

THE FRONTIERS OF SOCIAL PROCUREMENT: ACTOR RISK PERCEPTION AND MITIGATION IN THE CITY OF TORONTO SOCIAL PROCUREMENT PROGRAM



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About This Report

This report is the abridged version of the author's capstone research paper submitted in April 2017 to the University of Toronto Department of Geography and Planning as partial fulfillment for the Master of Science in Planning degree. Research took place from September 2016 to April 2017. This report was further edited and abridged during summer 2017.

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Executive Summary

This report outlines the risk perceptions and risk mitigation strategies employed by three sets of actors involved in the design, implementation, and influence of the City of Toronto Social Procurement Program. The Social Procurement Program seeks to diversify the City's supply chain by including suppliers and jobseekers from equity-seeking groups into the City's procurement process. Understanding how actors negotiate and mitigate risk in their relationship with the program's two components, supplier diversity and workforce development, is imperative to the program's future success.

The three actor-groups who make up the population of the study are: the City as both coordinator and purchaser, industry and unions, and diverse suppliers and jobseekers from equity-seeking groups. Semi-structured interviews from a sample of the population as well as document analysis were used to understand actor-group risk perceptions and the leading practices that can be used to mitigate these risks.

All actors identified additional financial risk as well as the risk attached to the difficulty of measuring social impact. Further risks identified by the City include risk embedded in the changing culture of procurement and reputational risk in the case of program failure. Risks identified by industry and unions include the absence of precedents and the risk of low membership retention for unions. Risks identified by diverse suppliers and jobseekers include risk in jeopardizing a dedication to a social cause, risk due to limited resources, and risk attached to the exclusionary characteristics of affiliated industries.

Leading practices identified for program organization include a proper balance between flexibility and hard targets in call document language, social impact measurement tools, and stakeholder coordination. Leading practices identified for supplier diversity include the legitimacy brought about by diversity certification, capacity building among diverse suppliers, and partnership among and between actor-groups. Leading practices identified for workforce development include comprehensive engagement, screening, and recruitment as well as appropriate training, compensation, and supports.

Recommendations are made to various actors to design a social impact measurement tool for social purchasing, enforce a sector-based approach to workforce development, build capacity in those industries diverse suppliers are not currently engaged, and pilot hard targets in call document language that embeds workforce development.

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1.0. Introduction

Tools to address poverty and inequity are evolving. Decision-makers are increasingly seeking new ways to advance social policy agendas while proving that their dollars are being used as effectively as possible. One poverty reduction tool creates employment opportunities for low-income and marginalized groups without spending anything more than a government already would to operate regularly. Social procurement is a powerful approach to provide economic opportunities for groups historically excluded from the labour market. The practice involves opening up corporate or public procurement channels to equity-seeking groups and socially conscious businesses. Government purchases goods and services from targeted groups from an operating budget that would be spent on such goods and services regardless. An innovative instrument for poverty reduction and workforce equity, social procurement is beginning to be adopted by governments and corporations looking to diversify their supply chain and workforce while meeting social policy targets.

The City of Toronto implemented the 'City of Toronto Social Procurement Program' on January 1, 2017. The program's new procurement criteria aim to create more inclusive channels to access the City's supply chain for diverse suppliers and equity-seeking groups. The program allows the City of Toronto to direct what it purchases to meet wider policy goals of poverty reduction and workforce equity. However, with little precedence from other Canadian jurisdictions about social purchasing policy, and because of the program's recent roll out, new relationships and responsibilities are in the process of being understood and negotiated. This report aims to understand how actors involved in the design, implementation, and influence of the program perceive risk in their involvement with the program, and the practices they think can mitigate these risks going forward.

Part I: Laying the Foundation

This section outlines the questions the research seeks to explore and answer, describes methodology, and provides background information on the City of Toronto Social Procurement Program.

2.0. Research Questions and Planning Context

- [1] **What risks do actors involved in the design, implementation, and influence of the City of Toronto Social Procurement Program anticipate in their participation in the program?**

- [2] **What leading practices have been or should be designed to mitigate these stated risks?**

Understanding risk perception and leading practices as a means of mitigation assists a variety of actors on how to plan for supplier diversity and workforce development under the City of Toronto Social Procurement Program ('SPP'). The City of Toronto ('City') has few existing Canadian examples to look to for guidance on implementing social procurement as a larger governance model. The City is therefore ongoing implementation carefully yet confidently. Meanwhile, intermediary bodies are advocating their services while negotiating how evolving standards and certifications between purchasers and diverse suppliers can be best applied to social procurement practice. Diverse suppliers and jobseekers are using often limited resources to explore ways to participate in a market which historically has not provided suitable avenues for inclusion. Private firms focused on public procurements are exploring how to engage with new procurement criteria through subcontracts and workforce development planning. Those who are invested in the findings stemming from the research question are thus any diverse supplier, intermediary and union, and private sector firm looking to engage with social procurement practice, but also bodies of government who, due to austerity measures and the scaling back of public resources, continue to look to the private and non-profit sector to achieve social policy goals.

3.0. Methodology

The research uses a cross-sectional analysis research design. Cross-sectional analysis takes a snapshot of a representative sample of the population within a specific timeframe to answer the research question. While the population of the study would include every member of each actor-group involved in the design and implementation of the program, the representative sample includes only a minimum of one member from every actor-group. The period of study for the research was September 2016 to April 2017, a time in which the SPP had been recently embedded into City procurement regulations. Thematic analysis is used to sort research data. The process for thematic analysis includes finding common responses among interviews and documents, sorting and listing each risk and leading practice from these findings, and assigning a code to each set of risks and practices. The findings were categorized by theme title and worked into the final report.

The research uses semi-structured interviews as its main research method to capture various actor-viewpoints. Interviews were conducted with fourteen actors and their responses are used as the foundation for the research findings¹.

Document analysis is also used to inform the research. This process involved analyzing reports that describe how to implement social procurement, supplier diversity, and workforce development programs. Documents were selected based on the relevancy of their subject matter to the research, their date of issue, and their relation to Toronto or Canada.

4.0. City of Toronto Social Procurement Program Overview

The City of Toronto Social Procurement Program (SPP) was adopted by Toronto City Council in April 2016 to be implemented on January 1, 2017. The SPP was developed by the Poverty Reduction Strategy Office (PRSO) within the Social Development, Finance, and Administration Division (SDFA) in partnership with other City divisions and was enacted to meet wider City of Toronto policy goals for poverty reduction in the city. The SPP stipulates participation from all City divisions and corporations in their call documents and procurements, and is therefore a social program which reaches beyond just the SDFA in its implementation. As a summary of the SPP:

¹ Interviewees are listed in Appendix

The Program aims to drive inclusive economic growth by improving access to the City's supply chain for diverse suppliers and leveraging meaningful training and employment opportunities for people experiencing economic disadvantage, including those belonging to equity-seeking communities. (SDFA, City of Toronto)

The SPP breaks down the process to drive inclusive economic growth for diverse suppliers² and equity-seeking groups³ into two pillars of the program, supplier diversity and workforce development.

4.1. Supplier Diversity:

Supplier diversity supports the inclusion of diverse suppliers into the City supply chain and procurement process. To ensure the integrity of the SPP, the City requires certification of diverse suppliers from a registered certification body. These bodies include Canadian Aboriginal and Minority Supplier Council (CAMSC), Canadian Gay and Lesbian Chamber of Commerce (CGLCC), and Certified Women Business Enterprises (WBE Canada). The Social Purchasing Project, which represents social enterprises, uses the language of *qualification* over certification in their relationship with social enterprise diverse suppliers.

For procurements between \$3,000 and \$100,000 in value, City divisions are required to intake one quotation or proposal from a diverse supplier (of a required three quotations or proposals).⁴

For procurements \$100,000 and higher which have a competitive process, suppliers are encouraged to develop their own supplier diversity program.⁵

² A diverse supplier includes any social enterprise as well as any business 50% owned, managed, or operated by an equity-seeking group.

³ An equity-seeking group is defined by the City of Toronto as groups who have been historically marginalized or underrepresented, including: Aboriginal peoples, women, immigrants and refugees, racialized/visible minority communities, persons with disabilities, LGBTQ2S communities, youth, people with low income, and undocumented Torontonians.

⁴ These types of procurements use the call document Request for Quotation (RFQ) and the winning bid is determined solely by lowest cost.

⁵ These types of procurements use the call document Request for Proposal (RFP) and the winning bid is determined by a combination between lowest cost and any added values a proponent may include in the proposal.

4.2. Workforce Development:

Workforce development ensures that equity-seeking jobseekers are included into the labour pool for City procurements while through the same process have access to training, recruitment, and skills development programs.

Only procurements over \$5 million and chosen by City staff are reviewed for a workforce development plan. Procurements selected for workforce development require bidders to submit plans for workforce development within their bids. The City can link bidders to low-income jobseeker pipelines from three City divisions: Toronto Employment and Social Services (TESS), SDFA, and Shelter, Support and Housing Administration (SSHA). Workforce development opportunities include strategies such as: opportunities for registered apprenticeships during the project construction, participation in community-led recruitments, supporting pre-employment job preparation and training, and providing mentorship and paid internships.

⁶ As the workforce development component of the SPP includes only those projects over \$5 million in value, the research has been scoped to focus on construction trades as the primary type of work to be attached to a workforce development clause as many, if not most, high-budget projects consist of the construction, repair, and maintenance of facilities and capital works.

Part II: Findings:

Risk Perception

Interviewees and referred documents have described potential risks found in the evolving set of practices associated with social procurement. These risks are categorized by each of the three actor groups: the City of Toronto, industry and unions, and diverse suppliers and jobseekers.

5.0. Risks for City of Toronto, as Purchaser and Coordinator

The City of Toronto acts as both coordinator of the SPP and as a conglomerate of divisions which procures goods and services. The risks perceived for both roles fall under four themes: 1) risk embedded in the changing culture of procurement, 2) additional financial risk, 3) risk for the specific purchasing division, and 4) risk of program failure.

5.1. Risk Embedded in the Changing Culture of Procurement

Changing longstanding norms of how best to procure, based on lowest costs, repeat suppliers, etc. towards one which includes a social component is an expansive undertaking. In navigating traditional procurement regulations, one interviewee describes the change process as a paradigm shift, a change in ideology which takes three steps. In this understanding, the evolution of social procurement moves:

*From not engaging in social procurement to risk aversion to positively doing good things.
Avoid the practice completely, then think about avoiding risk, then move to good practices.
It is a three-step process: avoidance, risk aversion, positive impact. (David LePage)*

Social procurement practice within the City of Toronto is passing through the second stage of the paradigm shift, the risk aversion stage. The City has moved past avoidance by way of implementing the SPP, and thus is working to minimize risk while developing good practices and positive impact.

Understanding risk before working to avoid it involves altering the status quo of procurement practice within the procuring institution. On risk aversion and culture change, David LePage further states:

Underlying any significant shift is a set of beliefs of principles. What we are doing for risk aversion is asking people to change basic beliefs... We have a belief that the best way to do procurement is how we do it now. [Social procurement] is about changing that. It is significant change, and hard change.

A City staff interviewee echoes the risk that is embedded in the culture change required to implement the SPP within the City of Toronto, noting the process as an organizational change exercise for an institution which employs 50,000. While not every employee works directly with procurement, the change process requires additional training elements which need to be rolled out for all senior staff who could work with procurement in each of the three City clusters.

5.2. Additional Financial Risk

Costs to support the implementation of the SPP have been kept intentionally low. One additional City staff, a Purchasing Coordinator, has been hired in the Purchasing and Materials Management Division (PMMD) to act as a liaison between PMMD, TESS, and SDFA as well as bidding proponents.

In terms of the supplier diversity component of the SPP, access to diverse supplier lists from certification bodies such as CAMSC, WBE, and CGLCC is also required. Annual membership dues to access the list and related services cost an average \$5,000-\$10,000 for each certification body.

5.3. Risk for a Specific Purchasing Division

In order to function effectively, the SPP needs support and buy-in from City divisions as these actors are fulfilling the new procurement criteria through the goods and services they purchase from within their respective operating budgets. Staff training on the new criteria was rolled-out in January and February of 2017, however one interviewee notes that it will likely take time to ensure that all impacted staff have a strong level of understanding of the new requirements and related processes.

One interviewee notes that some divisions see the new procurement process as additional work, and may therefore be resistant to the program as they may not understand its social impact or social value. The difficulty for some purchasing divisions to reconcile the new procurement criteria without understanding the program's intended benefits makes the additional work required a risk if outcomes cannot be guaranteed.

Further, the social procurement component of any bid may be met with hesitation or skepticism from industry and the general public, especially if the procurement project is large enough to be contentious. City Staff 1 notes “large-scale projects sometimes become political, and any additional regulations onto the project may add further complexity.” Adding in new procurement criteria to an already high-profile case may be risky for the purchasing division trying to facilitate an easy and transparent process for bidding and contract awarding.

5.4. Risk of Program Failure

Actors involved in the design and implementation of the SPP are dedicated to the program’s success to meet wider policy goals for poverty reduction and workforce equity. As the program is in its initial stages of implementation, the largest risk for the City of Toronto, as both purchaser and coordinator, is the risk of failure of the program to meet these intended policy goals.

In terms of scale, City divisions may not have a large pool of job-ready diverse suppliers to choose from for their specific procurement. This can be due to the capacity of diverse suppliers or the type of good or service being procured. High-skilled, technical, or specialty work may not be available from a list of diverse suppliers, and projects which call for these jobs may therefore be unable to support the components of the SPP. City Staff 1 notes that, “often for social enterprises, the range of services and capacity is not able to meet the immediate needs of contractors.” A limited amount of diverse suppliers focused on specific industries (i.e. catering, courier services, printing) means that only projects which require such industries can meet the social procurement criteria. Poverty reduction aims are therefore only contained within such industries and within certain divisions who procure the goods and services which are typically provided by diverse suppliers.

Further, provincial and federal governments have recently stressed the importance of tools which accurately measure the social impact of organizations working with poverty reduction and capacity building. Understanding how to measure the impact made by social enterprises has been a targeted concern with the onset of provincial funding, grants, loans, and programming channeled towards social enterprises since the adoption of Ontario’s Social Enterprise Strategy. At present time, however, no formalized impact assessment tool has been developed. The City therefore assumes risk in their design of the SPP which does not have formalized measurement infrastructure to determine the degree to which social enterprises are making a stated impact in their communities.

In discussing risk for the program which has been so recently rolled out, City Staff 1 notes, “The biggest risk is the risk of failure, which also means a risk of reputation for the program.”

6.0. Risks for Industry and Unions

Industry can only assume additional risk in procurements over \$100,000 dollars, as in these situations a proponent is encouraged to adopt supply chain diversity initiatives, such as subcontracting to a diverse supplier, to meet the supplier diversity component of the SPP. Procurements under \$100,000 follow normal procurement regulations where a private firm needs only to submit the lowest bid to be awarded a contract. Private firms therefore assume no more risk than they would have in procurement regulations enacted before the SPP. Private firms bidding on contracts over \$5 million will be required to enforce a workforce development plan and will therefore negotiate risk in the process.

Private industry and unions assume risk that can be categorized into three themes: 1) the risk that stems from an absence of precedents or proof of impact, 2) additional financial risk, and 3) the risk of low membership retention for unions.

6.1. Risk that Stems from an Absence of Precedents or Proof of Impact

There is an absence of examples of suppliers who have engaged in social procurement practice in public sector contracts. This lack of precedents for private firms to refer to heightens risk within the private sector. Alexandra Mutinelli-Djukic notes that among private sector firms “there is a need for champions within procurement departments. Some businesses have champions, they want to be the first ones or be acknowledged for their successes. Other businesses do not want to engage until they have seen the others”. Many firms do not have experience with social procurement practice, and consequently may be hesitant to begin to adopt the practice.

Next, the lack of hard evidence that social enterprises provide both quality work and a visible social impact also heightens risk. A private sector firm seeking to engage with supplier diversity will likely require proof of a diverse supplier’s calculated impact as well as certainty of a quality good or service. A diverse supplier may not have a detailed written record of past contracts which speak to the level of efficient and timely work that is necessary in public procurement. While subcontracting is already a risky behavior in itself, industry can take on additional risk in subcontracting to a firm which may not have detailed proof of quality work. As such, subcontracting to a diverse supplier can be more risky than subcontracting to another ‘non-diverse’ supplier which may have a longer written record of successful contracts and references.

Further, it may be difficult for a private firm to engage in supplier diversity initiatives due to the structure of their internal procurement policies. Many organizations are not set up to support supplier diversity because of their dedication to a vendor record program or restrictions on what businesses can be

suppliers. Trying to engage with social procurement through subcontracting to diverse suppliers may be risky for a private firm as it may jeopardize relationships with long-time vendors.

Lastly, for supplier diversity, the misconception that diverse suppliers have an added advantage for winning bids over other proponents may mislead a private firm away from bidding. This misconception acts as added risk if it discourages private firms from bidding because they feel that their proposal has less chance to win than a bid from a diverse supplier. In reality, the City's procurement policy is always to take the lowest bid, regardless of the status of the proponent putting forth the bid.

In terms of the workforce development component of the SPP, the private sector faces similar risks. Like with supplier diversity, many private sector firms may not have experience engaging in workforce development strategies, especially those that attempt to reach equity-seeking groups. One interviewee notes that the language for workforce development included in the RFP intentionally implies flexibility as a means to elicit innovative responses from the private sector and to ease the process by which a firm chooses which strategy to adopt. Document language may also include a list of potential workforce development options a firm can execute to meet the procurement criteria.

This flexibility measure attempts to keep options open with the intent to allow for a variety of workforce development strategies. A private firm, however, may take on additional risk in administering a cost-benefit analysis to determine which workforce development is the best fit for the project to include in the proposal. This process may be difficult for a private firm who may not know the cost, resources, and planning required for each workforce development option. Because direct workforce development targets had not been previously selected by the City and added into the proposal requirements, the private firm thus takes on additional risk in administering the process for understanding and choosing which workforce development strategy to include in their bid.

6.2. Additional Financial Risk

For proponents choosing to subcontract a component of their project to a diverse supplier, the cost of membership to certification bodies is an additional cost. The SPP requires that diverse suppliers are certified through CAMSC, CGLCC, and WBE or qualified through the Social Purchasing Project. While the Social Purchasing Project provides their list of qualified social enterprises at no cost, CGLCC, WBE, and CAMSC corporate membership dues range from \$5,000 to \$10,000.

For workforce development initiatives, there is risk in the cost of the strategy itself. Whether identifying opportunities to hire apprentices from equity-seeking groups, participating in community recruitment events, providing mentorship or paid internships, or supporting pre-employment job preparation training, the workforce development strategy is an added cost to the project. These planned expenses must be reported in the project bid, and therefore act as additional risk because they increase the

project's intended total cost which will be compared against other proponent's intended total costs. While some support can come from City and Provincial subsidies for training programs and supports, there is additional cost and financial risk put onto the proponent designing the workforce development strategy depending on the type of strategy planned.

6.3. Risk for Unions

There are several risks unions face due to opening up their membership to include jobseekers who have come into the union from social procurement workforce development strategies. One interviewee notes that unions may feel increased financial burdens to more closely case manage new members who have come in through the SPP workforce development pipeline. Further, "the falloff or lack of retention with the union tends to be somewhat high" with 50% of apprentices finishing their apprenticeships (Colleen Dignam). While there are several reasons for low retention rates, a large one is the mismatch of interests and skills between a jobseeker and the trade industry in which the jobseeker is currently fulfilling an apprenticeship. Additionally, many work places will offer an apprentice above average apprenticeship salary (but without benefits) if they leave the apprenticeship and begin permanent work. This means the worker does not finish their apprenticeship and therefore cannot collect the benefits associated with being a union member. Last, when a worker who has participated in a workforce development initiative under the SPP decides to leave the trade, there is a loss of the training resources put in and potentially paid for by the trade union. Low retention rates also mean a loss of trained workers to create robust future trade industries within the City.

7.0. Risks for Diverse Suppliers and Jobseekers

Risk for diverse suppliers is categorized based on the two components of the SPP, supplier diversity and workforce development. Diverse suppliers involved in the supplier diversity component of the SPP are businesses hoping to win or be included in procurement contracts. Those involved in the workforce development component are jobseekers looking to gain skills and employment in a specific industry, most likely the construction industry due to the high dollar value of procurements slated for workforce development. Overall, both sets of actors interact with the SPP differently, and as such, conceptualize risk differently.

7.1. Risk within Supply Chain Diversity

Under the supplier diversity component, risks for diverse suppliers include: 1) additional financial risk, 2) the risk of jeopardizing dedication to a social cause, 3) the risk in opportunity cost of directing limited resources to bidding, and 4) the risk associated with the requirement to prove impact.

7.1.1. Additional Financial Risk:

Many diverse suppliers, especially social enterprises, are already limited in their financial capacity. While diverse suppliers certified through CAMSC, WBE, and CGLCC are mostly for-profit businesses, they are generally small to medium sized enterprises (SMEs). Due to their smaller size and capacity, SMEs take on additional risk through financial costs. For social enterprises, which are generally non-profit, the financial challenges associated with public procurement bidding determine an even larger share of their overall risk perception.

Many diverse suppliers may not have access to large amounts of capital, especially for a one-time, short-term contract which has the potential to cause bankruptcy. Depending on the contract, diverse suppliers may be required to have a certain level of insurance, a certain bank balance, or may be required to upfront a certain amount of money with a bid application in order to prove capacity. In attempting to reach these requirements diverse suppliers could choose to take on a loan or direct limited funds towards procurement bidding. While some diverse suppliers may take out loans to pay for the additional capital, funds, or insurance needed to qualify for public procurements, loans themselves are innately always additional risk. Depending on the size and scope of the project, taking out a large loan for a short-term contract, if approved, may be perceived as too much of a risk when weighed against the benefits of winning the bid.

Financial risk is compounded when taking into account that under the SPP, contracts are still awarded through traditional procurement rules of the lowest cost bid. Diverse suppliers are therefore also assuming additional financial risk for an uncertain future; a diverse supplier may not win the contract. Other 'non-diverse' proponents may be able to present the lowest bid simply due to economies of scale.

7.1.2. Risk of Jeopardizing Dedication to Social Cause:

While many diverse suppliers have expressed enthusiasm for being involved in both corporate and public procurement supply chains, there is risk that the scaling of the business required for larger contracts may jeopardize the altruistic nature of a business itself, especially for social enterprises.

David LePage argues that in order to win procurement bids, diverse suppliers need to strategize to become more market-driven. He states, diverse suppliers “need to respond to market issues and get competitive at what they do. They need to run a good business first, and then create the social value in conjunction.” As procurement rules favour the lowest cost bid, several diverse suppliers may begin

to direct themselves to 'going market' while losing sight of the larger social good created through their work. This risk is especially pertinent for social enterprises who often work with very vulnerable groups.

Depending on the length and scope of the contract, there is risk in maintaining the social good sought out by a diverse supplier meeting procurement criteria. Some contracts may require a diverse supplier to hire additional short-term staff to fulfill the contract requirements. However, as social enterprises are concerned with creating work opportunities and skills development for vulnerable groups, the instability of being hired and then let go from a job could be detrimental to upward mobility and personal development for the individual. The risk of adding capacity by way of asking staff to work longer hours, asking staff to take on additional roles, hiring more staff to potentially lay-off once the project is completed, etc. is compounded when the business is a diverse supplier working with populations with specialized needs.

Boards of Directors of social enterprises may also not want to work towards 'going market', thereby jeopardizing any organizational buy-in required to begin bidding. "The Boards of social enterprises are often from the private sector but still have a risk-aversion mentality...There is risk-aversion and there is an ideological opposition. Many see themselves as non-profits, not businesses" (Nabeel Ahmed). The scaling and marketing required for public procurements can therefore be seen as too risky for the individuals who shape the direction of the social enterprise itself, its Board.

7.1.3. Risk in Opportunity Cost of Directing Limited Resources to Bidding:

Diverse suppliers, whether SMEs or social enterprises, often do not have additional staffing to begin directing resources to procurement bids. As such, deciding to focus on procurement contracts constitutes a heavy opportunity cost, and therefore a risk.

Several interviewees note that the bidding process in public tenders can be long, onerous, and legalistic, which may be a difficult structure for a diverse supplier or social enterprise to work through and understand in order to submit a complying bid. Social enterprises typically do not have dedicated proposal writing or legal staff to understand the certifications or documents required for the project. Further, the timeline between when a tender becomes publicly available and when the proposal is due is generally only a few weeks, adding to the challenge of a social enterprise being able to design a proposal before the closing date.

As such, initial bids can be quite difficult to put together as there is generally no prior engagement or successful examples to look to with public bidding. Risk perception in weighing the advantage of winning the bid to the additional staffing and resources needed to compile the bid are thus considered and negotiated.

7.1.4. Risk Associated with the Requirement to Prove Impact:

An additional risk for a diverse supplier, usually social enterprises, is the requirement to prove a measurable social impact. Diverse suppliers certified through CAMSC, WBE, and CGLCC meet SPP requirements by being 51% or more owned, operated, or managed by an equity-seeking group. Social enterprises, however, may need to prove their impact to the Social Purchasing Project or to their subcontractor. Nabeel Ahmed says, “one of the barriers for social enterprises is having to prove impact before they even get a contract.” As mentioned in previous sections of this report, oftentimes it is difficult to prove impact. Social enterprises may not have the resources to either hire a consultant or use an available toolkit to determine how to measure the social impact of their business operations.

One interviewee also states that social enterprises may sometimes be asked to prove that their employees are indeed within a vulnerable group, but that oftentimes it is illegal to collect data from employees related to sexuality or gender identity, health history, etc. Social enterprises thus take on risk when balancing the obligations they have towards their employees with the requirements to prove to higher officials that they create social impact in their mandate or operations.

7.2. Risk within Workforce Development

Jobseekers embedded into the workforce development component of the SPP are likely ones who will undergo training and apprenticeship programs to begin construction work on large-scale infrastructure projects. These jobseekers are TESS clients and thus qualify for employment assistance. As it pertains to workforce development initiatives, risk for these jobseekers includes: 1) added financial risk, and 2) risk that emerges from the characteristics of the construction industry.

7.2.1. Added Financial Risk:

TESS clients are using some form of social assistance, and as such are entering into training and apprenticeship programs to begin work at already low- to very-low incomes. That being said, jobseekers are usually not paying for the training themselves. Most training and apprentice programs are subsidized either by a government, the affiliated trade union, or potentially the private firm designing the workforce development plan. Despite these subsidies, there are additional costs attached to participation in training for any jobseeker choosing to work in the construction trades.

Additional expenses can include the payment of initiation fees and union dues as well as the purchase of safety equipment such as boots and hardhats. Most unions have not waived membership dues and registration fees to be inclusive of low-income jobseekers. Further, training may often be early in the morning or far away from a client’s home. As such, the opportunity cost of travel time, as well as the cost of transportation itself, are additional financial risks. Overall, for clients living on social assistance, there

is added financial risk in the unpaid training months before working on-site.

7.2.2. Risk that Emerges From the Characteristics of the Construction Industry:

The norms and regulations which make up the construction industry, whether those be work culture, training frameworks, systems for promotion and upward mobility, spectrum of benefits and support, etc. can also serve as risks to jobseekers deciding to engage with construction labour under the SPP.

Most workforce development initiatives will likely revolve specifically around construction work, limiting the opportunities for skills development and training laid out in the workforce development component of the SPP mainly to those jobseekers interested in construction trades. Emphasizing construction jobs in a workforce development strategy also pushes out certain groups who are naturally separated from the industry, such as women, who make up only 7% of the construction industry in Toronto. As options outside of construction work may be few, jobseekers negotiate risk in deciding to apply for a placement within a construction training program even though the industry may not be representative of their career ambitions.

Next, the process to become an accredited journeyperson through an apprenticeship program also takes several years. There is risk that there may not be enough designated hours within the workforce development strategy for jobseekers to complete their hours to receive full accreditation.

Last, the work culture in several building trades within Toronto often lacks demographic diversity. One interviewee notes that trade unions are quite diverse from each other, but are not often diverse within themselves; some trades are made up almost entirely of a dominant ethnicity. This insular nature of the construction industry can breed intolerance and discrimination. The construction industry's well-entrenched system of recruitment has therefore made it difficult for new entrants from historically disadvantaged communities and equity-seeking groups to integrate. Entering into an industry that can be intolerant may therefore be risky for equity-seeking groups who are vulnerable to prejudice.

Part III: Findings:

Risk Mitigation

Leading practices are defined as those efforts signaled by actors which work to curb risk, thereby also acting as risk mitigation practices. Leading practices in this report have been categorized into three themes: those practices which are focused on facilitating a functional organizational structure within social procurement practice as a whole, those practices focused on creating an inclusive supplier diversity model, and those focused on maintaining an efficient workforce development component.

8.0. Leading Practices within Social Procurement Organization

8.1. Tendering Requirements, Flexibility, and Hard Targets

Vital to the success of the SPP is the approach for how new procurement criteria are embedded into the already existing procurement structure. Good social procurement practice will emphasize the delicate balance between flexibility and hard targets for supplier diversity and workforce development initiatives.

Several interviewees and documents point to the need for flexibility in the early stages of social procurement implementation. Here, government can attempt to engage with both the private sector and diverse suppliers by having contracts with a small amount of built-in flexibility as opposed to direct hard targets (Revington, et. al., 2016, p. 29). Practicing flexibility, PMMD has embedded intentionally broad language in their RFPs so that private firms have some flexibility in designing their supplier diversity and workforce development programs. “There is a range of activities that gives proponents ideas about how to bid. The division wanted to keep options open. If the proponent cannot do one activity, they can do another” (City Staff 2).

While flexibility is an important strategy to help early adopters from all actor groups engage with supplier diversity and workforce development, without some variety of hard targets, “good intentions evaporate” (Steve Shallhorn). Hard targets would use language which required a direct indicator within call documents (i.e. subcontract catering services from a diverse supplier, 2% of total project budget to be spent on strategic recruitment, etc.), thus requiring bidding proponents to embed promises and plans

to fulfill these targets in their bids. Alexandra Mutinelli-Djukic notes the importance of “working with purchasers to assign clear and measurable dollar spend targets assigned to material categories.”

As such, a scoring component attached to RFPs is a leading practice which can ensure the right amount of flexibility and hard targets in a binding agreement. One City interviewee argues the importance of making the social procurement aspect of the RFP just as important as all other components. This gives equal weight to the social component, signaling the importance of this aspect of the tender. A grading advantage, preferably up to ten points or ten percent, for diverse suppliers can be worked into call document language. This acts as an incentive for social enterprises to bid on contracts themselves. It is also an incentive for other proponents to consider social enterprises as subcontractors in their bid response as they would be given this grading advantage over their competitors (bids often are won by just a few points). A grading component for the inclusion of diverse suppliers may be the ‘make or break’ factor as to which bidder gets the contract and which does not.

Another leading practice to ensure compliance while also allowing for flexibility is a penalty put on the winning proponent if they do not meet the social procurement goals that were outlined in their proposal to win the bid. If a proponent is unable to fulfill the obligations laid out in their contract, they can be forbidden from bidding on future contracts for a specified time. This practice corresponds to already existing procurement regulations in which any firm who does not comply with the proposal they put forth to win a bid may receive a time-sensitive penalty or ban from bidding on City contracts. Financial penalties could also be used.

8.2 Metrics and Social Impact Measurement Tools

The lack of a standardized tool to measure social impact is a risk felt by all three actor-groups. Without being able to ensure that a diverse supplier is delivering impact within its community, it may be difficult to prove the SPP’s effect on poverty reduction. Private firms thus may remain hesitant to subcontract to a diverse supplier, and a diverse supplier cannot showcase their impact as a means to be competitive in procurement opportunities. As a remedy, “social impact measurement tools are essential to quantifying the outcomes, impacts, and business case” for each set of actors (LePage, 2014, p. 3).

While there are several consultancy groups who offer social impact measurement training and tools for nonprofits, David LePage (2014) notes:

The current tools will need to be adapted or we may need to build a set of measurement guidelines and tools specific for social impact purchasing. The measurement model would not be based on prescriptive criteria; rather the tools must allow the market place to choose the appropriate means and outcome evaluations effective and appropriate for their particular goals and transactions. (p. 23)

On descriptive parameters, Revington, et. al. (2016) note that “there is no universal approach for measuring impact” (p. 24). This ambiguity, as well as the lack of available precedence for social impact purchasing toolkits, means many impact measurement strategies and metrics “are difficult to use due to constraints of time, resources, and costs” (Revington, et. al., 2016, p. 24). As such, while measuring social impact is heralded as one of the major solutions to overcoming uncertainty and risk, many organizations either cannot or do not want to step into the role of designing an impact measurement tool that speaks specifically to social procurement practice.

8.3. Stakeholder Coordination

Coordination between stakeholders in the form of training, engagement, and preparation for the new procurement criteria is vital for the SPP. As some actors may be hesitant about the extra risk attached to creating a supplier diversity or workforce development initiative, a robust communications network of actors that can champion social procurement is important for organizational buy-in. Strong communication channels build confidence in the SPP. Organizational support is needed to communicate benefits of social procurement as well as leading practices for implementation. Several reports and interviewees speak to the importance of an ‘internal champion’ who can rally support for social procurement within their organization, and who can act as a coordinator with other actors. This dedicated person works to build enthusiasm about social procurement initiatives throughout their organization by gaining support from senior management or an executive board.

For private firms looking to engage with supplier diversity through subcontracting, having an already present diversity and inclusion strategy in their supply chain management is an indicator of higher participation in supplier diversity initiatives (CCDI, 2016, p. 37). Often it takes time and resources to develop the protocols to manage supplier diversity, and private firms may therefore be put off from creating a supply chain diversity program (CCDI, 2016, p. 37). However, if a firm takes the time to draft a diversity inclusion strategy in its supply chain or workforce plan in advance, then it is easier to engage with social procurement when it wishes to do so.

AnchorTO is a City initiative which brings together eighteen anchor institutions in Toronto (such as Metrolinx, Toronto Community Housing, Toronto Public Library, University of Toronto, George Brown College) to discuss anchor institutions' role in their communities and promote initiatives such as social procurement. AnchorTO uses stakeholder coordination to assert a set of leading practices and precedents for anchor-community relationships in Toronto. This stakeholder coordination sets an example for social procurement, and community development more broadly, for organizations to look to and understand the merits of social procurement initiatives and to build their own supply chain diversity initiatives.

9.0. Leading Practices within Supplier Diversity

9.1. Membership and Certification

While cost of corporate membership in a certification body (CAMSC, CGLCC, WBE) can be deemed a risk for the private or public member, certification demonstrates a form of legitimacy to the practice and is a vital resource in the implementation of the SPP.

Certification for suppliers and membership dues for purchasers ensures there are capable suppliers involved, ones who can provide quality goods and services and who are building capacity to engage with City contracts. For many organizations that contract or subcontract to diverse suppliers, the partnership with certifying bodies provides resources and relationship management advice. Without support from a certifying body, the process of engaging with a diverse supplier would be nearly impossible (CCDI, 2016, p. 40).

In this sense, becoming certified or qualified ensures a ‘guarantee’ for success for all actors. Revington, et. al. (2016) notes:

For purchasers, accreditation provides a guarantee of legitimacy. The supplier meets minimum criteria for social impact, and can deliver the required quality on time and at a competitive price. For suppliers, the criteria specify the baseline of capacity, quality, and social impact required to enter the marketplace. Any suppliers who do not initially meet these criteria will benefit from clear direction for the future (p. 22).

Certifying bodies have also worked closely together to streamline their policies and requirements with the intent to ensure programs “are aligned and have the same rigor and that corporate members could be assured that at the end of the day all of the programs and all of the processes match their requirements” (Darrell Schuurman). Doing so minimizes risk for both the private firm and diverse suppliers.

In facilitating these practices, certifying organizations assume more risk in the process of screening potential diverse suppliers to ensure qualified subcontractors, thereby mitigating many of the risks felt by the private sector. Certifying organizations, as Darrell Schuurman notes:

Take on some of the risk...[diverse suppliers] have to meet certain financial obligations. Show they are viable, not in arrears... We are at least trying to do our due diligence. Corporations may have done their due diligence in the first place, we are just doing it for them...We could then say to our corporate and public partners that we have vetted these companies and we have verified that they have the capabilities to provide goods and services to you...[We] try to provide as much information and detail to our partners as possible. And on an ongoing basis to review our suppliers and have them re-certified on a regular basis, because again, we are assuming the risk. The due diligence is on us.

9.2. Scaling and Capacity Building

Measuring the capacity of diverse suppliers to begin bidding on public tenders helps determine what types of contracts suppliers should be targeting under current resources and staffing. One process for capacity building involves an initial meeting between an intermediary and a diverse supplier to discuss the process for applying to tenders, existing resources, number of workers, goals for the future, or even a supplier's SWOT analysis. Certifying bodies therefore support the SPP "by helping develop diverse suppliers to develop themselves. To get ready for public procurements, make connections, go through professional development opportunities. To make sure they are ready to do business with corporate and public partners" (Darrell Schuurman). Assessing readiness is important so that plans for bidding on contracts can be targeted to the unique experience of a specific diverse supplier.

As diverse suppliers are hesitant to take on risk, being an educator about the procurement process, funding opportunities, or required capital is an important role for the intermediary. Nabeel Ahmed says social enterprises "need to see themselves, and be set up as, suppliers rather than charities." Without compromising the social good as part of their mandate, social enterprises need to deliver quality and competitive products. Suppliers must build credibility by ensuring that their products and services are the same quality of service that could be procured from a non-diverse supplier.

In their initial applications, it is important for diverse suppliers to focus on 'low hanging fruit'. This means if they are awarded the contract, the job is more easily manageable and likely meets the diverse supplier's available resources. Diverse suppliers also build experience in how to approach and work with public procurements in case they would like to bid on larger tenders in the future. One interviewee notes that a worthwhile practice is for diverse suppliers to initially bid on an RFQ (as opposed to an RFP), which means they only need to provide the lowest dollar-value bid to be awarded the contract.

Next, it is important for confidence and internal development for a diverse supplier to be provided feedback on any application or bid they make to either the City or a contractor. This feedback allows the diverse supplier to gain insight so that "subsequent bids can become easier as social enterprises develop a library of bid responses as well as become more familiar with the process" (Alexandra Mutinelli-Djukic).

The City also has means to simplify the RFP process to be more inclusive of social enterprises who may be bidding for the first time. This involves laying out very clear guidelines and processes for submission. Along with other strategies to make the process inclusive, RFPs could be made available in large-print or contain the option for digital submission.

In terms of financial support to build capacity, diverse suppliers looking to expand their business to begin bidding on public procurements require “initial cost and upfront loans which have low-interest, and low administrative costs” (Rosemarie Powell). There are several options to assist social enterprises to bid on large contracts. The Toronto Enterprise Fund has a Mixed Capital Opportunities Fund aimed at non-profit social enterprises specifically looking to expand their business. The fund is for a maximum of \$30,000; a grant/loan hybrid, meaning a social enterprise is not required to pay back the full amount. Two additional provincial resources are also available to access services related to growing a social enterprise business, the Social Enterprise Demonstration Fund and the Social Impact Voucher Program.

9.3. Linkage through Partnership, Consortium, and Subcontract

Diverse suppliers often assume risk in bidding on contracts that require a large amount of resources and staffing as well high amounts of capital or insurance. As a solution, many interviewees discussed the potential of building consortia of diverse suppliers to bid on procurement contracts collectively. In this practice, diverse suppliers pool resources through a consortium to bid on a project in partnership, thereby alleviating the initial financial risk that would be put on a single diverse supplier. This consortium can be a subcontract between two for-profit diverse suppliers, two social enterprise diverse suppliers, or a combination of the two actors.

The combination model where a for-profit diverse supplier subcontracts to a social enterprise minimizes the risk felt by social enterprises that they will never win a potential contract over a for-profit diverse supplier due to having fewer resources. The consortium directly involves the social enterprise into the contract via partnership, and as such both suppliers collaborate rather than compete. This process makes for an even more diverse supply chain as it comprises various diverse suppliers. It also allows for knowledge-transfer relating to City contract work between different sets of actors.

Some interviewees encourage the use of consortia to remedy the issue of a lack of resources, but point to the barriers that can come with the practice. One interviewee notes that many diverse suppliers do not have existing relationships with each other and may feel uncomfortable entering into a contract with one another. Further, some contracts require a single supplier and therefore do not allow for subcontracting or unbundling. Last, there is little pre-existing research on how to help two diverse suppliers work together, and this lack of knowledge and precedence serves as a risk. Another interviewee notes that partnership development is an issue with any two businesses, especially ones who have not bid on public procurements before. Expertise, business development, and legal support are required, which could make the partnership more expensive.

10.0. Leading Practices within Workforce Development

10.1. Finding a Suitable Fit

It is important to determine the appropriate type of contract which can support effective workforce development strategies. In order to maximize effect for both the jobseeker as well as the City, the contract cannot have too low a dollar value or too short a duration. The contract should also be a multi-year project, and have multiple stages of development to cater to a wide workforce with various skill levels. In choosing a project which has a long duration, jobseekers are able to work enough hours to be able to complete their apprenticeship and become a certified journeyman. To meet these criteria, it is vital to look ahead and facilitate early planning to decide which contracts can apply a workforce development component.

Next, as the SPP is concerned with social equity, one interviewee notes that the program can attempt to support the largest group of persons on provincial assistance. Understanding which equity-seeking group is the largest user of Ontario Works (OW) and catering workforce development outreach and strategies, if fitting, to this group will make the largest social impact.

In terms of projects that become publicly contentious, one interviewee notes that adding on a social component to the project may diminish some disagreement if the public knows there is a social good attached to the project.

10.2. Engagement with Jobseekers, Industry, and Unions

In planning a workforce development strategy, early engagement with the community of jobseekers and any workforce development agencies which represent jobseekers is essential. This is to ensure these parties are aware of upcoming opportunities for workforce development. Potential opportunities, including training and job positions, need to be known and planned for as much in advance as possible in order to secure qualified participants or candidates. In terms of workforce development initiatives that are attempting to hire locally, there is the need for resident engagement meetings to discuss the infrastructure project, potentially rally support for the project, and understand the potential for local recruitment.

Employment Ontario employment services need also to be aware of certain industries with a high chance for participation in the workforce development component of the SPP, such as the construction industry.

One interviewee notes that many Employment Ontario employment services are unaware about opportunities in the construction industry as well as the related workforce development and training opportunities that exist from government funding (i.e. the Central Ontario Building and Construction Trades' Hammer Heads program).

Education about opportunities for jobseekers includes providing information via community outreach meetings about what a TESS client can expect from a job in the construction industry. Rosemarie Powell notes the importance of:

bringing in people from the industry, bringing in people to meet and greet and speak about their experiences, showing video presentations, planning tours, bringing the community into industry spaces. Once [jobseekers] can compare opportunities, they can decide if it is something they would like to do.

These integrated community outreach meetings can also give introductions to the various types of trade work required for a particular infrastructure project. Attending jobseekers are then able to choose which type of work will best suit them. Clients are therefore more fully informed when becoming part of, and eventually beginning an apprenticeship with, the construction trade of their choice.

In terms of leading practices for engagement with the private sector, part of the SPP requires the City to hold information sessions for every project in the budget year that will include a workforce development component. These sessions are designed to provide insight for proponents about how to plan a workforce development initiative, the requirements of the proposal, and to clarify any doubts about the new procurement criteria. These information sessions are helpful in minimizing the risk many proponents have in deciding which workforce development strategy to employ in their bid. Holding information sessions ensures that proponents who are unsure about how to embed a social procurement strategy do not incorporate unnecessary costs into their bid. Proponents are therefore fully informed about the infrastructure project and additional procurement criteria when deciding whether or not to submit a bid.

Finally, engagement with unions is also vital to designing and implementing an effective workforce development strategy. Unions have been a core actor in the roll out of other targeted workforce development strategies in Toronto and have worked with equity-seeking groups who are new entrants to the union to attain trade employment. If planned, having a unionized project allows for new entrants from the workforce development agreement to immediately begin their apprenticeship instead of waiting for their specific trade to be involved in the project. The lengthy timelines of infrastructure projects means a carpenter may only be needed at the beginning of the project, drywall specialists near the end, etc. If a new entrant from the workforce development strategy is unionized, then they can begin their apprenticeship work on projects on other sites while they wait to begin work on the procurement project itself. As such, the union captures more members. The mobility of the new entrant allows the new entrant to complete more apprenticeship hours than would be possible from the procurement project alone.

10.3. Recruitment and Screening

The recruitment stage is pivotal in any workforce development plan...You need to have a strong enough understanding of people's background and industry-required competencies. You need rigorous screening. Of course before you put anyone in an expensive training hall seat, you need to make sure this is what jobseekers want to do, they are fully aware... If you don't screen well then you lose credibility with the employer. (Adriana Beemans)

An initial pre-screening of candidates is vital to find a good match between the candidate and the type of trades required for the infrastructure project. In this sense, it is important to “match people with the skills they have to the skills and competencies they are looking for ahead of time” (City Staff 1).

Recruitment should also be well planned to ensure that training resources are used most effectively. One interviewee noted that training under a workforce development program should be used for jobseekers who are most likely to continue on in the industry they are being trained. Pre-screening can determine which jobseekers are most interested and most likely to continue work in the trades as a long-term profession. In initiating a thorough pre-screening process, the workforce development strategy acts as a multiplier effect for ensuring a robust labour pool of industry professionals who are more likely to work long-term to support multiple construction projects within the City.

While most of the jobs in the workforce development agreement will likely be construction jobs, other types of jobs can also be embedded into a project, such as PAT (professional, administrative, and technical) jobs. Many jobseekers qualified to work in these industries but not interested in construction work are therefore included into the workforce development strategy.

10.4. Compensation, Training, and Supports

Workforce development strategies include skills development and training programs to prepare workers to become skilled, efficient, and safe workers within the industry. These comprehensive pre-apprenticeship programs may often take several weeks or months to complete. Trainees therefore require some form of income while pursuing a training program in order to do well in the program. One interviewee notes the benefit of the ‘learn while you earn model’, a system in which workers receive additional working hours and higher wages as they complete ongoing training. Paid training reduces the financial risks jobseekers assume when choosing to enroll in training programs which may require the purchase of additional materials and tools.

Adriana Beemans speaks to the importance of building training programs that lead to livable incomes and permanent careers through the use of a sector strategy approach to workforce development. Beemans notes that sector-based strategies “build strong expertise around an industry which allows an inner

glimpse into some of the systemic barriers that low-income workers face.” A sector-based strategy would encourage employment organizations, such as TESS, to begin to understand more comprehensively the attributes and nuances of the construction trades and how this industry can be made inclusive of equity-seeking groups. Designing workforce development initiatives as part of the SPP will therefore become more instinctive for both the City and industry as a strong foundation of expertise about the construction industry and low-income jobseekers needs will have been laid through collaboration and partnership.

In terms of training programs and capacity building, Adriana Beemans further speaks of the importance of designing initiatives “that acknowledge and recognize and enable someone to enter an alternative hiring channel which focuses on the immediate industry needed competencies that low-income workers can be trained. Whether that is shorter time periods for training, whether that is being paid while taking pre-apprenticeship training, or whether that includes wrap-around supports”.

Wrap-around supports are vital for including jobseekers with barriers to employment in a workforce development strategy. Wrap-around supports attempt to ensure that all jobseekers involved in a workforce development program have the ability to effectively participate. These supports can include transportation to and from a job site, any shelter or housing, counseling and caseworker presence, further math and English training, etc. Supports can also include mentorship from graduates of the same program to teach new entrants how to navigate different situations that may arise on the job. Wrap-around supports aim to make up for any challenges a jobseeker might have towards fulfilling training and employment and therefore reduce the risk jobseekers assume when choosing to work in the construction industry. The City can enforce these types of supports when liaising with the winning proponent in monthly meetings.

Last, equity and diversity training can be rolled-out for both jobseekers and members within the construction industry to combat any intolerance within a trade industry. This training should include all staff; any supervisors, coworkers, and the new entrants to the program.

Part IV: Building Up and Out

This section outlines an analysis of the SPP by situating poverty reduction and workforce development efforts, as well as risk as an object of study, in a wider context. Based on leading practices, recommendations are put forward to curb risk felt by actor-groups interacting with the SPP.

11.0. Analysis

11.1. Analysis of Poverty Reduction, Workforce Equity, and Procurement Reform

The components of the social procurement program require assessment in their relation to wider efforts for poverty reduction. In the case of supplier diversity, social enterprises and diverse suppliers are often assuming a high amount of risk for capacity building and financing to meet procurement bids that they may never receive. Larger competing bidders are often able to drive down the price of their goods and services due to economies of scale, making it difficult for a diverse supplier to win a bid which is always awarded based on lowest cost (in the case of RFQs). Further, even if a diverse supplier is able to win a bid, the majority of that bid will be to pay for the good or service being procured and not necessarily labour hours. Often, when it does come to labour hours, diverse suppliers can usually only offer lower-wages due to the nature of their design and size. The City of Toronto Fair Wage Policy does require any contractor working for the City to pay a minimum wage set out under yearly schedules depending on the type of labour, however many of the hourly wages for jobs which may be typical of diverse suppliers sit only slightly above Ontario's minimum wage. The supplier diversity component of the program is therefore funneling resources towards lower-paying, one-time contract jobs but for those who are often experiencing the largest barriers to work and ultimately are often most vulnerable to poverty and marginalization.

In terms of workforce development, there may be a larger multiplier effect as this pillar of the program is focused on pipelining jobseekers into training which leads to long-term skills development, livable wages, benefits, and unionized careers. Jobseekers are therefore more likely to be guaranteed work after putting in all the risk. The workforce development component of the program, however, deals with a smaller number of contracts, and therefore a small number of opportunities. Further, the workforce development component will likely be focused on large-scale infrastructure projects, and as such is limited in its scope to offer a range of job opportunities which speak to all jobseekers.

It is important to note that not every low-income or equity-seeking Torontonians is captured by the SPP, whether that is through supplier diversity or workforce development. The program only captures those persons who are already employed with a diverse supplier or social enterprise, or who are TESS clients interested in working in the construction industry. This severely scopes the large number of low-income Torontonians. Next, the process by which diverse suppliers and jobseekers finally make it either to the contract or the jobsite can be limiting. Whether it is meeting certification requirements or passing trades training, there are several stages of the program which funnel out a large share of jobseekers or suppliers who may be interested in procurement opportunities with the City. In the end, there are only a handful of low-income Torontonians who benefit from the program itself by being awarded a contract or job.

Overall, however, it must be noted that the program does not exist in a vacuum as a tool for poverty reduction; it is part of a much larger portfolio of policies and programs being implemented by the City. While the program is an innovative tool for the City to use to advance social policy issues, it is important to position the program in relation to other poverty reduction programs the City is advancing. The Poverty Reduction Strategy updates new work plans each year and can therefore focus on immediate needs which arise over the course of the year and which fit into annual budgets. As such, the SPP does not need to be a system which will cater to the interests of every low-income Torontonians. There are several other City initiatives being implemented or continuing to be programmed each year which attempt to tackle issues related to poverty.

Only being implemented at the beginning of 2017, there have not been enough opportunities to evaluate the effectiveness of the program. While there are international examples of jurisdictions who have implemented comprehensive social procurement policies (i.e. Scotland), understanding how the procurement criteria have affected the delivery of good, services, and projects in Toronto will only be able to be properly understood once a formal evaluation is done at the end of 2017.

There is the chance that once evaluated, it may be seen that the SPP has had a negative effect on the price and quality of certain procurement projects. Over a few years of assessment, even more conclusive trends will emerge about how the program is affecting certain divisions with the City and industries within the private sector. At that point it may be helpful to strategize tools for poverty reduction and workforce equity in ways that do not specifically target procurement (such as education and training, other workforce diversification efforts, grants for equity-seeking groups to attend post-secondary education). As the City's Poverty Reduction Strategy includes a multidisciplinary approach with a long list of partnering divisions and programming, there will likely be opportunities other than procurement to match these needs. However, until this evaluation period is able to give conclusive results, the City should attempt to include more industries which host diverse suppliers in order to evaluate which sectors work best for the program. While evaluation may show some disadvantages to the new procurement system, evaluation could also show innovation in other areas, thereby reducing risk. Casting a wide net, as the City has done with the design of the program, gives greater opportunity to test how procurement as a tool for poverty reduction works within a large range of specific industries.

11.2. Analysis of Risk, Leading Practices, and Equity in the Program

Attempting to balance and give weight to the different risks embedded in social procurement is an extremely difficult, if not impossible, task. Each actor has a set of nuanced worldviews in the discussion, different stakes in the process, and sometimes competing outcomes to gain. The City's perception of risk focuses on coordination and reputation. Private firms are focusing on dollars spent and fairness in procurement criteria. Diverse suppliers are managing limited resources to maneuver through an unfamiliar bureaucratic system. Each actor's subjective position determines their risk perceptions, making attempts to create a hierarchy of risks counter-productive. Discussing risk in relation to a multi-stakeholder program, Stephen Whitfield, a University of Leeds professor who has studied risk in high-profile topics such as climate change politics and global food security, states:

The challenges of studying risk, then, are clearly evident. Risks are differently created, amplified, perceived and experienced by different people in different social, cultural and institutional settings. Difficult questions arise about how to conceptualize, interpret, and govern issues around which knowledge is not only incomplete, but simultaneously exists both in real-world observation and internally in the culture, experience, and values of individuals. (2014)

In this sense, competition to measure which risk is felt more strongly than another does not add value to the productivity of the SPP. Attempting to weigh the dollars spent by a private firm to develop a workforce development strategy to the costs for a diverse supplier on social assistance to enter trades training cannot be fairly judged. While one has a clear higher monetary value, risk must be understood in relation to social and economic positionality.

Being mindful of how a risk felt by one actor interacts with a risk felt by another highlights the fact that risk does not exist independently of larger social structures and ideologies. Oftentimes, a risk for one actor can be seen as a benefit for another. Leading practices work in the same way. A leading practice for one actor may be a cost burden for another. Perhaps this is why leading practices are always evolving, questioning the idea of a consistently 'best practice'.

In discussions about the interaction between risks and leading practices, it cannot be ignored that the SPP deals specifically with populations the City of Toronto has designated as equity-seeking groups. Risk perception is tied up in social, cultural, and institutional settings (as Whitfield claims), however it is these exact structures that work to disadvantage specific groups who thereby need to seek equity. The City's stated commitments to equity, as well as equity being one of the main tenets of the SPP, necessitates that the risks felt specifically by diverse suppliers may not objectively be more important than others, but do require additional consideration. The definition of equity itself points to an equality of outcomes, not of process. The SPP in its purpose and design is already facilitating part of the process in advancing equity by opening up opportunities for diverse suppliers to have 'a seat at the table' in the procurement process. However, advancing equity is a series of tasks building upon themselves, and not a single event.

The SPP can therefore be enhanced to be more inclusive of diverse suppliers by giving a stronger weight to their perceptions of risk and directing resources towards the leading practices which work to alleviate these specific risks.

12.0. Recommendations

The following recommendations are made to minimize risk for all actors involved in the City of Toronto Social Procurement Program, making special note of diverse suppliers and jobseekers:

1. It is recommended that the Social Development, Finance & Administration Division (SDFA) design a formalized social impact measurement tool for diverse suppliers involved in social purchasing. The SDFA should create an impact measurement working group with other orders of government, certifying bodies, policy think tanks, community organizations, and diverse suppliers to design the tool.
2. It is recommended that the SDFA, in partnership with the four diverse supplier certifying organizations and Enterprise Toronto, attempt to expand the list of diverse suppliers to include suppliers from now absent industries and skill-levels. This can be done through directing capacity-building efforts, business expansion advice, and potential funding to those industries that are sought out by various City divisions but are currently absent or under-resourced in diverse supplier lists.
3. It is recommended that the Toronto Employment and Social Services Division (TESS) prioritize a sector strategy to the construction trades, which will allow for a deep understanding of the supply and demand side factors which act as barriers to low-income jobseekers.
4. It is recommended that Purchasing and Materials Management Division (PMMD) pilot hard targets for workforce development in their call documents. Some projects will be given set criteria to be included in a project for suppliers (i.e. 10% of all labour hours to come from local or equity-seeking groups). These projects can be compared to projects which have made flexible commitments.

13.0. Conclusion

This report analyzes how actors involved in the design, implementation, and influence of the City of Toronto Social Procurement Program conceptualize risk in their participation with the City-wide program. Leading practices to minimize these risks have been put forward by these actors as well as additional documents which discuss social procurement in the Canadian context. It is hoped the risk perceptions and mitigation techniques put forward can assist decision-makers who continue to implement and measure the success of the recently rolled-out program. The findings of this report can also be used by other municipalities and jurisdictions in formatting their own social procurement framework.

Understanding the risks felt by actors involved in the SPP helps mitigate the overarching threat of a risk of program failure. Establishing leading practices to overcome these risks strengthens relationships between the public sector and its residents and builds confidence for new and innovative governance systems which work to not only serve diverse suppliers and equity-seeking groups, but the larger Toronto population as a whole.

Interviewees

Interviewee Name	Affiliated Organization	Interview Date
Steve Shallhorn	Labour Education Centre	Nov. 23, 2016
City Staff 1	City of Toronto	Dec. 1, 2016
David LePage	Accelerating Social Impact CCC	Jan. 09, 2017
John MacLaughlin	Toronto Workforce Innovation Group	Jan. 10, 2017
Alexandra Mutinelli-Djukic	Social Purchasing Project	Jan. 18, 2017
City Staff 2	City of Toronto	Jan. 25, 2017
Nabeel Ahmed	Social Enterprise Toronto	Jan. 26, 2017
Province Staff 1	Government of Ontario	Jan. 30, 2017
Rosemarie Powell	Toronto Community Benefits Network	Jan. 31, 2017
City Staff 3	City of Toronto	Feb. 8, 2017
Darrell Schuurman	Canadian Gay and Lesbian Chamber of Commerce	Feb. 13, 2017
Colleen Dignam	The Carpenters Union	Feb. 23, 2017
Adriana Beemans	Metcalf Foundation	Feb. 23, 2017
David London	Black and Veatch	Mar. 3, 2017

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