SOCIAL PROCUREMENT AND EMPLOYMENT REQUIREMENTS IN CONSTRUCTION

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Today social procurement, and requirements to create employment for disadvantaged groups in particular, are increasingly used in the construction sector. In Sweden, a growing interest in social procurement and employment requirements is partly due to problems with segregation and high unemployment rates among immigrants. As a result, many municipalities and landlords see opportunities to combine construction projects with employment opportunities for tenants. Simultaneously, prognoses state that building will be booming in Sweden the upcoming years, creating new drivers for the construction industry to search for new employees among new groups in society. However, research on the implementation and effects of social employment requirements on organizations in the construction sector is scarce and mainly descriptive. This paper aims to address this recent trend in construction procurement and the implications for the sector as well as for research. Previous research on social procurement and employment requirements in the construction industry and written material on three Swedish cases serve as a basis for the discussion. Findings suggest that the changes in the construction industry can be understood as an ongoing institutionalization process, where the institutional work of procurement- and construction actors are reshaping old institutional logics towards a more socially service-oriented sustainable industry.

Keywords: employment requirements, institutional change, social procurement

INTRODUCTION

The concept of social sustainability is increasingly in focus in the construction sector, partly because procurement criteria are moving from the traditional emphasis on quality and price of the product to increasingly address secondary environmental and social objectives (Ruparathna and Hewage 2015). Social procurement, defined as “the use of purchasing power to create social value” (Barraket and Weissman 2009, p. iii), encompasses a range of issues and goals relating to various dimensions of social value: health and safety, buying from local SMEs, buying from women- and minority owned businesses, and employment creation for disadvantaged groups like ex-convicts, ethnic minorities, the disabled or the long-term unemployed (e.g. Walker and Brammer 2012; Zuo et al., 2012; Dean, 2013; Loosemore 2016).

In Sweden, this latter goal has been particularly in focus the last years, now gaining more attention in the industry than more established goals of ecological sustainability. The background is that Sweden experiences problems with segregation, where

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immigrants have considerably higher unemployment rates than the domestic population. This is further aggravated by the current refugee crisis creating a large inflow of immigrants (Bennewitz 2016a). At the same time, the 1960s residential buildings where most immigrants live are in need of refurbishment. Many municipalities and landlords now see opportunities to combine these construction programs with requirements for suppliers to offer employment for the inhabitants (Bennewitz 2016a; Sveriges Byggindustrier 2016a; Åkerlund 2016). Simultaneously, building in Sweden is expected to boom in the upcoming years, much due to political goals to meet a severe shortage of housing. However, the Swedish construction industry is already today experiencing a shortage of capacity, and a lack of construction workers in particular (Sveriges Byggindustrier 2016b). This combination of high demand for construction, unemployed immigrants and high inflow of new citizens has generated partly new drivers for social procurement and employment-creating requirements.

The aims of this paper are to map the effects of the recent trend of increased use of social employment requirements in procurement for the organizations that are active on the buyer and supplier sides in the construction sector, and to discuss relevant research approaches to understand this development. The focus is on organizational aspects such as how roles, processes, competences and strategies are affected. The study is literature-based and the paper is organized as follows: first, previous research and industry and government publications on social procurement and employment creation in the construction industry is summarized. Then, three Swedish cases are described, also based on literature sources, and related to the literature review. Finally, the use of institutional theory as a basis for a theoretically informed discussion of social procurement and employment requirements is discussed.

OVERVIEW OF THE INTERNATIONAL LITERATURE

In the international context social procurement is not new. In a historical overview, McCrudden (2004) map linkages between procurement social policy from the 19th century until today, and found that social procurement has a long history, especially in the building sector, where employment for disadvantaged groups has been one of the main areas of consideration. Such tendering policies have been used in the US for a long time, e.g. with affirmative action, and are now, with legislation such as the UK Social Value Act from 2012 and EU directives, increasingly being used throughout Europe (Furneaux and Barraket 2014). In Australia as well, public construction projects include employment opportunities for Australian indigenous people (Loosemore 2016). In effect, construction is often perceived as one of the industries more suitable for implementing social procurement (Almahmoud and Doloi 2015; Sutherland et al., 2015). However, despite that social procurement has frequently been applied to construction, construction clients are not considered strong in promoting sustainability (Ruparathna and Hewage 2015), and the industry is perceived as lagging behind other sectors in their implementation and experimentation with socially responsible concepts (Loosemore 2015). Whyte and Sexton (2011) claim that the construction industry more generally is struggling to radically transform in order to address increased social, environmental, financial and demographical challenges.

Social procurement using employment requirements may have important implications for both procuring organizations and suppliers. On the procurer side, use of soft, non-price criteria has been associated with a trend towards increased professionalization
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and centralization of procurement functions in public entities (Sporrong and Kadefors 2014). Such criteria are more complex to define and evaluate than traditional price-related criteria, and therefore raise competence requirements and collaboration needs within client organizations. A relationship between competence and procurement practice has been documented also for employment requirements. In a combined interview and survey study, Sutherland et al., (2015) found that those not using employment requirements perceived such requirements not relevant for their projects, but also reported insecurity as to how to manage the requirements, seeing them as too labour- and resource intensive. They also experienced uncertainty regarding the legal application of employment requirements, generally lacked a dedicated employment requirement procurer, and feared that such requirements would impact the price of contracts or the quality of tendering contractors.

As for those procuring entities that had engaged in social procurements, the study by Sutherland et al., (2015) showed that they instead emphasized the potential to contribute to fulfilling organizational, local and national outcomes/goals, and to encourage innovation in service delivery or to build stronger relationships with contractors and local communities. More than half of them had a specific procurer being responsible for the employment requirements. Further, in a study of the Women in Construction-project, aimed at promoting women in the construction of the Olympic Park in London, Wright (2015) found that the UK Social Value Act from 2012 not only regulated that social considerations should be made, but also spurred a more consistent approach from clients on social value requirements and monitoring.

Employment requirements in construction procurement also potentially impact processes and management systems on the supplier side. Wright (2015) found that social value can be a part of organizations’ CSR work, and that many contractors expressed an ethos of helping people in the community. In addition, such social commitment provides recognition outward to clients and main contractors. Accordingly, Sutherland’s et al., (2015) results suggest that contractors are becoming increasingly positive towards social procurement and employment requirements, and that working with such requirements now have become “business as usual” for many contractors in Scotland, thus supporting Wright’s (2015) findings of a more consistent approach to social procurement. In fact, Sutherland et al., (2015) even found that many contractors were anticipating and preparing for increased use of employment requirements by hiring dedicated social procurement coordinators, adopting employment requirements in relation with their subcontractors, and by involving support office functions to also work with employment creation and to collect data on requirement delivery and impact for future tenders. Likewise, when Zuo et al., (2012) interviewed industry professionals about social sustainability, they found that contractors are willing to make social considerations in their projects.

One way to fulfill employment requirements in social procurement is through contracting social enterprises. Social enterprises are hybrid organizations that have dual goals of social and financial sustainability, thereby aiming to fulfill social purposes like employing marginalized and disadvantaged groups, as well as financial purposes, by distributing profits back to the community and other beneficiaries rather than to shareholders. In the UK and Australia, for example, social enterprises are growing in numbers (Barraket and Weissman 2009; Loosemore 2015). Loosemore (2015, 2016) has conducted studies on social enterprises active especially, but not exclusively, in construction. An interview study (Loosemore 2015) revealed a lack of trust from contractors, as well as from some clients, who rather choose traditional
subcontractors whose business models are more easily understood. However, engaging social enterprises was also found to serve as a way for contractors and clients to fulfil their CSR minimum agenda. A later case study (Loosemore 2016) showed that clients and contractors have an important role to play in increasing opportunities for social enterprises.

This previous research suggests that increased use of social procurement and employment requirements has led to new roles, organizations, routines and relationships, such as social procurement coordinators, social enterprises, and deeper collaboration between procurement and construction organizations. In the following section three cases of employment requirements in Swedish construction procurement are reviewed.

THREE SWEDISH CASES

The cases were chosen for several reasons. Firstly, these cases are well known from media coverage and have also been studied and evaluated to some extent, by both industry professionals and researchers. The research that has been conducted has however focused mainly on socio-economic effects and benefits of social procurement and employment requirements, and not on organizational implications. Secondly, the cases represent three different models for how to conduct social procurement using employment requirements, and thereby provide an overview of current Swedish practices. However, it should be noted that the cases are not representative of all models used.

Case 1: A public housing company

A renovation project in Örebro, Sweden, called Vivalla, is one of Sweden’s most talked-about social procurement construction projects (Bennewitz 2016a). In 2013, a public housing company established a four-year strategic partnership with the contractor Skanska and the Employment Agency to renovate an underprivileged neighbourhood, which suffered from high unemployment. The housing company received funding from a national urban development organization in order to find new solutions and practices for ecological, social and economic sustainability. The aims of this project were to (1) provide unemployed tenants with work opportunities through internships and employment within either Skanska, the housing company, or some other project partner or subcontractor, (2) to provide education and language training with the aid from the Employment Agency, and (3) to gain knowledge about how to work with social sustainability and recruitment in future projects (Ghadban et al., 2015).

The project was designed so that the Employment Agency helped recruit tenants and paid for the internship period, while Skanska demanded that each project member (including subcontractors and consultants) hired at least one intern, who could be offered employment after internships ended. In addition, training was organized for those responsible for supervising the interns. According to the sustainability manager of Skanska, which has additional employment initiatives like leadership programs for immigrant engineers, the main takeaway from the project was deeper learning about social sustainability and increased insight into how to recruit new employees (Ghadban et al., 2015). In 2015, two years after the project was started, 50 people had gained internships and even though initial investments were higher due to the employment requirements, the project had generated more than 1 MEUR in public value for the housing company and the Employment Agency. Considering the large
profits from the Vivalla project, the lack of employment requirements in Sweden has been interpreted as due to municipalities’ short-term perspectives, as well as bureaucratic difficulties (Bennewitz 2016b).

**Case 2: A private housing company**

In order to promote the City of Malmö’s new economic, environmental and social sustainability agenda, the City has held workshops with major housing companies. As response, the private housing company Trianon decided to build new housing and renovate part of its housing stock in a disadvantaged neighbourhood using employment requirements. The neighbourhood struggled with low education levels, low income and high unemployment among tenants. The housing company collaborated with the consultancy firm WSP, who provided support for e.g. employment creation management. The housing company, assisted by the Employment Agency, demanded that the main contractor, PEAB, would hire 10 people per year for four years in the project. If they would fail to comply they would receive fines of approximately 10 000 EUR. Subcontractors were required hire at least 1-2 people, which for some smaller subcontractors was risky (Balkfors et al., 2015; Hauksson et al., 2015).

Moreover, the housing company also collaborated with the City of Malmö, who gave a 10-year discount on their ground leasing costs as long as the company continue to contribute to employment creation. Thereby the City of Malmö traded short-term profits in the form of leasing revenues for long-term tax revenues from the newly employed. In addition, with help from the municipality the company also received EU funds to decrease energy use in the housing stocks (Balkfors et al., 2015). For the housing company, the City of Malmö’s sustainability agenda was translated into a commercially driven initiative, as the private company saw a clear alignment between environmental, financial and social goals. When tenants earn wages, education and experience through working in the project, rent payments are ensured. Also, now when the property’s janitors are living in the neighbourhood, vandalism in decreased, raising the housing stock’s value further (Hauksson et al., 2015).

In order to launch this project, the new collaborations involving the housing company, the consultancy firm, the City of Malmö’s different institutions, the Employment Agency etc. were important. Furthermore, many organizations had to forgo their normal working practices in order to help the housing company realize the project. For example, the housing company had to approach construction procurement in a new way, the contractors had to accommodate increased education needs for the newly employed, and different government organizations such as the Employment Agency and Social Services had to develop coordination between the different organizations (Balkfors et al., 2015; Hauksson et al., 2015).

**Case 3: A municipal policy**

The City of Gothenburg has a social procurement policy emphasizing social integration, employment creation, fair work and fair employment contracts. Since 2014 the City of Gothenburg has set the goal that 50 % of all publicly procured services should include social requirements, however, social requirements have mostly been used for construction contracts (The city of Gothenburg 2016a) especially by public housing companies requiring that their tenants are employed in the projects (Balkfors et al., 2015; Svensson, 2015). Requirements should also prioritize groups that are far from the labour market and collects welfare, like local immigrants, youths, and disabled (The City of Gothenburg 2016a). These workers should preferably be
hired on short-term employment contracts rather than internships (The city of Gothenburg 2016a). Targeted projects should last for at least four months, and all eligible projects should recruit one prioritized person per ten employees (The city of Gothenburg 2016b).

Based on the results and suggestions of a social procurement pilot study conducted by the City of Gothenburg during 2013-2015 (The city of Gothenburg 2016a), a municipal support function has been established to coordinate and support (1) the procuring organization, (2) the unit responsible for recruitment, which consists of different labour market actors such as the Employment Agency, and (3) the suppliers. The support function and these three groups work together in order to forecast recruitment opportunities and needs, design employment requirements, find and educate possible recruits, follow-up on recruits, etc. However, as additional support the main contractor is required to have a dedicated HR professional responsible for this type of employment requirement, as well as the support function hiring a new communicator in order to help educate clients and suppliers in social procurement (The city of Gothenburg 2016b). The results and suggestions of the study are currently being evaluated (The city of Gothenburg 2016a).

**CASE DISCUSSION**

Firstly, in previous research the drivers for using social procurement and employment requirement range from altruistic goals such as ethical considerations and CSR (Loosemore 2015; Wright 2015) to more commercial goals such as goodwill, better relationships between clients and suppliers, to regulatory requirements (Sutherland et al. 2015; Wright 2015). Drivers mentioned in the Swedish cases include reducing unemployment, learning about social procurement and employment-creating practices, lower maintenance costs, reduced welfare costs, and opportunities for recruitment. Thus, Swedish drivers are fairly similar to those identified in previous international research, although there seems to be less emphasis on CSR aspects and more on the commercial side. Further, an urgent recruitment need is not identified as a driver in international literature, and only to a limited extent in the Swedish cases described here. This development is too recent to be reflected in literature, but seems to increase as a commercial driver for contractors who now must decline projects due to lack of resources, thereby losing business opportunities.

Secondly, the international literature indicated that new roles, relationships and practices are taking form. Sutherland *et al.*, (2015) describe how Scottish contractors and suppliers now are changing their business to accommodate the increasing use on employment requirements. Moreover, social enterprises are changing how businesses are usually managed and perceived, creating a new type of role and collaboration partner in the construction industry (Loosemore 2015 2016). We find similar indications in the three Swedish cases, where existing actors, primarily municipalities, housing companies, the Employment Agency and suppliers collaborate in new ways. Also, new types of actors are established, such as support functions. Further, consultancy firms and HR functions develop new services and competences. These new roles, organizations and practices suggest that organizations in the construction sector could be profoundly affected by this development, and need to think differently about the focus of construction procurement and the services provided (Balkfors *et al.*, 2015; Ghadban *et al.*, 2015; Hauksson *et al.*, 2015; The City of Gothenburg 2016ab).
Social procurement as an institutionalization process

The review of literature on social procurement and employment requirements shows that there are few in-depth studies, and that those that exist are mainly descriptive and not strongly orientated towards theoretical development. This does not only apply to construction, but also to social procurement in general, where several authors have pointed at a general lack of conceptualization and limited theoretical examination (Walker and Brammer 2012; Amann et al., 2014; Loosemore 2016). Also, even though social procurement has a high profile on the policy level, there is little knowledge of how social procurement policies in general are implemented and embedded in daily procurement practices among procurement professionals worldwide (McCrudden 2004; Walker and Brammer 2012). Although many procuring organizations are familiar with the concept of social procurement there is a lack of tools for how to procure using social requirements (Harlock 2014).

Ruparathna and Hewage (2015) further note that there is currently little research into emerging construction procurement trends more generally. Furneaux and Barraket (2014) suggest that studies of social procurement and its policy implementation are impeded by the ongoing debate about the meaning and construct of the phenomenon, and urge researchers to stop debating definitions and instead discuss more empirically interesting topics.

Our literature review shows that social procurement in the form of employment requirements may have important effects for many actors in the construction sector, and frequently leads to a development of new actors, roles, business models and relationships. Construction projects are increasingly seen as a vehicle for achieving secondary objectives and change in wider society. In any field, there are institutional logics, or sets of “material practices and symbolic constructions” (Friedland and Alford 1991) which shape meanings, appropriateness and legitimacy, determine issues, problems and solutions, and impact on change (Thornton 2002). Institutional logics have been studied in a vast range of empirical environments, and used both as theory and as a method of analysis (Thornton and Ocasio 2008).

This could be a fruitful approach to studying change processes in the construction industry, which is potentially moving from a logic focused on delivering physical buildings and construction services based on lowest price to an increased focus on delivering social value and services to communities. Several institutional logics may co-exist in parallel for a long time, and change often originates in conflicts and contradictions between such different institutional logics (Friedland and Alford, 1991). The new roles, relationships and routines between market and government organizations suggest that a process of experimentation and learning is taking place, where different approaches to social procurement and employment creation are tested and potentially further disseminated. It is interesting to follow whether these recent developments will impact more profoundly on the culture of the industry, which has historically been struggling to fully embrace more sustainable concepts (Whyte and Sexton 2011; Loosemore 2015; Ruparathna and Hewage 2015).

In such an institutional perspective, these changes could be instigated by professionals performing work related to procurement and construction, who then could be seen as simultaneously conducting institutional work. Institutional work means that individual and collective actors actively and purposively take part in institutional maintenance, disruption and creation. Institutional work is therefore concerned with how actors work on a day-to-day basis and how they change, manage, destroy or
create institutional structures in which they work and live, and how this constructs their relationships, roles and habits emerging (Lawrence et al., 2011). The activities and structures studied in research on institutional work have much in common with the changing roles and routines identified in the construction industry. As such, one potential approach for studying what, how and why role and routine changes are occurring as an effect of social procurement and employment creation in the construction industry, is through an institutional work perspective.

CONCLUSION

After reviewing previous literature and three Swedish cases, we suggest that the use of social procurement and employment requirements in the construction industry potentially can be understood as a process of institutional change. There are indications of a deinstitutionalization process of old institutional logics and practices in the construction industry which is driven by political pressures like the EU directives, functional pressures like lack of resources, and social pressures like demand for CSR (Oliver 1992). This implies that a traditional logic, where value is perceived as a function of the cost and quality of the physical product, is increasingly co-existing and competing with a logic where social value plays an important role. If looking through an institutional perspective, these changing institutional logics are subsequently shaped by procurement- and construction actors, and their ongoing institutional work, thereby creating new roles, routines and relationships in the process. By adopting a perspective of institutional logics and institutional work in studying social procurement and employment requirements, research in this field may be more closely related to and informed by relevant developments in the wider academic community.

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