurement efforts. For example, as the sector reaches scale over time:
 - a. It can expand to provide social procurement responses in other sectors (Commonwealth, large corporates, universities, small to medium enterprise business sector, non- government organisations and philanthropics);
 - b. It can expand into other services that may not necessarily be provided through social procurement opportunities (e.g. profit-for-purpose marketing, design, communications), whether to service the profit-for-purpose/social enterprise sector, or to provide these services to the wider market;

3. It will incentivise traditional non-government charitable organisations to consider developing their own profit-for-purpose/social enterprise arms, as a way to create additional income streams beyond traditional social service government funding e.g.:
 - a. Through new government social procurement fee-for-service contracting arrangements;
 - b. Provision of similar services to other sectors outside of government, as the market expands; and
 - c. Becoming attractive to new forms of for-purpose investment (e.g. impact investment or donation – those that would not normally invest in or donate for ‘charitable’ purposes, but who will do so where there is tangible impact). Previous State Government brokering of social impact bonds is one example of this.
4. It will assist in attracting new investment into the State – for example, impact investors who wish to support the establishment of the profit-for-purpose/social enterprise sector.

7. Social procurement in Australia

A State Government led social procurement strategy would also build on a wider shift to use social procurement for impact occurring across Australia, including:

- The 2018 [CommBank Not-For-Profit Insights Report](#), which showed the Australian not-for-profit sector:
 - Is leading innovation above the national average measured against the OECD innovation framework;
 - Uses social enterprises as a key vehicle to do so; and
 - Also utilises social enterprises as a key vehicle to expand income streams beyond traditional Government grant funding.
- The 2017 [Victorian Social Enterprise Mapping Project](#), commissioned by the Victorian Government. This report:
 - Mapped the size and impact of the social enterprise sector in Victoria, including:
 - Over 3,500 social enterprises exist in Victoria (including 43% in regional areas);
 - They provide a \$5.2b economic contribution to the State economy; and
 - They have created over 60,000 jobs
 - Showed that 75% of social enterprises identify social procurement as their biggest opportunity for future growth
 - Is the pre-cursor to the soon to be released Victorian [Social Procurement Framework](#), which will aim to build on the mapping project, to operationalise the achievement of social procurement at scale.
- The establishment of representative bodies, such as the [Queensland Social Enterprise Council](#) (State level), and [Western Australia Disability Enterprises](#) (State sub-sector level).

8. What is the role of State Government in leading State efforts?

To achieve social procurement impact at scale, State Government is uniquely placed to take both a key leadership and coordination role – both within its own procurement efforts, but also in influencing others. Successful State Government efforts to achieve impact at scale will be a significant lever in engaging these other sectors to achieve similar.

To achieve this, State Government should lead the development of a **State Social Procurement Strategy**, that in the first instance, would focus on State Government’s role in supporting the establishment of social procurement more widely, as a way to in time encourage greater social procurement practices outside of Government.

The objective of a State Social Procurement Strategy would be:

1. To provide ‘buyers’ of good and services (such as State Government) to embed social procurement as standard procurement practice, to achieve outcomes at scale; and
2. To provide ‘suppliers’ of good and services (commercial and/or profit-for-purpose/social enterprise providers) with supply pathways and other methods to meet social procurement requirements at scale, while continuing to provide opportunities for suppliers to grow their businesses by participating in Government procurement.

The key actions for State Government include:

1. SET STATE AND DEPARTMENTAL TARGETS

Set whole-of-State-government social procurement performance requirements, and as contributors towards such whole-of-Government targets, also set linked and supporting Departmental social procurement performance requirements, based on historical and projected procurement spending.

Both whole-of-Government and supporting Departmental requirements:

- a) Would be expressed as specific targets e.g.:
 - 100% of all tenders are analysed for identification of potential mandatory social procurement requirements, prior to tender
 - X% of all tenders let include mandatory social procurement requirements
 - X% of all tenders let which included mandatory social procurement requirements have these requirements met or exceeded
 - X% of tenders are promoted on a future schedule which provides at least 3 months’ notice of upcoming tenders, to enable potential suppliers to consider how they may need to prepare for upcoming tenders they may wish to tender for (including social procurement requirements)
- b) Would initially be expressed as process rather than outcome targets in the first instance (as per the above examples). Initially setting targets around process will:
 - Reinforce the process changes required to achieve social procurement as normal practice (i.e. getting the building blocks right);
 - Provide learnings to assist with later deliberations on the feasibility of setting more specific outcome targets (e.g. that X number of employment outcomes are created)
- c) Would be scaled up over time, with more mature targets as the social procurement eco-

system and practices develop over time. In other words, the targets for year 3 would be higher than targets for year 1.

Departmental requirements would be included in Chief Executive performance agreements, to ensure Departments are clear about their critical roles in supporting whole-of-Government requirements.

Whole-of-Government targets would be included in performance agreements with the relevant Chief Executive who would have ultimate responsibility for this target – see further below.

2. BUILD ON EXISTING EXPERTISE IN GOVERNMENT

Building on their existing expertise, both the Office of the Industry Advocate and State Procurement Board can play a key role in leading State social procurement efforts. This would include but not be limited to:

Office for the Industry Advocate (OIA)

- a) Utilise provisions within the [Industry Advocate Act 2017](#) to enable the [OIA](#) to lead and coordinate whole-of-Government (and supporting Departmental) social procurement requirements. Under the Act, the OIA has the ability to:
 - Make procurement reform recommendations to the State Government
 - Set direction through the [South Australian Industry Participation Policy \(SAIPP\)](#), outlining agreed Government procurement objectives. This could for example include setting contract-value thresholds by which contracts would include mandatory social procurement outcomes.
 - Build the capability and capacity of businesses based in South Australia to participate in government contracts, in line with objectives
 - Make recommendations to public authorities to resolve complaints, remove impediments or improve procurement practices and processes
 - Investigate and monitor compliance with the SAIPP by participants in government contracts
 - Take action to promote and ensure compliance with the SAIPP, including issuing directions to Government and non-Government participants in government contracts requiring them to comply with their contractual obligations in respect of the SAIPP, and reporting to the Minister in relation to non-compliance where appropriate
 - Encourage the adoption of industry participation policies by local government.
- b) In line with the above, lead the development, implementation and coordination of a State Social Procurement Strategy, to set and work towards both whole-of-Government and supporting Departmental performance requirements.

This would include leading the initial design process of wide ranging stakeholders to commence development of the strategy – including for example:

- Relevant State procurement and Departmental procurement representatives;
- Specialist social procurement brokers who have supported the establishment of social procurement at scale interstate (e.g. Social Traders, Social Ventures Australian, other);
- Possible funders or impact investors who could potentially assist in supporting the development of profit-for-purpose/social enterprise organisations and/or sector

- c) Modify the current SAIPP to add social procurement benefit provisions within existing local employment and economic benefit provisions. The current SAIPP:
 - Already requires that procurement decisions are made on a **value-for-money** basis, i.e. decisions are made on more than cost alone – such as where there may be social and other benefits.
 - Already includes a number of existing specific procurement objectives that can be expanded on to include social procurement objectives (such as ensuring opportunities for local businesses, regional businesses and Aboriginal businesses).
- d) Modify already existing OIA mechanisms such as [Meet The Buyer and Supplying To Government](#) workshops to better prepare potential lead suppliers (whether profit-for-purpose/social enterprise organisations and/or commercial suppliers) for upcoming tenders that will include significant social procurement requirements.
- e) Undertake additional steps to better connect potential lead commercial suppliers with profit-for-purpose/social enterprise organisations that can be potentially partnered with, to meet social procurement requirements in upcoming tenders that are not quarantined for profit-for-purpose/social enterprise organisations only. This could include:
 - Implement variants of Meet The Buyer events that instead focus on connecting potential lead commercial providers with profit-for-purpose/social enterprise organisations to learn each other’s business, and consider potential partnering opportunities in upcoming tenders;
 - Implement a register of SA profit-for-purpose/social enterprise organisations that can potentially assist lead commercial providers to meet social procurement requirements (i.e. as a form of variant to the existing [SA Product Register](#)).
- f) Lead the engagement of other non State Government sectors (e.g. large corporate, NGO and academic organisations) in developing this State Government led strategy, with a view to encouraging these organisations to enter into similar procurement practices (including where possible to piggy-back on any relevant State efforts).
- g) Partner with and support the State Procurement Board to meet State Social Procurement Strategy objectives.

State Procurement Board

- h) Develop and provide training and other mechanisms to raise the level of social procurement literacy and practice across Government (e.g. thinking laterally about more innovative ways to identify social procurement opportunities within tenders that may appear to have limited options for this).
- i) Inclusion of social procurement requirements in cross-Government contracts (i.e. strategic Government procurement).
- j) Inclusion of social procurement objectives and requirements with State Procurement policy, process and reporting frameworks – for example, in pre-tender market analysis and acquisition planning processes.
- k) Partner with and support the OIA to meet State Social Procurement Strategy objectives.

3. ALIGN POLICY AND PROGRAM EFFORTS

Align other non-procurement policy and program efforts across Government, to ensure that:

- Social procurement opportunities are targeted to those in most in need;
- There are clear and supported 'supply pathways' into these opportunities, with a steady stream of participants able to be considered for such opportunities;
- There is effective and coordinated support for the growth of profit-for-purpose/social enterprise sector capacity in SA.

This would include:

Targeting to need/supply pathways

- a) Ensuring alignment of Department for Industry and Skills (DIS) policy, programs and resources around to ensure there are links between social procurement opportunities and:
 - Individual workforce participation programs, such as [Adult Community Education](#), [Building Family Opportunities](#), [Personal Support Program](#) and [Successful Transitions](#);
 - Foundation skills strategy;
 - Support for apprenticeships and traineeships;
 - Lead liaison with the Commonwealth around alignment with the Job Active system and other Commonwealth employment policy and programs.
- b) Consistent DIS led arrangements to address insurance requirements linked to work experience and on-the-job training programs (there are currently inconsistent requirements of registered training organisations to meet insurance requirements that then enable suppliers to take on work experience and on-the-job training placements).
- c) Ensuring alignment with TAFE SA and other vocational/pre-vocational provider programs and short courses.
- d) Ensuring alignment within the secondary education system to identify students from key target group backgrounds who could make use of particularly work experience and training opportunities that will be created – for example, through Regional Pathway Manager positions.
- e) Ensuring alignment of Department of Human Services (DHS) policy, programs and resources in areas such as:
 - Public and community housing;
 - Homelessness and domestic violence services;
 - Poverty relief services e.g. financial counselling, emergency financial and food relief

This alignment would be focussed on identifying clients of these services as potential participants in 'supply pathways' for upcoming social procurement opportunities, to undertake any pre-training requirements, and supporting clients in this process.

- f) Ensuring adequate support for participants entering into social procurement opportunities, through existing arrangements with social services or similar organisations. This recognises that the disadvantaged nature of target citizen groups is likely to require some level of liaison and support role between suppliers and individuals that may be required as individuals transition into training and employment.

- g) Ensuring alignment in Office for the Public Sector and individual Departmental recruitment policy and practices, to ensure that there are clear and programmed employment and training/work experience opportunities within the public service. This could take the form of specific targets for Departments in filling entry-level positions, supported by:
- A targeted employment program that operates in a similar way to the current graduate program across Government; and
 - General recruitment practices

Growth of sector capacity

- h) Consider how to best support the development of the strong profit-for-purpose/social enterprise sector in the State. This could potentially take the form of:
- Grant funding assistance for the establishment of a South Australian industry sector professional body for example similar to the [Queensland Social Enterprise Council](#). Such a body could also potentially act as a 'shopfront' to promote and broker members services to potential suppliers, for example similar to [Western Australia Disability Enterprises](#);
 - Brokering the entry of alternative funders to develop the sector and/or individual profit-for-purpose/social enterprise organisations e.g. through use of social impact bonds or similar;
 - Other support to encourage links with existing business sector support organisations who could potentially assist in the development an SA industry sector (such as Business SA or similar);
 - An expanded focus of the existing Corporate Volunteering program funded by DHS, to improve the capacity of the profit-for-purpose/social enterprise sector through reciprocal volunteering links with commercial organisations in target areas.

In aligning cross-Government efforts in all of the above, it will be important to ensure that these are informed by forward schedules of key tenders and projected social procurement opportunities, which anticipates the type of skills that participants will ideally need to enter upcoming social procurement opportunities, and commences preparing target participants for these.