

## Chapter 13

# Public Procurement and Social Policy in Northern Ireland: The Unemployment Pilot Project

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### INTRODUCTION

The new 2002 Public Procurement Policy in Northern Ireland included proposals to take advantage of the considerable expenditure by government on purchasing goods, services and projects to create employment opportunities for the long term unemployed through public sector contracts. A Pilot Project was adopted which had considerable political support from members of the Northern Ireland Assembly and equality bodies, and was accepted by procurement staff and business interests subject to reservations principally on compliance with European Union and UK procedures and costs respectively. Northern Ireland has historically suffered from much higher levels of unemployment than other regions of the UK, and the Project was seen as an opportunity to redress this imbalance by taking advantage of the high level of public sector infrastructural investment in the region. The Project involves a condition being included in selected contracts for construction and services requiring contractors to submit a Social Policy statement and Employment Plan, outlining how they would meet the requirement to actively seek to employ people from the target group. On award of contract, the winning contractor was required to implement its proposals. The Pilot Project was monitored over a two year period from July 2003 to July 2005, and a final evaluation report was submitted in September 2005 to the Procurement Board, the body with oversight of all procurement matters established by the Procurement Policy, chaired by the Finance Minister and including departmental Permanent Secretaries. The results of the evaluation are presented later in this chapter, but first the use of public procurement for socio-economic purposes will be explored.

### **USE OF PUBLIC PROCUREMENT FOR SOCIO-ECONOMIC PURPOSES**

The incorporation of socio-economic goals in public procurement can be achieved in a number of ways, for example, environmental policies, protection of minorities and employment. There is, however, debate on whether the incorporation of socio-economic goals can have a detrimental effect on the commercial interests of government and its contractors through extra or hidden costs (Erridge, 2005). This chapter will attempt to dispel this view by illustrating that social clauses can be incorporated into a contract without inflicting significant additional costs or workload on contractors. While this chapter is primarily focused on the use of procurement to provide viable employment for those who have been unemployed for three months or more, it is necessary initially to review evidence and arguments on incorporating socio-economic policies into public procurement.

#### **Environment**

In recent years the importance of environmental protection and sustainability has been highlighted at both national and supranational level (primarily through European Commission Directives). This has led to a debate on the usefulness of “green” procurement as a means of identifying and procuring environmentally preferable products which make an appreciable contribution to environmental protection (Kunzlik, 2003). As a consequence there has been some debate within the EU on whether the objectives of environmental protection are in conflict with the maintenance of the integrity of the Internal Market which has in turn led to tensions between these two competing policy objectives.

Marron (1997) points out that the use of environmental procurement policies can lead to increased costs and may only provide benefits under certain circumstances, for example,, if the government is a large buyer of a particular product. Proponents of environmental purchasing argue that if a proactive environmental procurement regime is developed, prospective suppliers will conform to new practices. Murray (2000) outlines how Belfast City Council in Northern Ireland developed an environmental purchasing policy in 1998. Central to this policy was a focus on “greening the supplier” which would improve performance and gain the firm’s commitment to environmental management. The results of a case study which

analysed the supplier base found that following the Council's initiative, firms had adopted more positive environmental policies. In England a successful project was carried out to investigate whether networked relationships among stakeholders could be used to address environmental deficiencies within local communities. In 2001, collaborative supply relations facilitated close engagement between the then Department of Environment, Transport and the Regions (DETR), local schools, registered charities and local communities in the implementation of local environmental projects (Erridge & Greer, 2002).

### **Ethnic Minority Businesses**

Public procurement also has a role in combating ethnic minority inequalities in employment. The Race Relations Amendment Act (2002) "imposes a duty on public sector agencies to ensure that their services are available to all communities" (Ram & Smallbone, 2003). An example of a proactive approach to this issue is a policy initiative introduced by a consortium of West Midland Councils to ensure their contractors provide and implement equal opportunities in employment policy. The West Midland Common Standard (WMCS) initiative was based on a number of criteria which firms had to meet with regard to racial equality in employment. At its core was the importance of providing an equal opportunities policy incorporating certain key elements: open recruitment methods, monitoring the ethnic origin of job applicants and employees, and taking positive action to remedy under-representation. In compiling their evaluation of the scheme, Orton and Ratcliffe (2004) found that the scheme led to firms developing, and more importantly, implementing their equal opportunity policies. A three-year review and evaluation process has provided the Councils with the relevant information to take action where necessary. This has allowed Councils to be in a position subsequently to refuse admission to their standing list of approved contractors for failing to meet the requirements of the WMCS.

### **Employment**

The primary purpose of this chapter is to investigate how public procurement can be used to increase employment. McCrudden (2004) found two examples from Europe where procurement has been used as a tool for addressing unemployment. In the

Netherlands procurement was used by several of the larger municipal governments for social purposes, including increasing labour participation of the long term unemployed. In Belgium in 1999, the Brussels administrative region incorporated a social clause under which the contractor has to recruit unemployed persons registered with the Brussels unemployment service. A judgement from the European Court of Justice in the “Nord Pas de Calais” Case (C225/98 Commission v. France) paved the way for contracting authorities to base the award of a contract on a condition related to combating unemployment. This was dependent on respecting all other principles of EU Law and that two or more tenders were judged to be economically equal after considering the strict award criteria laid down in the directives (Fee, 2002). Chave (2003) points out that this case is confusing since bidders will rarely be neck and neck and that any tiebreak based upon social considerations will take effect as a criterion like any other. However, authoritative interpretation of the case was that the social condition could be used not as a primary selection criterion but as a secondary criterion in the case of a tie after the initial evaluation. For the purpose of the Pilot Project the definition of a tied competition was within two points in the overall scoring matrix reflecting quality and prices scored out of 100, and within 1% of the lowest, satisfactory tender when scored against the lowest price criterion.

### **Summary**

The main criticisms of the use of public procurement to pursue socio-economic policies such as environmental protection and social inclusion are based upon increased costs, both financial and transactional; lack of clarity in terms of value for money from procurement contracts; and the potential for discrimination against non-national suppliers or target groups, especially within the European Union. These criticisms will be addressed in the Conclusions in relation to the findings from the Unemployment Pilot Project. First, though, the nature of and government policies to address unemployment in the UK will be examined.

### **UNEMPLOYMENT AND UK LABOUR MARKET POLICY**

Most definitions of unemployment contain three main elements, namely: (1) being out of work; (2) being available for work; and (3)

actively seeking work. The primary measures for unemployment in the UK include the "Claimant Count" and the International Labour Organisation (ILO) definition of unemployment (Armstrong, 1999). Whilst the numbers of unemployed people capture the headlines, it is important to look at some of the effects of unemployment on the individual. Winkelman and Winkleman (1998) point out that being unemployed not only causes an absence of a source of income but also detrimental effects in terms of social relationships, identity in society and individual self-esteem. The effects of sustained unemployment can lead to outcomes such as increased mortality, suicide risk and crime rates (see e.g., Wadsworth, Montgomery & Bartley, 1999).

The use of procurement to address employment issues has to be taken in context with the various labour market policies that successive governments have adopted over the past couple of decades. Unemployment policy in the UK since 1979 has generally had two main thrusts: widespread labour market deregulation and the use of "active" labour market policies (Sheehan & Tomlinson, 1999). Conservative policies (1979-1997) incorporated workfare (Sexton, 1989) as the main element of unemployment policies and this culminated in the introduction of the Jobseekers' Allowance in October 1996. This was intended to tighten the relationship between claiming unemployment-related benefits and actively searching for work through regular interviews and monitoring of job search progress for all claimants (Armstrong, 1999). In Northern Ireland until 1996 unemployment had been on a gently rising trend, increasing by around 100 per month. In October of that year the numbers of unemployed fell by 3,400 and in November by 6,300, the largest fall ever recorded in a single month. Armstrong (1999) goes on to point out that the proportion of leavers from the claimant count who moved to other forms of benefit in the last quarter of 1996, the first three months of the Job Seekers' Allowance (JSA), increased by 15%, indicating that the fall in the numbers of unemployed was not matched by a corresponding increase in job creation.

Since coming to power in 1997, Labour has retained some Conservative policies but has put more emphasis on positive activation programmes to improve skills and incentives (Daguerre & Taylor-Gooby, 2003). At the cornerstone of Labour's employment policy has been the "New Deal" which commenced in 1998. Within

Northern Ireland a report for the Department of Employment and Learning (DEL, 2001) found that 80% of respondents to a survey had a positive opinion regarding their "New Deal" job/placement which is in line with results reported for Britain (85%). In their evaluation of the "New Deal 18-24" in Northern Ireland, McVigar and Podivinsky (2002) found that by November 2001 29,396 people had registered for the "New Deal 18-24" with 17,409 finding work. Of these, 13,205 were described as finding "sustained employment" i.e., employment that lasted for at least three months.

However, this positive analysis was challenged by the Organisation of the Unemployed: Northern Ireland (OUNI). Based on a series of focus group consultations it had undertaken with those who had participated on the "New Deal" programme in Northern Ireland since 1998, this report questioned the capability of the scheme to help unemployed people move into work. Criticisms included the scheme's "emphasis on improving the skills and qualifications of individuals" which essentially meant that the structural causes of unemployment were ignored (OUNI, 2002, p. 3) and rigidity and inflexibility in terms of both the programme's timescale and the choice of training were available. A later evaluation of the New Deal suggests that while the scheme was not massively successful, its net costs were small as much of the costs would have been incurred in paying out benefits in the absence of the "New Deal" (Shackleton, 2005).

While the unemployment rate within Northern Ireland has continued to fall over the past decade, there remain high levels of unemployment in certain areas e.g., Strabane and Derry council areas. As the former is a mainly rural area and the latter predominately urban, the problem of unemployment in Northern Ireland transcends urban/rural classifications. Moss, Jack and Wallace (2004) pointed out that with new employment growth concentrated in high technology areas, rural areas with a low concentration of skilled labour lose out on new job opportunities. This reinforces the perception that rural areas are the recipients of less-intensive, low wage jobs leading to a situation of further social exclusion. Likewise in a study of the long-term unemployed in West Belfast in the mid-nineties Sheehan and Tomlinson (1999) found that just over half of the sample (50.2%) had been unemployed for over five years. This leads to a "human capital shortfall" where people lack skills altogether or their skills are outdated due to a constantly

evolving labour market. Whilst also lacking skills, the experience of a significant period of unemployment appears to stifle flexibility over participants' work options due to their reluctance to relinquish the relative security offered by benefits (Worth, 2003).

The development and utilisation of these skills within the labour market forms part of the "employability" concept which now plays an important part in UK labour market policy. Within Northern Ireland the Department of Higher and Further Education, Training and Employment (DHFETE, 2002) defined employability as "the capacity to move into and within labour markets and to realise potential through sustainable and accessible employment." The recent development of employability focused "welfare to work" policies has been welcomed by those who argue that client central training programmes mark a considerable advance on the approach of government policy in the 1980s and early 1990s which included benefit cuts and a stringent job seeking regime. Current government "make work pay" policies could arguably represent an acknowledgement by the government of the need for additional financial support for those making the transition from welfare to work (McQuaid & Greig, 2004). Critics of this approach argue that the concept of employability seeks to blame the jobless individuals' predicament upon their own inadequacies rather than acknowledging a lack of opportunities within the labour market (Serrano Pascaul, 2001, quoted in McQuaid & Lindsay, 2005). Whilst no consensus exists, there is a body of opinion which believes that there is still a strong case for investment in labour market programmes on the grounds of equity, social cohesion and efficiency (Finn, 2000).

Elaborating on these themes, Finnegan (1998) outlined evidence of trying to achieve equity through the "Targeting Social Need" policy in Northern Ireland in the early nineties, which included the need to tackle unemployment to promote equity as a policy objective in theory and practice. Schokkaert and Sweeney (1999) argued that, along with government intervention, private sector firms can play a crucial role in promoting social cohesion, particularly by increasing opportunities from which those with low skill levels can choose. In relation to efficiency, Fraser (1999) points out that active labour market policies can achieve efficiency for the long term unemployed by enabling them to become more effective competitors for jobs which will moderate wage increases and boost employment levels. It

was the combination of ideas of equity, social cohesion and efficiency which lay behind the Unemployment Pilot Project in Northern Ireland.

#### **NORTHERN IRELAND PUBLIC PROCUREMENT POLICY**

In this section of the chapter an analysis of the development of a procurement policy, which incorporated the pursuit of socio-economic goals, will be provided. This arose from the particular experience of community conflict and economic disadvantage in Northern Ireland, in particular:

- pressure from local politicians and interests, especially in respect of winning business locally, and meeting regional socio-economic needs;
- the requirement under Section 75 of the Northern Ireland Act 1998 to “pay due regard to the need to promote equality of opportunity;” and
- the need to review NI procurement policy following devolution as no policy existed for the devolved administration, resulting in the new policy being approved by the Executive in 2002.

The implementation team developing the policy was specifically tasked to “identify the scope to use public procurement in Northern Ireland to further local social and economic objectives within the context of current EC and international law relating to procurement” (Department of Finance and Personnel, 2001, p. 1). The criterion of “best value for money” was adopted, defined as “the optimum combination of whole life cost and quality (or fitness for purpose) to meet the customer’s requirements” (DFP, 2001, p. 15). This definition allowed for the inclusion, as appropriate, of social, economic and environmental goals within the procurement process, and measures were introduced in the following areas:

- equality and discrimination,
- disabled employment schemes,
- unemployment,
- environmental purchasing, and
- small and medium-sized enterprises (SMEs).

Of these, the most innovative was the Unemployment Pilot Project (UPP). Seven devolved government departments contributed 15 contracts ranging in value from £700,000 to £8.5 million. Projects were selected to give a reasonable spread across departments, types of project (construction, services and combinations of these) and geographical location. Contracts covered services such as cleaning, catering, and security; and construction projects such as road and harbour improvements (see Table 1). Contractors were required to include with their bid an employment plan for utilising those registered unemployed for at least three months in work on the contract: failure to do so would result in rejection of the bid. Under current interpretation of EU law, the employment plan could not be used as a primary selection criterion, but is only considered in the case of a tie between two or more bids evaluated on price alone or cost/quality criteria, in which case the employment plan acts as a tie-breaker. On award of the contract, the successful contractor and sub-contractors are required to implement their Employment Plan.

### **Consultation**

The proposals on the Public Procurement Policy, including the Unemployment Pilot Project, were issued for public consultation in accordance with the Northern Ireland Act 1998 section 75 before decisions were taken on the way forward. The consultation lasted until 30 November 2001 during which a total of 25 interested parties issued a response. The Pilot project attracted particular attention from the respondents, which included statutory bodies, business representatives and groups active in promoting the equality agenda (names of respondents have been withheld for reasons of confidentiality).

The proposals were given a broad welcome by public sector unions, equality and women's groups. Some of the latter argued that the proposals did not go far enough, and should apply to a wider target audience, not just those registered unemployed. There was also concern that construction contracts would address mainly male unemployment, and that targeting the unemployed could lead to indirect discrimination against women and Protestants, as the majority of unemployed persons in Northern Ireland were male and from the Catholic community. In terms of general equality issues, one respondent proposed an incentive-based system requiring those

**TABLE 1**  
**Project Start-Up, Completion, Value and Numbers Employed**

<b>Department</b>	<b>Project</b>	<b>Start Date</b>	<b>Completion Date</b>	<b>Value (in Millions)</b>	<b>Number Employed</b>
DRD	Installation and Replacement of Water Fittings	September 2003	September 2006	£0.9	1
DRD	Springwell Climbing Lane	October 2003	May 2004	£1.5	1
DARD	Kilkeel Harbour	October 2003	October 2004	£1.6	0
DHSPSS	Green Park Healthcare Trust Regional Acquired Brain Injury Unit	August 2004	May 2006	£8.5	0
DFP	WRAMP Coleraine and Larne	December 2003	May 2005	£3.9	2
DRD	Hillsborough/Dromore Rd Junction	August 2004	May 2005	£2.9	2
NICS	Security	October 2003	October 2006*	£2.0	1
DHSSPS	Royal Hospital Laundry Services	April 2004	April 2011	£0.7	0
DFP	WRAMP Armagh and Banbridge	March 2004	August 2005	£3.1	2
DEL	St. Ita's PS Carryduff	August 2004	December 2005	£3.4	0
DRD	Sludge Tankering Services C020	April 2004	March 2007	£4.5	5
DRD	Minor CE Work C038	April 2004	March 2006	£4.0	7
NICS	Cleaning	October 2004	October 2007*	£8.0	25
NICS	Catering	August 2004	August 2007	£0.4	5
OFMDFM	FM Contract	June 2004	June 2007	£0.5	0
<b>Totals</b>				<b>£45.9</b>	<b>51</b>

Note: \*Possibility of a two year extension.

bidding for government contracts to demonstrate their commitment to equality by indicators such as a satisfactory equal opportunities policy, or fair participation in the workforce.

Construction industry representatives argued that it was unrealistic to suggest that unemployed persons could be placed directly on to construction sites without a substantial investment in training. There was also a view that no account was taken of the short-term nature of construction contracts, and the need for operatives to be highly mobile. One respondent noted that the final report should take account of the importance of training for good health and safety practice on construction sites, the short-term nature of contracts and mobility requirements. Concern was also expressed that the integration of the unemployed could simply displace skilled and semi-skilled employees. Furthermore, it was felt that the “simplistic” recommendation requiring suppliers to draw up a plan failed to understand the industry, and the importance of raising standards and skills within it, including enhanced safety standards.

Issues highlighted by statutory bodies included cost, both financial and transactional, and compliance. One consultee argued that the process could be costly and complex for both tenderers and public bodies. Rather than helping the economy, it could be a backward step if it resulted in contracts being given to less efficient or less competitive companies. Concerns were also expressed that there would be practical difficulties for procurement officers in ensuring compliance with legislation and that there would be increased burden and paperwork for suppliers and buyers.

Thus the main issues highlighted by the consultation related to equality, the availability of suitable employees, training, cost and compliance, reflecting the potentially conflicting concerns for equity, social cohesion and efficiency identified above. As this was intended to be a Pilot Project, the Review team felt that issues of training, costs and increased paperwork should be specifically examined through the monitoring and evaluation arrangement. The definition of the unemployed was however widened to address the concern in relation to indirect discrimination. The proposals thus received broad support from the diverse interests represented on the review team.

### **Comparison with other projects in the UK**

Three similar projects, which afford the opportunity for comparison of processes and outcomes, have been in operation in the UK in recent years, namely the Fusion 21 Project in Merseyside, the Community Benefits Pathfinder Project in Wales and Community Benefits in Procurement Programme in Scotland. Fusion 21 was formed in 2002 and provides tailored training opportunities in areas from joinery and decorating to window fitting and plastering. The Community Benefits Pathfinder Project is run by the Assembly's Welsh Procurement Initiative (WPI) in conjunction with the Local Government Procurement Support Unit. The project tests the impact of piloting the use of social clauses relating to training and employment of the economically inactive in the delivery of the contract. Three public sector construction projects were identified and the WPI is working with the contracting organisations to assess the short and long term effect and cost / benefit of using these clauses. The Community Benefits in Procurement (CBIP) Programme (Scotland) provided an opportunity to pilot a methodology for including targeted recruitment and training opportunities in public sector contracts. It was anticipated that this would allow the development of appropriate procurement procedures and materials (model clauses etc.) and identify barriers, in both Scottish Executive and local organisations that needed to be addressed to facilitate the inclusion of the community benefits.

### **METHODOLOGY**

The Pilot study was for a two year period in which originally at least 20 projects were expected to be included. Only 15 projects actually started during the evaluation period due to projects being withdrawn and delays in project commencement. Projects were selected from a cross section of departments ranging in value from £700,000 to £8.5 million. The contracts included service areas such as cleaning, catering and security; and construction projects such as road improvements and harbour pier refurbishment. The evidence below presents the results of the 15 case studies in each of contracts commenced during the pilot project time frame.

The monitoring of the project involved a two year process of interviews at project initiation with the project sponsor, collection and scrutiny of tender documentation and employment plans, interviews

with the client contract manager and contractor project manager and the collection of data on costs and benefits of the pilot. In June 2005 questionnaires were distributed to all the winning contractors on the Pilot as well as the 15 client contract managers. A total of 33 contractor questionnaires were sent out with 19 returned (63%). On the client side 14 of the 15 client contract managers returned the completed questionnaire (93%).

The issues about which clients and contractors were asked related to key aspects of the operation and outputs of the Pilot Project, and included the following:

- were procedures for implementing the project clear?
  - was there any evidence that contractors were dissuaded from bidding as a result of the requirements of the pilot?
  - were the procedures for the Employment Plans and Employee registration forms followed by contractors?
  - what was included in contractors' Employment Plans?
  - what arrangements were put in place to advertise vacancies on the projects?
  - how many people were employed from the target group?
  - were there any additional costs from the Pilot project?
- was the project completed satisfactorily on time and within budget?

The findings on the employment plans and tender documentation, the views of the contractors and the views of the clients are presented below.

### **The Employment Plans**

Prospective tenderers were required to submit an Employment Plan which was divided into three parts:

- Social Policy Statement,
- Project Implementation Plan, and
- Previous Experience Statement

The social policy statement sets out the firm's general policy in relation to the recruitment, training and retention of employees from the Relevant Employment Group. The project implementation plan outline was intended to outline proposals for recruitment and retention of employees from the Relevant Employment Group for this contract and how the firm proposes to make contact with prospective employees. The previous experience section should provide details of any current or previous experience in this field either in partnership with other Government Departments, private firms or as an initiative operated directly by the prospective bidder.

All but one of the Employment Plans submitted were deemed to be bona fide though client contract managers pointed out that there was a considerable variance in the quality of submissions. On one of the contracts, the Kilkeel Harbour Refurbishment contract, not all bidders submitted an employment plan. On the Green Park Brain Injury Unit contract the top two bidders were within 2 points under the "most economically advantageous" criterion. The employment plans of these two bids were evaluated retrospectively which resulted in no change to the original tender award. There was no contractual requirement for client contract managers to analyse and evaluate the employment plans unless there was a tie which was deemed to be within 2% under the criterion of "most economically advantageous" and within 1% using the criterion of "lowest price." The client team involved with the Water Service Installation and Replacement of Water Fittings contracts did carry out an evaluation of the employment plans even though there was no tie. They found that the bid that scored second in the overall tender evaluation had a superior Employment Plan (99.2%) to the actual winning bid which obtained 96.2%. The team involved with the Roads Service Springwell Climbing Lane contract also evaluated their Employment Plans and found a wide variance in the quality of the plans with one contractor obtaining 94.02% while the firm which won the contract finished at the bottom of the six bidders in obtaining 73.35% for their Employment Plan.

A number of firms showed evidence in their Employment Plans of working with various training agencies and further education (FE) colleges. Examples of involvement with training agencies and FE colleges are provided in Table 2.

**TABLE 2**  
**Links between Contractors and Training Initiatives**

<b>Contract</b>	<b>Firm</b>	<b>Training Initiative</b>
DRD Water Service Water Fittings	Farrans	"Welfare to Work"
DFP WRAMP Armagh and Banbridge	H & J Martin	"Skillbuild" initiative through local FE Colleges
DEL St Ita's PS	McCombe Brothers	"New Starts" Programme
DRD Hillsbrough/ Dromore Rd Junction	Grahams	"Learn Direct"
DRD Water Service Minor CE Works	Morrow Contracts	"Bridge to Employment" Scheme
DRD Water Service Sludge Tankering Services	KPL Contracts	Limavady College of Further Education

Relying to the pilot questionnaire, none of the contractors commented that having to complete an Employment Plan dissuaded them from bidding for the contract. Similarly the questionnaire results show that taking part in the pilot did not result in a significant increase in workload and costs. On the client side the questionnaires returned did not indicate any substantial increase in workload as a result of the pilot.

#### **Contractor Interviews and Questionnaires**

In all, 83 firms tendered a bid for the 15 contracts with 75 of them providing an Employment Plan. A total of 33 firms were then selected for the 15 projects (5 of the schemes had multiple contractors). The primary concern at the outset of the pilot was that having to include an employment plan would place increased costs on contractors. However, only 2 respondents (10.5%) felt that the pilot had led to an increase in direct costs. Throughout the face-to-face interviews with the winning contractors, the issue of cost was brought up by only one contractor: "There were some additional costs, in ensuring a more accelerated training programme than normal and quarterly reporting by the manager. These costs were however minimal in relation to the size of the contract." (Successful firm's contract manager).

Another area of potential concern was the extra workload imposed on contractors by the Pilot. During the interviews, contractors did not feel that there was any significant increase in workload as a result of the project. This was confirmed by the results of the end of the project questionnaire which found that only 3 respondents (15.8%) felt that their workload had increased. One firm's contract manager commented: "Workload – was sceptical when it was first mooted but when we examined the requirements in detail the amount of extra workload was not significant."

The main concern of contractors when interviewed was the difficulty in gaining suitably qualified personnel for the contracts. Contractors' project managers made it clear during interviews that due to the very high levels of employment, finding prospective employees would be difficult. This was especially the case in the construction industry where attempts to recruit tradesman and general labourers proved to be very difficult. While every firm interviewed endeavoured to advertise for labour through local newspapers and job centres, a common trend emerged where in many cases applicants did not even show up for an interview. One Human Resource Manager explained that they had a full day set aside for interviews but no-one showed up. Another Human Resource Manager commented: "We intended to interview several people but most did not show up and the remainder were not interested."

Whilst there was frustration among firms about non-attendance at interviews there was no suggestion that this led them to view the unemployed negatively. Evidence from the literature (Devins & Hogarth, 2005) suggests that when employers are recruiting they do not discriminate between whether the person has been employed or unemployed. This was however countered by Sheehan and Tomlinson (1997) who found evidence that employers' attitudes to the long term unemployed were not encouraging in that they viewed unemployed people's suitability for jobs as questionable. Hillage and Pollard (1998) point out that for the individual, the accumulation of knowledge, skills and ability is necessary in order that they realise their potential through sustainable employment. This again highlights the need for adequate training programmes to be put in place. While there were difficulties in recruiting staff, one successful firm's contract manager explained that they were very satisfied with the calibre of their new recruit: "This has been a valuable learning process for both us (the employer) and the candidate. The company

benefits from “giving back to the community” which does our standing with the client no harm. We have also been able to engage and permanently employ a strong candidate and structure her training to gain maximum advancement within the two year period.”

#### **Client interviews and questionnaires**

Interviews were held with all the 15 client managers and questionnaires were issued at the end of the Pilot. The procedures generally operated successfully although there were a small number of instances of non-compliance. These included one case of the Employment Plans of two contractors whose bids were tied not being evaluated to determine the winner. The plans were however evaluated retrospectively which confirmed the result of the primary evaluation. Also several cases of bids which did not include an Employment Plan were not rejected. It is clear from interviews with clients that these were isolated cases which came about through lack of clarity about the procedures.

The feedback from these interviews and questionnaires showed that some client managers believed that the Pilot was not the most appropriate mechanism for incorporating social aims into procurement delivery. Reasons for this were primarily in relation to the difficulty in the construction industry where there is an increased use of subcontractors: “The changing nature of the construction industry with contractors not employing as many tradesmen directly. More towards management of domestic subcontractors who are appointed to carry out particular activities on a project by project basis” (Client contract manager).

This view was expanded on by another client contract manager who pointed out that with the construction labour market so strong, finding suitable candidates for projects is difficult: “I would agree in principle (to participate in a similar scheme), but I do not think that another similar scheme would be any more successful. We operate in the construction industry sector, which is quite buoyant at present – it is unlikely there are too many unemployed people that could usefully be used.”

Overall when asked whether they would be happy to participate in a similar scheme in the future, 46.2% said yes, 30.8% said they did

not know while 23.1% felt that they would not be happy to participate in a similar scheme.

Increased workload was not a major concern on the client side although the results from the end of the Pilot survey did show that 4 respondents (28.5%) believed that the Pilot had significantly increased their workload. However, the majority of respondents claimed that the additional level of workload was not excessive. “Minimal extra workload, a couple of extra meetings, nothing substantial” (Client contract manager).

### **Review of the Unemployment Pilot Project**

Whilst a limited number of people were employed from the target group, a number of factors need to be taken into account. First, there was a state of full employment in Northern Ireland generally, and specifically in the Construction sector, during the evaluation period. Secondly, it was argued that it was more difficult to employ people on contracts covered by the Transfer of Undertakings – Protection of Employees (TUPE) regulations, for example the Northern Ireland Civil Service (NICS) cleaning, catering and security guarding service contracts, as staff of the previous provider transfer over to the winning contractor. Thirdly, in some contracts the rates of pay or conditions of service are a deterrent to encouraging people from the target group to return to employment. Finally, there was a particular concern over health and safety in some of the construction projects, especially those which were relatively short term, as untrained employees would not be able to make a full contribution on site until training was provided.

Nevertheless, the Pilot led to the recruitment of 51 new employees from the target group (to date) of whom 46 have been retained by the contractors. Those who have left employment will have benefited from their experience of work. The creation of these jobs was achieved with very little additional direct cost. The overall “project cost per job created” during the evaluation period was £900,000, against a construction industry benchmark of £1 million. However, given that only 5 projects have been completed, and others have several years yet to run, it is anticipated that the number of people employed will be greater. It may also be the case that employing people from the target group is more difficult and therefore more expensive than the industry standard. Finally, given variations in

commitment to the Pilot across the projects, and the greater difficulty in some projects than others to employ people for the target group, a better indicator of project cost per job created is to only include those projects in which jobs were created. This results in a project cost per job created of £0.61 million.

In comparing the three projects in Wales, Scotland and Merseyside to the Pilot Project in Northern Ireland it is worth considering that the value of two of the contracts is much greater. The spend on the Fusion 21 project is £185 million, while that of the Scottish Community Benefits in Procurement Programme is in the region of £250-300 million. The Scottish project is still at an early stage, but in the case of the Fusion 21 programme to date 125 people have been recruited from a £185 million spend which works out at one employee for approximately £1.5 million of spend, against which the equivalent benchmark of one employee for £900,000 of overall spend in Northern Ireland compares very favourably. The three Welsh contracts on the Welsh Community Benefits Project have a similar ratio to the total value of contracts on the pilot (£48.4 million in Wales compared to £45.9 for the Pilot). The lack of a coherent link-up to training agencies has been a noticeable weakness in the NI Pilot. This was a strong feature of the Fusion 21 project in Merseyside. Nevertheless several firms, both successful and unsuccessful, demonstrated evidence in their employment plans of involvement in training initiatives such as "Learn Direct," "New Start" and "Skillbuild" through local FE Colleges.

The Employment Plan process has quickly become an embedded part of the culture of contracting with government amongst construction contractors, those most involved to date. The survey issued to all contractors at the end of the pilot showed that almost two-thirds believed that the inclusion of the Employment Plan as part of the contract did not dissuade them from tendering for the contract. The procedures generally operated successfully although there were a small number of instances of non-compliance. These included one case of the Employment Plans of two contractors whose bids were tied not being evaluated to determine the winner. The plans were however evaluated retrospectively which confirmed the result of the primary evaluation. There were also several cases of bids which did not include an Employment Plan not being rejected. It is clear from interviews with clients that these were isolated cases which came

about through lack of clarity about the procedures. This was despite the clear and comprehensive guidance that was made available to all project clients by the Central Procurement Department (CPD).

The Water Service provides an example of best practice, with four projects within the Pilot, resulting in 13 people from the target group being employed at a project cost per job created of £0.72 million. There was clearly commitment to the Pilot from the top of the organisation, project managers were fully informed and committed, arrangements for regular monitoring reports were agreed with contractors, and arrangements were made by contractors to link up with an FE college to provide potential employees.

### CONCLUSION

Analysis of the NI Unemployment Pilot Project demonstrates that achieving social policy objectives, in this case increasing employment, through public procurement is possible within the constraints of cost, value for money and compliance. The financial costs have been lower than other similar job creation schemes, and transaction costs in terms of the administration associated with Employment Plans and Employee Registration forms have not been excessive. Clarity between "value for money" and social objectives was achieved through having a two stage selection process, the first assessing price and quality, and the second only coming into play in the case of a tie. Compliance with EU non-discrimination rules was met through advertising the contracts, including the contractual clause relating to the Employment Plan procedure in the *Official Journal*, and by having no restriction on the location of the target unemployed group, who theoretically could have been residents anywhere in the European Union. In the future it is possible that a less restrictive interpretation of EU law on public procurement may lead to the possibility of inclusion of social policy goals as primary rather than secondary criteria, thereby eliminating the need for the somewhat artificial "tie-breaker." Clarity can still be achieved by allotting explicit weights to price, quality and social policy criteria, ensuring that the necessary trade-offs between the criteria are transparent.

The Unemployment Pilot Project has demonstrated that, even at a time of virtually full employment in Northern Ireland, a commitment by government and contractors to invest in such a labour market programme on the grounds of equity, social cohesion and efficiency

(Finn, 2000) can be successful in achieving sustainable employment. The Pilot has highlighted some areas where the scheme can be improved, such as providing explicit links with government and industry training programmes (McQuaid & Greig, 2004) and Further and Higher Education colleges, and holding briefings for government clients, industry sector bodies and potential contractors, as was the case in the Scottish Community Benefits in Procurement Programme.

With “employability” currently at the corner stone of UK labour market policy (McQuaid & Lindsay, 2005; Worth 2003) equipping unemployed individuals with skills and knowledge is seen as essential to enable them to seek sustainable employment. To date the Pilot has shown a good rate of retention with 46 of the 51 employees still in employment at the conclusion of the pilot. This high level of retention is important for the employer as high turnover can have negative consequences (Devins & Hogarth, 2005) such as the increased costs and workload involved in recruiting new staff. Research carried out by Sinclair (1987) found that four times as many people are unemployed because they lost their jobs than because they left them, which indicates that once recruited employees in general will remain with the firm

A more selective approach in terms of the type of contract to be included based on the experience of the Pilot Project may result in more efficient job creation. There is also a need to target contracts involving work in areas of greatest concentration of long term unemployment, such as West Belfast and Strabane highlighted above (Moss, Jack & Wallace, 2004; Sheehan & Tomlinson, 1999). Whilst in the current absence of an elected Assembly in Northern Ireland, the opportunity for the expression of the local political will which led to the adoption of the Unemployment Pilot Project is absent, the evidence of the success of the Project should nevertheless ensure that it is extended across all government departments and agencies as well as the wider public sector.

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