

REPORT

Social procurement

Creating employment opportunities through purchasing expenditure

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Summary

This document provides an overview of how public and private sector organisations can strategically utilise their purchasing power, through a process known as social procurement, to achieve economic, environmental and social objectives. It incorporates insights from research produced both within Australia and internationally highlighting the objectives, opportunities and challenges of social procurement. It looks at how social procurement, particularly in the public sector¹ can be used to generate social value, specifically the creation of employment opportunities for marginalised jobseekers and the alleviation of place-based economic disadvantage by directing procurement expenditure into areas of disadvantage.

Key points

- Social procurement provides a pathway for government to leverage its substantial purchasing power to address multiple policy objectives and for larger organisations in the private and not-for-profit sectors to generate social and environmental impact through their procuring practices.
- Social value is incorporated in the procurement process through mechanisms such as direct subcontracting, stipulating employment and social clause requirements in tender contracts and forming partnerships and/or purchasing agreements with social benefit suppliers.

- Social procurement initiatives that generate optimal social value are often place-based initiatives that are backed by frameworks and policies that encourage stakeholder communication as well as a supportive organisational culture.
- Key challenges for social procurement include limited capacity among smaller social benefit suppliers to fulfil large procurement contract requirements, limited capacity among commercial suppliers to generate social impact, implementation issues across various stakeholders in procurement supply chains as well as difficulties measuring social value.
- Risks of social procurement in the public sector include the growth of unscrupulous businesses posing as social benefit suppliers, burdening commercial contractors with social benefit requirements beyond their capacity, overloading public procurement processes with too many additional policy objectives as well as inadequate research linking social procurement to sustainable employment.

Research shows that when used alongside other interventions, social procurement can alleviate various forms of inequality both in people's lives and in the communities in which they live. However, significant implementation challenges must be overcome to ensure that the social benefits generated are distributed equitably across various stakeholders involved in the procurement process.

¹ The OECD uses the term 'strategic public procurement' when discussing the use of social procurement by public entities. 'Strategic public procurement' refers to how governments use public procurement as a strategic policy lever for achieving additional policy goals, which aim to address environmental, economic and social challenges according to national priorities (OECD 2017). In this paper we have chosen to use 'social procurement' in line with the recent Victorian Social Procurement Framework and to reflect the use of social procurement both in the public and private sectors.

What is social procurement?

Social procurement broadly refers to how organisations in both public and private sectors use their purchasing power to generate a positive social impact (Burkett 2010). What constitutes positive social impact, sometimes referred to as social benefit or social value, can include an array of social objectives such as facilitating employment opportunities for specific population groups, ensuring local economic and environmental sustainability, increasing diversity within procurement supply chains through inclusion of small and medium sized enterprises (SMEs), encouraging ethical supply chain management and fostering social inclusion (DEDJTR 2018a).

Though the social benefits generated through social procurement are numerous, the focus of this paper is primarily on employment creation for jobseekers experiencing labour market disadvantage and on supporting local economic sustainability.

For large institutions in the private sector, social procurement is one pathway through which to achieve the goals set out in organisational corporate social responsibility frameworks (Burkett 2010). Australian companies adopting social procurement strategies include National Australia Bank (NAB), which through its Group Supplier Sustainability Program focuses on increasing diversity within its procurement supply chains by incorporating Indigenous and women-owned businesses wherever possible (NAB 2017).

For government, social procurement presents an avenue through which to align economic, environmental and social policy agendas, effectively using existing procurement resources to achieve multiple social impacts (LePage 2014). Most significantly, social procurement enables government to create employment opportunities for marginalised jobseeker cohorts such as the long-term unemployed, culturally and linguistically diverse migrant groups, people living with a disability and young people who lack experience (Newman, Rawlings & Philippa 2017).

Strategies such as the Victorian Government's Social Procurement Framework reflect a growing international trend of governments leveraging their procurement expenditure to deliver additional social benefits.

International and Australian policy context

Procurement strategies that pursue additional social and environmental policy objectives are increasingly being adopted by governments across the developed world. In particular, 'strategic public procurement' is being used

to create job opportunities, either directly through recruiting disadvantaged jobseekers to work on procurement projects or indirectly through supporting SMEs such as social benefit suppliers to participate in the procurement process (OECD 2017).

In 2017, 85 per cent of OECD countries endorsed public procurement processes that also prioritised environmental considerations. The same year, 60 per cent of OECD nations incorporated clauses in government procurement contracts that encouraged SME involvement, while 57 per cent used guidelines to ensure strategic procurement outcomes would be met (OECD 2017).

The European Union Public Procurement Directives encourage member states to simplify procurement procedures and to partition contracts into lots as a way of encouraging supplier diversity through SME involvement (CCS 2016). The United Nations also identifies strategic public procurement as a key approach through which governments can meet the Sustainable Development Goals. Goal 12, 'Responsible Consumption and Production', encourages governments to 'promote public procurement practices that are sustainable, in accordance with national policies and priorities' (UN 2017, p. 24).

In the United Kingdom, social procurement legislation such as the Public Services (Social Value) Act 2012 requires government to consider 'how procurement could improve the social, economic and environmental well-being of the relevant area' (DDCMS 2018, p. 2). In the USA, Federal law under the Javits-Wagner-O'Day Act of 1971 mandates all Federal Government agencies to procure certain goods and services from not-for-profit organisations that employ people with severe disabilities (SPA 2014).

In Australia, the Commonwealth Procurement Rules require that, in addition to ensuring value for money, officials must look at other non-financial considerations such as ensuring that procurement practices do not 'unfairly discriminate against SMEs' and that they 'provide appropriate opportunities for SMEs to compete' (DoF 2018, p. 14).

Targeted social procurement initiatives at the federal level include the Indigenous Procurement Policy (IPP), which is generating employment opportunities for Indigenous Australians. The IPP requires that a percentage of the Commonwealth's procurement spend be allocated to Indigenous businesses, with a target of 3 per cent to be reached by 2027. Since its introduction, \$183 billion has been awarded to 1,473 Indigenous businesses across 11,933 contracts (DPMC 2019). The value of procuring from Indigenous ventures is significant, with research showing that for every \$1 spent, \$4.41 is generated in economic and social return (Burton & Tomkinson 2015).

How does social procurement work?

There are various mechanisms through which social benefit can be incorporated into the procurement process. For public sector social procurement, these can be grouped into four categories (Dean 2013), as shown in Table 1.

Table 1 Four categories of social procurement

Approaches to social procurement
<p>Purchasing agreements and partnerships: the formation of partnerships with suppliers such as social enterprises, that can deliver goods and services in addition to achieving positive social benefit. This sometimes also involves setting aside a proportion of larger procurement contracts for social benefit suppliers.</p>
<p>Social clauses in contracts: inserting requirements in procurement contracts that oblige commercial suppliers to achieve specific social goals in addition to delivering goods and services. Such goals and how they are accomplished can be specified by the purchaser or left to the supplier to identify.</p>
<p>Employment requirements: stipulating in procurement contracts that suppliers employ local jobseekers from specific disadvantaged cohorts.</p>
<p>Direct subcontracting: requiring large commercial suppliers to subcontract a percentage of their work to social benefit suppliers.</p>

Source: Based on Dean (2013)

Using one or more of the above methods, government can integrate social benefit into the specifications of a contract either directly through a social benefit supplier or indirectly through a commercial supplier (DEDJTR 2018b). At the end of the contract, a social benefit has been delivered alongside the goods and services.

Benefits of social procurement

With pressures on government spending, social procurement offers a way to achieve multiple policy outcomes within existing procurement budgets (LePage 2014). Social procurement allows government to form new partnerships with SMEs and to develop innovative ways to align public procurement goals with broader social policy objectives (Barraket & Loosemore 2018).

Importantly, social procurement has the potential to reduce welfare expenditure by regenerating local economies and creating employment opportunities for jobseekers experiencing labour market exclusion.

Regenerating local economies and addressing place-based economic disadvantage

Studies show that across Australia, disadvantage is intensified in certain communities that consistently have lower outcomes across most social indicators (Mukherjee & Sayers 2016). In Victoria, 44 postcodes (only 6.6 per cent of the total) occupy 35.3 per cent of the most disadvantaged rankings across 22 indicators such as long-term unemployment, disability support and housing stress. The social problems associated with entrenched place-based disadvantage are complex and require innovative approaches to address them (Vinson et al. 2015). Social procurement is one such strategy.

Government social procurement initiatives in Australia that have helped to address place-based disadvantage include Victoria's Atherton Gardens Public Housing Tenant Employment Program.² Through the insertion of employment requirements into government cleaning and security contracts, out-of-work residents were able to access job opportunities. As a result, unemployment on the estate was reduced from 95 to 81 per cent over a six-year period. Not only were jobs created for tenants but the initiative regenerated what had been a deteriorating community, with flow-on benefits in areas such as health and justice (SPA 2014).

Private and public sector collaborative projects such as GROW are using social procurement to sustain local economies in the Geelong region. GROW strategies include encouraging local business collaborations as a way of supporting regional economic participation (GROW 2019).

Creating employment for jobseekers facing labour market disadvantage

Unemployment is a significant policy issue for the Australian Government, with over 158,100 people classified as long-term unemployed in April 2019 (ABS 2019). Many of the people dealing with prolonged unemployment want to find jobs but face significant obstacles to getting work. For jobseekers such as culturally and linguistically diverse migrant groups, people living with a disability and young people experiencing disadvantage, the obstacles to finding employment are often more pronounced. Creating opportunities for these groups to gain decent work assists individuals, their communities and the nation.

² This program, which was delivered in collaboration with BSL, continues to run as the Community Safety and Information Service Program.

Social procurement can support employment for these cohorts by either directly using purchasing agreements with social benefit suppliers that employ people facing labour market disadvantage or indirectly using employment requirements with commercial contractors who are then obliged to take on such jobseekers.

International and local case studies demonstrate how social procurement can be used to create jobs, include migrant populations and challenge gender norms. Swedish examples show the successful use of social procurement in the construction industry to integrate immigrant populations into the labour market (Peterson & Kadefors 2016). In the United Kingdom, social procurement has been used to simultaneously provide employment opportunities for women and address gender imbalances in the male-dominated construction industry through projects such as Women in Construction (Wright 2015).

In Australia, social procurement initiatives such as those used by the City of Gold Coast have generated measurable employment outcomes. By incorporating employment requirements in recycling tenders, the council was in 2012 able to help 74 residents facing labour market disadvantage into employment, at no extra cost to ordinary procurement procedures (SPA 2014).

Conditions that strengthen social procurement

Policies and frameworks are not enough on their own to ensure effective social procurement initiatives. These initiatives need to be backed by a supportive organisational culture as well as by effective communication and transparency between stakeholders.

For social procurement to generate meaningful social value, organisations must be structured in ways that allow high levels of collaboration between sectors. The degree to which an organisation generates social benefit through procurement is often related to the strength of its networks with community organisations such as social benefit suppliers (Burkett 2010).

Social procurement tenders, especially in the public sector, are often complex documents. Where government assistance navigating such complexity is provided, contractors are better able not only to participate in the procurement process but also to produce the social objectives desired (Burkett 2010).

Social procurement projects that generate the most impact are often those that have a clear purpose, such as creating employment for specific cohorts, rather than those that have broader aspirational goals (Newman, Rawlings & Philippa 2017).

Risks associated with social procurement

While social procurement has impressive potential, it is not without risks for various stakeholders. Several of these are identified below.

Social procurement initiatives rely heavily on partnership with social benefit suppliers. While this is certainly beneficial for such businesses, researchers in Canada argue that it may cause some social enterprises to become too dependent on government contracts—which might inhibit them from becoming competitive in the mainstream market (Mah 2014, p. 75).

The financial incentive presented by government social procurement contracts might entice some commercial businesses to pose as social benefit suppliers, to the detriment of smaller social enterprises (Mah 2014).

OECD sustainable procurement evaluations conducted across multiple member states draw attention to the potential risk of incorporating socioeconomic considerations into government procurement processes as this might compromise the economic and timely delivery of necessary public goods and services (OECD 2015).

While social procurement can create jobs for disadvantaged jobseekers, there is a lack of research to show whether such employment can be sustained past the life of the procurement project and indeed whether social procurement is an economically efficient way to tackle unemployment.

There is also a danger of viewing social benefit suppliers only through the lens of employment creation. This can undermine the many other social missions that social enterprises are devoted to, such as creating opportunities for people to participate in the community or advancing cultural awareness, all of which are just as important as employment creation (Castellas et al. 2017)

Social procurement initiatives

Numerous initiatives, both abroad and in Australia, show how social procurement can generate positive social value. In the following section two such projects are discussed, one in Birmingham UK and the other in Melbourne Australia.

Birmingham City Council Public Procurement Framework for Jobs and Skills (PPFJS)

Birmingham City Council's Public Procurement Framework for Jobs and Skills (PPFJS) leverages public procurement expenditure to reduce unemployment and create training opportunities for local people living in disadvantaged communities. Through PPFJS, all government contracts worth more than £200,000 must include community benefits (Macfarlane 2014).

In 2010, the council spent an estimated £193 million on building the City Library. As part of the jobs and skills requirements, 306 jobs and 82 apprenticeships were created for Birmingham residents, with 54 per cent of these opportunities reserved for people from disadvantaged communities (Macfarlane 2014).

Factors enabling the success of the initiative included:

- extensive collaboration of public and private sector stakeholders in developing procurement frameworks
- working with senior management staff to ensure high-level commitment to adopting procurement policies across different sectors
- resource allocation for hiring expert procurement staff to support policy implementation and develop evaluation systems across departments and sectors
- educating private sector employers on how to run targeted recruitment campaigns and the value of inclusive employment
- inserting flexible social clauses into contracts to allow large commercial suppliers to achieve social impact in ways that complement their commercial objectives.

Birmingham City Council conducts regular training and awareness sessions with procurement staff and heads of departments as well as shared learning events that showcase social procurement initiatives that have worked in other policy settings. In addition, the Council ensures that evaluation and monitoring systems which accurately measure the impact of social procurement are implemented across all sectors (Birmingham City Council c.2010).

Victoria's Level Crossing Removal Authority (LXRA)

As a government agency overseeing the improvement and construction of the state's rail infrastructure, Victoria's Level Crossing Removal Authority (LXRA) incorporates social procurement throughout all of its projects. The initiative, which falls under the state government's Social Procurement Framework, requires 3 per cent of LXRA total contract value to be allocated to social benefit suppliers and the employment of Australians from disadvantaged communities (DEDJTR 2018a).

Social procurement projects such as the LXRA present a significant opportunity for social enterprises such as the Brotherhood of St Laurence's Given the Chance employment program to provide jobseekers with employment opportunities (see panel).

GIVEN THE CHANCE

Given the Chance is a Brotherhood of St Laurence social enterprise that helps disadvantaged jobseekers access job opportunities and offers employers a supported recruitment model to help them secure more diverse sources of labour for the purposes of meeting corporate social responsibility, social procurement and workforce diversity objectives. The labour market intermediary model offsets risk by using the status of legal employer (as a Group Training Organisation) to assist mainstream commercial contractors with integrating and supporting marginalised jobseekers.

The model is supported by three Jobs Victoria Employment Network programs in Epping, Dandenong and Flemington, funded by the Department of Jobs, Precincts and Regions. These sites have the capacity to support large pools of diverse jobseekers, preparing them and funnelling them to supported recruitment opportunities with the BSL and its partner employers.

Given the Chance establishes a host hire agreement with partner employers and charges an hourly oncost rate³ for participants hired by BSL who are placed in jobs at the partner's worksites. The enterprise does not charge release fees for host employers to employ candidates directly, to remove any barriers to participants gaining ongoing employment.

Continued page 6

3 The hourly rate combines wages, related costs (e.g. leave and superannuation), and management fees.

Continued from page 5

Support features of the Given the Chance model for employers include:

- **a relationship manager** who is appointed to support employers, answer questions and provide further support and services where needed throughout the contract
- **an employer training workshop** that develops managers' skills to integrate new employees into the workplace. The training provides practical tools and information to help the whole team navigate cultural differences
- **field support** to help direct line supervisors manage employees who have diverse or complex needs.

Support features of the Given the Chance model for participants include:

- **job preparation support** through one-on-one assistance to navigate the recruitment process and complete any necessary screening such as medical and police checks, as well as prepare CVs and gain interviewing skills.
- **tailored job preparation training** with an emphasis on workplace culture and behaviour. Training covers 11 modules over four days, including a practice job interview.
- **field support for employees** with complex challenges to navigate the transition to employment.

Victorian Social Procurement Framework

The Victorian Social Procurement Framework (hereafter SPF) which applies across all 270 Victorian government agencies and departments came into force in September 2018. As Table 2 shows, the framework sets out seven social and three sustainable procurement goals aimed at creating social value (DEDJTR 2018a).

Table 2 Goals of the Victorian Social Procurement Framework

Social procurement goals
Provide opportunities for Victoria's Indigenous peoples by purchasing directly from Indigenous businesses and urging government suppliers to take on Indigenous employees.
Support Victorians living with a disability by purchasing directly from Australian Disability Enterprises and urging government suppliers to employ people with a disability.
Provide opportunities for Victorians from disadvantaged backgrounds by procuring goods and services from social enterprises that directly employ disadvantaged jobseekers such as refugees and migrants and long-term unemployed people.
Support women's economic security by ensuring gender equality within government suppliers and by encouraging suppliers to adopt family violence leave.
Promote fair and secure workplaces by procuring goods and services from suppliers and contactors that adhere to safe workplace laws and practices.
Promote the growth of Victorian regions experiencing disadvantage by providing employment as well as job readiness training for people living in those areas.
Encourage the viability of the Indigenous business and social enterprise sector by procuring goods and services from them.
Sustainable procurement goals
Promote environmental sustainability by ensuring all suppliers and contractors are engaging in sustainable business processes.
Encourage environmentally sustainable outputs by requiring suppliers and contractors to manage waste responsibly and to use recycled materials.
Achieve climate change policy objectives by requiring suppliers and contractors to adhere to specific stipulations regarding greenhouse emissions.

Regardless of contract value, all government suppliers are encouraged to deliver at least one of the SPF goals. The SPF also regulates what is required for procurement contracts of differing value (Table 3).

Table 3 Procurement requirements at different budget levels

Individual procurement activity requirements
<p>Below threshold: regional under \$1 million or metro under \$3 million – SPF not mandatory. However, suppliers are actively encouraged to engage social benefit suppliers and to integrate social objectives into their planning.</p>
<p>Lower band: up to \$20 million – In addition to integrating social objectives into their planning, suppliers must also seek opportunities to have social enterprises deliver a part of their contract, with a weighting of 5–10% used to favour suppliers who do so.</p>
<p>Middle band: \$20–50 million – Suppliers must develop a social procurement plan which includes performance standards that pursue social and sustainable procurement objectives. Targets for the inclusion of social benefit suppliers must also be provided.</p>
<p>Upper band: over \$50 million – As above. In addition, suppliers must provide a social procurement plan which includes targets for social and sustainable procurement objectives.</p>

Challenges of social procurement for different stakeholders

Across all stakeholders, issues with implementation as well as difficulties measuring social value constitute the biggest challenges for social procurement.

Implementation challenges

In the public sector, staff may lack the specialised training required to deal with the complexities of incorporating social objectives into procurement processes. They may also struggle to monitor the multiple policy objectives social procurement tries to achieve (Dutra et al. 2017).

Both public and private organisations must also actively find ways to shift organisational cultures that may be resistant to adopting new procurement frameworks that go beyond merely achieving economic value (Brammer & Walker 2011).

Like their public sector counterparts, procurement staff in the private sector often also require training around social procurement processes. Additionally, private sector organisations must find ways to effectively and efficiently incorporate social benefit into their everyday commercial activities. Managers often also require training to adequately support disadvantaged jobseekers with complex needs moving into their work teams (Sourani & Sohail 2011).

The challenge of measuring social value

Measuring social value further complicates the social procurement process. Here the challenge is twofold: there are resource constraints especially for social benefit suppliers and there is lack of agreement as to what precisely constitutes social value (Hebb & Hachigian 2017).

Resource obstacles include a shortage of evaluation skills among contractors involved in the supply chain, as well as the amount of time required to collect meaningful data. The burden of data collection is felt most heavily by smaller social benefit suppliers that have less financial resources to allocate to evaluation (Castellas et al. 2017).

The absence of a clear definition of what constitutes social impact muddies measurement and evaluation processes. Researchers argue that it is difficult to measure social value when the very concept is not an objective one (Burkett & McNeill 2016).

How social value is understood and the frameworks chosen for measurement are likely to differ from organisation to organisation depending on policy priorities or political views (Westall 2012). Social value can be assessed from various perspectives: impact on government policy goals, impact on social enterprises and impact on specific target populations and individuals within those groups. Consequently, deciding which evaluation framework to use can be a challenging process (Arvidson & Kara 2013).

Furthermore, not only does social procurement aim to address social issues that involve the interlocking of many complicated and changing factors, but also it is hard to connect outcomes to one specific intervention under a single procurement contract.

Specific sector challenges

Burkett (2010) has identified other challenges for different sectors (Table 4).

Table 4 Social procurement challenges by sector

Sectors and challenges
<p>Public sector</p> <ul style="list-style-type: none"> maintaining frameworks that effectively measure social impact establishing and implementing strategic social procurement goals ensuring legal clarity for procurement policies across diverse jurisdictions helping social benefit suppliers improve their capacity to ensure sustainability
<p>Private sector</p> <ul style="list-style-type: none"> ensuring that corporate social responsibility policies—the primary pathway through which social impact is incorporated in purchasing—are no longer seen as secondary business objectives but rather become embedded in organisational procurement policies limited knowledge of and contact with social benefit suppliers limited knowledge of how social benefit suppliers can help business productivity
<p>Not-for-profit sector</p> <ul style="list-style-type: none"> adopting policies that link purchasing practices to social objectives advocating for and engaging in social procurement to help build the capacity of social benefit suppliers, thereby preparing them to tender for larger government procurement contracts
<p>Social enterprise sector</p> <ul style="list-style-type: none"> building capacity, not just in service delivery but also in quality of goods and services understanding the legal frameworks governing social procurement contracts, as well as supplier obligations contained therein.

Challenges for the social enterprise sector are greater than for other sectors and go beyond implementation and impact measurement issues. Most notable is the fact that the Victorian social enterprise sector, as it is currently, lacks the capacity to satisfy the demands of larger government procurement projects. This raises concerns as most procurement initiatives rely on social enterprises both directly and indirectly to deliver social benefit.

The following section discusses the Victorian social enterprise sector and explores some of the unique challenges social enterprises face in relation to social procurement.

Victoria's social enterprise sector

Social enterprises are businesses driven by a social, cultural, environmental or economic cause that is in alignment with a public or community benefit (ST 2016).

In the SPF, the term 'social benefit suppliers' is used when referring to social enterprises (DEDJTR 2018b). To qualify as a social benefit supplier, a business must be located and operating in Victoria and must satisfy at least one of the following:

- be certified as a social enterprise by Social Traders or be listed on the Victorian Social Enterprise Mapping Project
- provide assisted employment services to people living with a disability as set out in the *Disability Services Act 1986*
- be verified by Kinaway, Small Business Victoria or Supply Nation as meeting the requirements for a Victorian Indigenous business as set out in the SPF.

Examples of social benefit suppliers include Australian disability enterprises (ADEs) as well as Indigenous businesses.

Social enterprises employ over 300,000 people nationally and account for 3 per cent of Australia's GDP (DEDJTR 2017). Of the 20,000 social enterprises in Australia (DEDJTR 2017), the majority are small to medium sized business operating primarily in the healthcare and retail industries (Barraket, Mason & Blain 2016). Some 34 per cent of these list employment creation as their primary purpose (ST 2016).

Victoria has an estimated 3500 social enterprises which generate jobs for over 60,000 people, over 30 per cent of whom belong to groups facing high barriers to employment. Victorian social enterprises employ about 20,000 people with a disability, which is double the number of people with a disability in the mainstream labour market (Castellas et al. 2017).

Although Victoria's social enterprise sector continues to grow, there are significant concerns relating to social procurement.

In 2017, respondents from almost 75 per cent of Victoria's social enterprises said that social procurement represented their biggest opportunity for growth, yet only 41 per cent bid for government contracts (Castellas et al. 2017). This might suggest limited knowledge of social procurement tender application processes and procedures.

Nearly 73 per cent of Victoria's social enterprises are small businesses (with fewer than 20 employees), 22 per cent are medium and 5 per cent are large businesses (Castellas et al. 2017). This is significant as most high-value social procurement contracts are awarded to businesses that have the scale to deliver results rather than to small social enterprises.

The average value of government contracts awarded to a Victorian social enterprise in 2017 was \$473,928, with a median of \$200,000 (Castellas et al. 2017). This points to the fact that most social enterprises are operating at the low threshold of the Social Procurement Framework (see Table 2) and cannot compete for the higher value contracts. Even where mainstream suppliers who get the high-value tenders can subcontract part of the work to smaller social enterprises, many remain reluctant to engage them and underestimate the quality of goods and services that such enterprises can deliver.

Also, current opportunities are concentrated in certain sectors. For example, major Victorian Government projects involving social procurement, such as the LXRA, are in the male-dominated construction industry, a sector with relatively few existing social enterprises. The top three industries in which Victoria's social enterprises operate are Cultural and Recreational services (29 per cent), Retail Trade (20 per cent) and Health and Social Assistance (15 per cent) (Barraket, Mason & Blain 2016). However, as public procurement contracts expand into industries with a higher concentration of social enterprises, gender imbalances are likely to be addressed.

Much remains to be done to help Victorian social enterprises develop their capacity so they can satisfy the demands of large procurement contracts. Government initiatives such as the Victorian Social Enterprise Strategy that encourage coordination between government and the social enterprise sector and the Victorian Small Business Commission that gives Victorian SMEs access to assistance with government procurement applications, processes and procedures are necessary and must be strengthened (DEDJTR 2018a).

Conclusion

There is no doubt that social procurement has the potential to create systemic change in how organisations utilise their purchasing expenditure to achieve economic, social and environmental value.

However, to fully utilise the opportunities presented by social procurement initiatives, much work needs to be done to address the implementation challenges faced by various stakeholders across the procurement chain. In addition, Victoria's social enterprise sector needs significant government capacity building support to ensure such businesses are ready and able to fulfil procurement demands.

Realising the employment opportunities presented by social procurement projects means providing people experiencing various forms of labour market disadvantage with the support and training necessary so that their skills match the needs of contractors. Furthermore, mainstream commercial employers need to be educated about the economic and social benefits of having inclusive workforces.

For government, the impacts generated by social procurement could be substantial. However, social procurement must not be viewed as a replacement for existing policies aimed at creating employment and addressing place-based disadvantage, but rather as just one of many policies through which social problems can be addressed.

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