Making Procurement Work for All

Procurement practices as a route to fulfilling work in North East England

Dr Deborah Harrison and Phillip Edwards
ACKNOWLEDGEMENTS

The Institute for Local Governance (ILG) and North East Child Poverty Commission (NECPC) would like to thank Carnegie UK Trust for commissioning this study. We are particularly grateful to Douglas White and Gail Irvine for their input throughout the research process.

We would also like to express our gratitude to the individuals and organisations who gave up their time to take part in the study, by sharing their views and knowledge related to current procurement practices. A list of organisations that assisted the study can be found overleaf.

LIST OF PARTICIPATING ORGANISATIONS

Assistant Chief Executives (ACE) North East Network (local authorities)
Civil Engineering Contractors Association (CECA)
Construction Alliance North East (CAN)
Darlington Borough Council
Durham County Council
Durham University
Federation of Small Businesses (FSB)
Five Lamps
Newcastle University
Newcastle Community and Voluntary Service (NCVS)
North East Chamber of Commerce (NECC)
North East Procurement Organisation (NEPO)
Northern Housing Consortium
North Tyneside Council
Prison and Offender Research in Social Care and Health (PORSCH)
Redcar and Cleveland Borough Council
South Tyneside Council
Stockton-on-Tees Borough Council
Trades Union Congress (TUC)

Prepared by the Institute for Local Governance (ILG) and North East Child Poverty Commission (NECPC) for Carnegie UK Trust

Authors: Dr Deborah Harrison and Phillip Edwards

Institute for Local Governance (ILG)
Durham University Business School
Mill Hill Lane
Durham
DH1 3LB

www.nechildpoverty.org.uk
www.dur.ac.uk/ilg

The text of this work is licensed under the Creative Commons Attribution-ShareAlike 3.0 Unported License. To view a copy of this license visit, http://creativecommons.org/licenses/by-sa/3.0/ or send a letter to Creative Commons, 444 Castro Street, Suite 900, Mountain View, California, 94041, USA.
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>2</td>
</tr>
<tr>
<td>Introduction</td>
<td>2</td>
</tr>
<tr>
<td>Background: North East economy and procurement practices</td>
<td>3</td>
</tr>
<tr>
<td>Stakeholder views: Key findings</td>
<td>4</td>
</tr>
<tr>
<td>Discussion and recommendations</td>
<td>4</td>
</tr>
<tr>
<td><strong>1. Introduction</strong></td>
<td>6</td>
</tr>
<tr>
<td>1.1 Background</td>
<td>6</td>
</tr>
<tr>
<td>1.2 What do we mean by ‘fulfilling work’?</td>
<td>6</td>
</tr>
<tr>
<td>1.3 Why does quality of work matter?</td>
<td>6</td>
</tr>
<tr>
<td>1.4 How does national government policy address work quality?</td>
<td>7</td>
</tr>
<tr>
<td>1.5 The role of procurement in influencing work quality</td>
<td>7</td>
</tr>
<tr>
<td>1.6 Aims and research questions</td>
<td>8</td>
</tr>
<tr>
<td><strong>2. North East economy and procurement practices</strong></td>
<td>9</td>
</tr>
<tr>
<td>2.1 Economy and labour market</td>
<td>9</td>
</tr>
<tr>
<td>2.2 UK procurement practices</td>
<td>11</td>
</tr>
<tr>
<td>2.3 Examples of local and regional ‘added value’ initiatives</td>
<td>13</td>
</tr>
<tr>
<td><strong>3. Stakeholder views: Key findings</strong></td>
<td>14</td>
</tr>
<tr>
<td>3.1 Added value procurement: Current practice</td>
<td>14</td>
</tr>
<tr>
<td>3.2 Attitudes towards ‘fulfilling work’ procurement</td>
<td>18</td>
</tr>
<tr>
<td>3.3 Practical (system) challenges</td>
<td>20</td>
</tr>
<tr>
<td>3.4 National challenges</td>
<td>25</td>
</tr>
<tr>
<td>3.5 Regional case study: Influencing working practices in home care</td>
<td>27</td>
</tr>
<tr>
<td><strong>4. Discussion and Recommendations</strong></td>
<td>29</td>
</tr>
<tr>
<td>4.1 Discussion</td>
<td>29</td>
</tr>
<tr>
<td>4.2 Recommendations</td>
<td>30</td>
</tr>
<tr>
<td><strong>Appendix A: Methods</strong></td>
<td>33</td>
</tr>
<tr>
<td>Regional scoping work (Stage 1)</td>
<td>33</td>
</tr>
<tr>
<td>Practice-focused development project (Stage 2)</td>
<td>34</td>
</tr>
<tr>
<td><strong>Appendix B: Interview topic guide (individual interviews)</strong></td>
<td>35</td>
</tr>
<tr>
<td>Endnotes</td>
<td>36</td>
</tr>
</tbody>
</table>
In our current strategic plan, the Carnegie UK Trust is asking what good work means - and how we can enable more people to get access to it?

Most of us have to work for a living, and our daily experience of work exerts a significant influence on our quality of life. Many employers understand that good working conditions help employees to flourish and that makes good business sense. But in a period where work is failing to lift over six million households out of poverty in the UK, creating good jobs can’t just be left alone to market forces. Policy makers need to scrutinise quality of work and ask where they can require, influence and support change in the workplace.

Understanding the trends which are impacting work quality – flat wages, low levels of training, lack of opportunities in too many of our communities - is one thing, but applying policy solutions requires concerted thought and action. Using procurement to influence the availability of good work is a potential lever being extolled and explored in many areas around the UK. Direct public sector employment accounts for only 17% of UK employment. But indirectly, through their procurement spend and local reach and influence into our communities, public bodies have an opportunity to tie the awarding of publicly funded contracts into good employment practices - like paying the living wage, offering training and work experience opportunities or flexible, inclusive working practices. This could be a significant influencer of good work in a local area, region or jurisdiction.

The rationale is strong and compelling - but examples of practice and results are more elusive. Developing the current norms of procurement practice, with the ever-pressing need to achieve value for money, to include a meaningful focus on driving good work is challenging. The interviewees in this report describe ‘pockets of enlightenment,’ but: ‘It still feels a bit like procurement is just a careful risk management exercise with social value sprinkled on.’ There are a number of stubborn obstacles – legal, practical, technical, behavioural – to achieving more.

Through our partnership with Durham University, and focusing on the North East of England, this report explores these barriers and asks how they can be overcome. It is the outcome of a series of in-depth interviews with regional stakeholders – the procurement and senior leadership teams in public sector bodies, the regional employers who supply goods and service, and the voluntary, academic and campaigning sectors examining these issues. We are grateful for the excellent work undertaken by Dr. Deborah Harrison and Phillip Edwards at Durham University, and particularly for the insight and candour of the research participants.

This is the first stage of a development project which we hope will achieve real impact on how procurement is done in the North East. Moreover, I am confident that the insights drawn out in the research will be of interest to all those organisations and individuals around the UK looking to use their powers of procurement to drive better work.

Martyn Evans
Chief Executive, Carnegie UK Trust
INTRODUCTION:

What is fulfilling work?

‘Fulfilling work’ is defined by Carnegie UK Trust as a combination of three elements:1

1. **Availability of work**
   - how easily and fairly people can find the type and level of work that they want?

2. **Quality of work**
   - e.g. terms and conditions, pay, training and progression, job security.

3. **Work and wellbeing**
   - e.g. management support, social connections, meaningful work, job satisfaction, agency and engagement.

The Good Work agenda

This forms part of an emerging ‘good work’ or ‘inclusive growth’ agenda, which has been driven nationally by charities and campaign groups and aims to address issues related to work quality and employment conditions, particularly for low paid workers. The movement responds to a range of national issues including rising levels of in-work poverty, growth in the ‘gig economy’ and other insecure forms of work, and a perceived lack of attention to such issues within national government policy.

Procurement as a route to fulfilling work

As part of a programme of work on the topic of fulfilling work delivered by Carnegie UK during 2016-20, the current study focuses specifically on the (actual and potential) role of procurement as a route to achieving good work outcomes.

The aims of the study are:

1. To explore current practice, attitudes, opportunities and challenges related to the concept of ‘good work’ procurement in the North East (Stage 1).
2. To develop an understanding of the shared, underlying principles of good work procurement, and how they could be implemented in practice (Stage 1 and 2).
3. To design appropriate resources to support the implementation of good work procurement practices across the region (Stage 2).

Methods: How we undertook this study

This report outlines findings from the Stage 1 scoping work and how this will inform stage 2.

The project is made up of two stages, as follows:

STAGE 1 – Regional scoping work

Stage 1 was made up of a targeted evidence review alongside face-to-face interviews and group discussions with key regional stakeholders. Participants were drawn from a range of organisations and sectors including local authority procurement teams, higher education procurement, social housing, construction, health and social...
Making Procurement Work for All

care, the academic community and the voluntary and community sector (VCS), and well as regional infrastructure bodies such as the North East Procurement Organisation (NEPO) and North East Chamber of Commerce (NECC). A full list of organisations that contributed to the scoping work can be found on page ii of this report.

STAGE 2
The overarching aim of Stage 2 is to design and develop a practical resource to aid the implementation of ‘good work’ procurement practices. The preferred methodology is to work with partners who are working in the same field and where input from this research can have the most immediate and direct effect. On this basis, we are very pleased to have agreed to work with the North of Tyne Combined Authority as it develops its ‘Good Work’ Business Pledge, of which utilising procurement practices is a key work strand. The aim will be to design a practice-focused toolkit or strategy that will clarify and inform on the best approach to inclusive growth procurement that aligns with the overall strategy adopted by North of Tyne.

BACKGROUND: NORTH EAST ECONOMY AND PROCUREMENT PRACTICES

The North East economy and labour market
The North East of England has one of the most challenging economic environments in the country. The prolonged decline of manufacturing and failure to develop successful alternative economic strategies has led to consistently lower economic performance compared to other regions.2

Despite some improvement since the 2008 financial crisis, unemployment rates remain amongst the highest in the England and there are concerns about both skills shortages and a lack of skilled jobs in the region.3 Additional labour market concerns include the prevalence of zero hours and temporary contracts, rising self-employment and the heavy reliance on agency workers in many low paid sectors.

Procurement in the UK and the North East
In 2017, £223 billion was awarded through public procurement in the UK – an amount equivalent to over 10% of UK GDP.4 Large contracts and large suppliers figure prominently in this landscape.

Against the significant sums represented by UK public procurement, the North East is one of the smallest regions in terms of the value of procured spend, valued at around £6 billion per year.5 Indeed, the amount being dispersed through public procurement had decreased in recent years, with a yearly decline in the value of awards made by North East local authorities, estimated by the North East Procurement Office (NEPO) as an average drop in expenditure of around 15% between 2014/15 and 2017/18. Nevertheless, public sector procurement in the north east still represents a significant allocation of funds and potential lever for change.

Collaborative approaches to procurement are seen as crucial and strong in the North East. Despite this, the overall picture is incredibly complex with the purchasing of goods and services taking many different paths. Wide variation in the capacity and structure of individual procurement teams also impacts upon their level of independence and decision-making power, as well perceived ability to take a creative and innovative approach to procurement practices.

Examples of existing added value initiatives in the North East include a drive by the NECC to make procurement ‘broader, simpler and smarter’; NEPO’s stakeholder engagement work and social value delivery sub-group; and the TUC’s regional work to promote a ‘Great Jobs Agenda’.
STAKEHOLDER VIEWS: KEY FINDINGS

This section provides an overview of stakeholder perceptions on current practice, challenges and opportunities within the field of fulfilling work procurement.

Current practice: procurement and fulfilling work

Section 3.1 highlights that existing ‘added value’ procurement practices in the North East predominantly focus on jobs creation (specifically apprenticeships) and the encouragement of local supply chains. Procurement for aspects of work quality such as pay, contract type and worker conditions is a relatively new and under-developed concept.

Impact of the Social Value Act

Implementation of the Social Value Act (2012) was reported to have been less successful than anticipated in ‘levelling the playing field’ for smaller and socially-oriented organisations, too often becoming ‘a numbers game’ of who could offer the highest number of apprenticeships within contract value. Large variations in implementation between sectors and industries was also reported. This was explained by several factors including organisational culture, ethos and purpose as well as team capacity and the level of decision-making power held within the wider organisation.

Need for greater clarity

As described in Section 3.2, the qualitative study elements demonstrated mixed attitudes and a ‘healthy dose of cynicism’ towards the concept of good work procurement. A significant lack of clarity was reported, related to both the definition of ‘good work’ and the rationale as to why it should be considered a priority for the region. The role of individual passion and motivation in driving the ‘good work’ agenda was also emphasised, leading to cynicism about the replicability of frequently cited practice examples in areas such as Preston and Greater Manchester.

Barriers to be overcome

As described in detail in Section 3.3, the interview and focus group discussions highlighted a range of perceived practical (system) barriers to procurement acting as a mechanism to achieve ‘good work’ outcomes. These include:

- Overriding emphasis on price.
- Monitoring delivery.
- Commodification and measurement of good work outcomes.
- Legal considerations.
- Complexity of the process.
- ‘Levelling the playing field’ for smaller and less established organisations.

Many of these barriers are linked to wider national challenges. Considered separately in Section 3.4, they include a) market fragility and b) political will and national commitment, including tensions between the drive for progressive policies on work quality versus the continuous need to deliver more for less in the context of public sector funding cuts.

DISCUSSION AND RECOMMENDATIONS

Figure 1 presented on p.27 of this report provides a summary of facilitating factors of ‘good work’ procurement. They include early development work and evidence base, political leadership (national and local), senior buy-in, early stakeholder engagement and market research, team factors, process/practicalities and contract management. As highlighted in the diagram, for procurement to act as an effective mechanism to deliver good work objectives, attempts must be well-defined, legal, measurable and reasonable within specific market conditions and contract value. In addition, political leadership is essential at each level of influence.
One key piece of learning is that persuasion alone is not enough to drive change. Success in using procurement levers to drive fulfilling work depends on political leadership at all levels of implementation, including national influence. The findings argue that procurement should not be seen as a ‘silver bullet’ or single answer to the work quality problem. It is clear that many of the issues raised in this study overlap with challenges of driving forward the good work agenda as a whole, as well as the potential for procurement to help deliver this agenda. There is a clear need to strengthen the ‘good work’ movement itself – including potentially via an agreed single definition and a solid, accessible evidence base – in order to generate necessary traction and buy-in from policymakers, procurement teams and the general public.

However, if some of these entrenched challenges can be addressed there is certainly scope for procurement to become a key mechanism used to implement and drive forward the good work agenda.

**Recommendations related to good work procurement**

- Public sector procurement is a highly complex area and should not be considered as a ‘silver bullet’ or single answer to issues of work quality, but as one of several possible mechanisms of influence.

- The first step must be to build widespread political and public buy-in to the good work movement as a whole. Initial work is required to develop a single, shared definition and a strong, accessible evidence base on the value of good work practices.

- Within this, moral and ethical tensions within the movement must be addressed. Emphasising employee choice may be more useful than taking a prescriptive approach (for example one that defines all zero hours contracts as ‘bad’ work).

- Specific to procurement, development work and investment is required on specific process issues including the quantification/measurement of good work outcomes, mechanisms to monitor the delivery of good work outcomes, and legal considerations related to its inclusion in different forms of contract specification.
1. Introduction

1.1 BACKGROUND

In January 2018, the North East Child Poverty Commission (NECPC) and Institute for Local Governance (ILG) were commissioned by the Carnegie UK Trust to undertake a regional scoping and development project related to ‘fulfilling work’ procurement. This report outlines key findings from Stage 1 of the project.

1.2 WHAT DO WE MEAN BY ‘FULFILLING WORK’?

Fulfilling work is defined by Carnegie Trust UK as a combination of three elements:

1. **Availability of work**
   - how easily and fairly people can find the type and level of work that they want?

2. **Quality of work**
   - e.g. terms and conditions, pay, training and progression, job security.

3. **Work and wellbeing**
   - e.g. management support, social connections, meaningful work, job satisfaction, agency and engagement.

This overarching definition illustrates the range of areas that need to be addressed if overall quality of employment is to be improved. Alongside this definition, several others co-exist within the broad work quality movement as well as a wide range of terms including ‘good jobs,’ ‘better jobs,’ ‘great jobs’ and ‘inclusive growth’.

The TUC for example describes a great job as one where, ‘the worker is paid and treated fairly, with opportunities to progress, to learn and to have a voice on what matters.’ Their definition of great work includes fair pay, safe and healthy workplaces, decent treatment, guaranteed hours, opportunities to progress and the opportunity to be represented by a trade union. This contrasts with how good work is conceptualised within regional economic growth strategies. The North East Local Enterprise Partnership (LEP) for example defines ‘better jobs’ as well paid and highly skilled roles:

‘A ‘better’ job is defined as being in the top three Standard Occupational Classification (SOC) categories, which are: managers, directors and senior officials; professional occupations; and associate professional and technical occupations. Measuring this means we can demonstrate the growth of higher skilled roles in our economy.’

For the purposes of this project we have taken a broad approach to defining good work, drawing primarily on the Carnegie UK Trust description but also acknowledging that substantial development work is required to create a single, shared definition – and that the current lack of a single definition appears to constrain action on fulfilling work procurement. This issue will be re-visited later in the report.

1.3 WHY DOES QUALITY OF WORK MATTER?

Contrary to popular misconception, the majority of people living in poverty in the UK (62%) – and two thirds of children in poverty (66%) – live in a household where at least one adult works. The challenges the long-held assumption that work provides a guaranteed route out of poverty,
highlighting the importance of going beyond employment statistics to understand the nature and quality of work itself. The labour market itself (particularly the availability of good, local jobs with decent progression opportunities) is a major factor which influences in-work poverty; alongside basic living costs and in-work elements of the benefits system.

Despite record employment levels in the UK, the nature of work has changed dramatically over the last decade. The number of low paid jobs and those requiring little or no formal qualifications has increased, alongside a rise in insecure forms of work such as zero hours contracts, temporary work and so called ‘false’ or ‘bogus’ self-employment. Other key issues include the significant underemployment of young people and university graduates, as well as income inequality arising from a ‘hollowing out’ of the labour market through the loss of middle-tier jobs in areas such as manufacturing and healthcare.10

1.4 HOW DOES NATIONAL GOVERNMENT POLICY ADDRESS WORK QUALITY?

Central Government policy has in recent decades sought to reduce unemployment through a focus on encouraging individuals to undertake apprenticeships, upskilling and employability programmes in order to enter and progress through the labour market. However some critics argue that the upskilling agenda pays little attention to the nature of the labour market, by ignoring, ‘the scale and persistence of low-paid employment within the UK economy’11. There are concerns that the ‘(any) work first’ focus of successive UK governments has hindered the development of a collective understanding of how to address critical issues of low worker pay and job quality. As a result of some of these worsening trends, the question of how to deliver better quality work for many more people in the UK has become an increasingly important public policy priority for groups including the Resolution Foundation, the Joseph Rowntree Foundation, the RSA, the TUC, the Living Wage Foundation, IPPR, and the Carnegie UK Trust.

1.5 THE ROLE OF PROCUREMENT IN INFLUENCING WORK QUALITY

The role of procurement in enhancing work quality is emerging as a priority area within wider anti-poverty and financial inclusion agendas, both nationally and regionally. The Centre for Local Economic Strategies (CLES) has been undertaking a programme of local wealth building for over 10 years, of which leveraging ‘progressive’ procurement strategies12 has been a key component of their work. Similarly, the Joseph Rowntree Foundation (JRF) has been promoting local and regional procurement strategies that support inclusive growth, most recently looking at maximising the impact of anchor institutions in the Leeds city region.13 In the North East it builds upon earlier work by the ILG which has examined local and regional consequences of public procurement practices,14 and forms part of a broader focus on in-work poverty and inclusive growth which is a key priority for the North East Child Poverty Commission (NECPC).


1.6 AIMS AND RESEARCH QUESTIONS

Study aims

In response to the issues identified, the aims of the current study are as follows:

1. To explore current practice, attitudes, opportunities and challenges related to the concept of ‘good work’ commissioning and procurement in the North East (Stage 1).

2. To develop an understanding of the shared, underlying principles of good work procurement, and how they could be implemented in practice (Stage 1 and 2).

3. To design appropriate resources to support the implementation of good work procurement practices across the region (Stage 2).

Research questions

The following key questions were identified for exploration:

- What are current attitudes, practices and opportunities related to ‘good work’ procurement in the North East?
- What are the key barriers (e.g. attitudinal, structural, administrative) and how can they be addressed?
- How can businesses be encouraged to provide good quality work, and how can they be rewarded for doing so?
- How can we enhance competition on ethical and social issues, rather than just on cost?
- How can we create a high profile, public commitment to fairness and social value?
- What would a regional ‘good work procurement strategy’ look like, and how could its success be monitored and encouraged?

The methods for the project are described in Appendix A.
Making Procurement Work for All

2. North East economy and procurement practices

A key aspect of the project was to develop an understanding of the North East picture, including existing procurement practices. This section outlines contextual factors including economic growth, labour market issues and the changing role of public procurement. It draws upon existing data, published material and discussions from the qualitative study elements.

2.1 ECONOMY AND LABOUR MARKET

Regional economy

The North East has one of the most challenging economic environments in the country. The prolonged decline of manufacturing and failure to develop successful alternative economic strategies has led to consistently lower economic performance compared to other regions.

One of the most commonly used measures of the strength of the regional economy is Gross Value Added (GVA). GVA is a measure of the increase in the value of the economy due to the production of goods and services, which can be illustrated at different geographic levels. Headline indicators show that the region as a whole – as well as specific areas within it – are weak in comparison to the rest of the country:15

- At a regional level, between 2015 and 2016 annual growth of 1.2% in the North East was the lowest in the country. This compares to 5.1% in London and 3.7% GVA for the UK as a whole.

- In terms of GVA per head, the North East also fares poorly. 2016 figures show that, at £19,210, the region has the lowest rate in England and is behind only Wales (£19,140) in the rest of the UK. In contrast, GVA per head in London and the South East is at £46,482 and £28,683 respectively.

- Within the region, this pattern is replicated across the different data sets. In terms of GVA per head, the lowest growth rate was in Darlington at -2.5%. At county and local authority level, Northumberland is in the bottom ten in the country with £16,140. GVA per head. This compares to £31,867 in Camden and the City of London.

Statistics are now also collated for combined authorities. Unsurprisingly, the lowest growth in GVA across the country was Tees Valley combined authority at 0.1%, followed by the North East combined authority with 1.5%. In comparison, Greater London and West of England combined authorities had growth rates of 5.1% and 5.5% respectively.

A key concern when using GVA data is that figures do not represent short term phenomena. According to analysis by Oxford Economics, the annual average real percentage change in growth (GVA) in the region from 2010 to 2016 is the lowest in the UK at 0.7%. The forecast economic growth for the North East for the years 2018 – 2028 is 1.4%; again this is the lowest in the UK.16

Within the context of poor GVA performance within the region, the North East is argued to be less resilient to economic shocks than other parts of the country.17

- Because of this, Brexit raises significant concerns across all sectors. In addition, it has been difficult to alleviate the effects of austerity in many parts of the region. This is due to systemic and structural issues, alongside the disproportionately negative impact of recent local government settlements on the North East.18
A recent report on the impact of welfare reform in the region summarised its economic resilience as follows:

“There is little in recent evidence ... that indicates the likelihood of the region moving up any economic resilience rankings or being better prepared to deal with welfare reform changes. Indeed, the region – and most of its local authority areas – now present as more vulnerable to external shocks.”

Labour market

As described above, the North East has seen little benefit from recent economic growth which has been concentrated in the South and South East of the country. This is reflected in the region’s employment picture, which is characterised by high levels of unemployment, the highest proportion of workless households in England (22%) and the country’s highest rate of young people not in education, employment or training (NEET). The latest unemployment figure for those aged 16 years and over is 4.6%, only behind London (5.2%) and the West Midlands (5.1%).

Although the region has not fared well compared to the rest of the country, there has been a substantial decrease in unemployment since the 2008 financial crisis and a corresponding increase in the number of people in work, which is at its highest level since 1975. Despite this positive movement, critics argue that these top level employment figures mask significant issues related to skills and the nature of jobs available in the region. The North East has the lowest proportion of the workforce qualified to NVQ4 and above in England (31.7%, compared to 51.8% in London), and the lowest proportion of senior managers and professionals in England.

Employment figures also mask a rapidly changing labour market. In line with other regions there has been a rising number of workers classed as self-employed in the North East, with the self-employed proportion of the workforce increasing from 8.1% to 10.6% between 2007 and 2016. Earnings amongst the self-employed are significantly lower than for those in traditional forms of employment. Analysis of the Family Resources Survey (FRS) demonstrates that self-employed income is on average £240 a week, compared to £400 for employees.

The wide range of other issues related to work quality facing people in, or trying to enter into, the labour market was succinctly summarised by one interview participant:

‘Jobs creation is great, it’s crucial... but it’s the quality of employment that is the real issue. We’re seeing a growth in employment across the North East, which is great, we are seeing more full-time jobs which is good, but we still have huge pockets of zero hours, bogus self-employment, under-employment, and so-called entrepreneurs that are starting businesses because they don’t have any choice really... we’re seeing massive growth in the gig economy, massive growth in insecure, temporary work and a big issue around agency workers as well. So these are all things that procurement can actually address or be aware of...

There is a gap, I think, in the LEP Strategic Economic Plan that talks about addressing the quality of employment. They talk about great jobs, more and better jobs but their definition of that is the higher qualifications and managerial type roles. But not everyone’s on that... so how do we address the quality of employment for the rest of the economy?’

(Regional infrastructure organisation)
As described in the transcript extract above, issues related to the nature of work itself in the North East are significant and appear to be growing. A number of participants raised questions around the value of local and regional economic strategies based on improving GVA and employment figures, due to a perceived lack of congruence with the neighbourhood-level, everyday experience of work.

This combination of conditions makes the North East a challenging but highly important area within which to explore the complexities of initiatives which aim to improve access to decent work opportunities.

### 2.2 UK PROCUREMENT PRACTICES

#### Public sector procurement – business environment and financial pressures

In 2017, £223 billion was awarded through public procurement in the UK – an amount equivalent to over 10% of UK GDP.²⁵ OECD statistics show that over the last decade this figure has reached around 14% of GDP. The scale of activity under the label of procurement is therefore considerable and clearly affects the way business is carried out.

Large contracts and large suppliers figure prominently in this landscape. According to a database of UK public sector tenders and awarded contracts, the biggest central government supplier is the Ministry of Defence (MoD) which received £13 billion and over 700 awards in 2016. Some participants in the current study were critical of the dominance of large companies in public procurement, with ‘the big boys’ perceived to regularly ‘soak up’ the majority of regional work through large, multi-layered contracts. National figures show that Capita Business Services won the most awards in 2016, with over 160 contracts awarded that year to a value of over £3 billion. The top six suppliers to the UK public sector by award value in 2016 were all foreign-owned. In public procurement, the overall market is dominated by large contracts and central government purchasing.

#### Procurement in the North East

This pattern is translated to a smaller scale at regional level. The North East is one of the smallest UK regions in terms of awards and value, at around £6 billion in 2016.²⁶ According to figures from the regional procurement organisation NEPO, approximately £2.6 billion was spent by local authorities in the financial year 2016/7. While these figures are not directly comparable, it can be inferred that awards by local authorities in the regions are around half of the total amount.

Another notable characteristic of regional procurement activity is the decline, year on year, in the value of awards made by local government. NEPO figures show that between 2014/5 and 2017/8 there has been an average drop in expenditure of 15% in North East local authorities. This contrasts the national picture, where tender value increased by 35% in 2016 across the country as a whole. This was largely driven by sharp growth in construction and health/social services contracts, however the increase was not evenly distributed by region.

Financial pressures on local authorities are clearly impacting upon procurement activity. This was also visible in the qualitative study elements and will be considered further in Section 4, alongside other national challenges. One interviewee described the changing nature of public spending as follows:

‘Around about 2010 we were spending about £600 million on stuff that the council buys. Last year we spent £447 million. You’re talking £150 million worth of stuff that is now not being bought, attributable to procuring better, doing things in a better way, getting more for less but predominantly by necessity because of austerity and government cuts.’

*(LA procurement lead)*
Changing role of procurement in the UK

At a national level, public procurement has undergone substantial change and evolution over the last two decades, reflecting changes to cultural, economic and political norms. While the need for financial stringency has been an unavoidable consideration, there has also been an identification of the need to carry out procurement in a ‘smarter’ way. A series of initiatives, one of the earliest of which was ‘World Class Commissioning’ in the NHS from 2009, have sought to enhance the knowledge and skills of commissioning and procurement teams.

Another example of a change of focus is the recent introduction of clauses relating to modern slavery and human rights into procured contracts. A focus on environmental sustainability has also evolved into an increasingly common feature in contract specifications, and the discussion of ‘ethical’ procurement tends to centre on environmental sustainability. As highlighted in the qualitative elements of the current study, a focus on social values rather than environmental ones is a relatively new concept, having been placed in the spotlight only recently with the introduction of the Social Value Act (2012).

Emerging social value focus

The Public Services (Social Value) Act 2012 came into force on 31 January 2013. The Act calls for all public sector commissioning to factor in (“have regard to”) economic, social and environmental wellbeing in connection with public services contracts. Critics argue that the Act does not go far enough, by calling for consideration rather than enforcement and its lack of application across all contracts. At the time of the interviews, a National Social Value Task Force had been established to provide national leadership and piloting, chaired by the procurement lead of one of the region’s local authorities. Local authorities and regional infrastructure bodies including NEPO reported using the Act as a ‘lever’ to promote social and ethical elements, alongside other initiatives such as Corporate Social Responsibility (CSR). This is not seen, however, as an easy process and progress to date was described as ‘guerrilla warfare’ – made up of small, targeted wins rather than slow, steady advancement.

Changing role of procurement in the North East

Regionally, the North East Chamber of Commerce has long lobbied and worked towards a ‘broader, simpler, smarter’ system of procuring goods and services. Participants described the movement over time from procurement based on ‘lowest price’ to the current focus on ‘best value for every pound spent’, and from simple transactional purchasing to a more strategic and influential role. Procurement was no longer seen as just a way of achieving ‘best value’, but also as a mechanism to achieve corporate objectives or wider goals for the community.

At local government level, participants reported that social value procurement work had initially been driven regionally, with local political will considered a stronger force than national drivers. The regional procurement organisation NEPO was described as having taken a lead role in driving the agenda forward, alongside work undertaken separately by other collaborative bodies such as the Northern Housing Consortium (NHC).

Collaboration and complexity

Collaborative approaches to procurement are seen as crucial and strong within the North East – partly in response to austerity and capacity pressures but also as an impact of geographical and other factors. The North East Procurement Organisation (NEPO) operates on behalf of 11 of the 12 authorities in the region and provides a strong focal point for large, joint procurement exercises for public bodies in the region, while the North East University Purchasing Consortium operates on behalf of all five regional universities.

Despite high levels of collaboration and commitment to work together towards more efficient and cost effective ways of working, it is important to recognise that the overall picture of procurement practices in the region is highly complex. Within each individual organisation, purchasing goods and services can take a number of possible routes. Large contracts may go through a consortium framework, an individual procurement team or a single budget holder within a public body. In addition purchasers can use a
variety of different portals, or may be part of a framework agreement (such as those developed by NEPO) which in turn can be modified on a contract-by-contract basis. There is no simple and direct way, therefore, to systematically influence all processes across the region.

Findings in the current study also demonstrated wide variation in the size, structure and position of procurement functions within a given organisation. Some local authorities for example have a centralised procurement team who deal with the vast majority of organisational purchases. Others have largely decentralised systems, with the central team acting in a coordinating role. The size of individual teams within the current study ranged from three members to over twenty. Capacity and structure of an organisation’s procurement function were perceived to influence factors such as decision making power; level of control; and ability to take a creative approach to procurement.

### 2.3 Examples of Local and Regional ‘Added Value’ Initiatives

There is evidence of local authorities seeking to use procurement as a mechanism to provide services in innovative ways that can benefit local people and communities, while cost reduction often forms an additional and necessary driver of change. Work commissioned by the ILG has highlighted unintended consequences associated with the rigidity of current procurement and commissioning processes, which can impact upon the ability of smaller delivery organisations to bid for and subsequently win contracts.

Over the course of the study, several examples of local and regional initiatives were highlighted for their focus on social or other ‘added value’ elements of commissioning and procurement. These included:

- The North East Chamber of Commerce (NECC) drive to make procurement systems ‘broader, simpler, smarter’, with fulfilling work and social value elements falling within the ‘smarter’ procurement focus.

- NEPO leads collaborative regional work through the Collaboration North East (CNE) network of LA procurement leads, which includes a social value delivery sub-group. NEPO is currently developing a regional social value procurement framework and is also involved in piloting a measurement tool developed by the National Social Value Taskforce.

- The regional TUC recently produced the ‘Great Jobs Agenda’, which includes procurement as a potential mechanism as part of a wider focus on work quality and employment conditions. The TUC is currently working to achieve top-level buy-in from council leaders and from the region’s Local Economic Partnerships (LEPs).

- Industry or sector-specific lobbying and development initiatives including work undertaken by Construction Alliance North East (CAN) and Northern Housing Consortium (NHC).

- The Voluntary Sector Liaison Group (VSLG) is a strategic local government and VCS engagement group in Newcastle. This includes a focus on commissioning and procurement and the group is planning future work on social value.

- The Blue Stone Consortium was set up to facilitate collaborative VCS bids in Newcastle and Gateshead, in response to the introduction of the Social Value Act (2012).

- Active and prominent local Living Wage campaigns are being led by Tyne and Wear Citizens.

- The North of Tyne Combined Authority (Newcastle, North Tyneside and Northumberland) anticipate making ‘inclusive growth’ a strategic priority, which would include a focus on delivering social value and good work.

Recognising the key issues already outlined, initial discussions with members of the NECPC, ILG and wider regional stakeholders highlighted a strong, shared interest in examining the potential role of procurement in influencing the nature and availability of good quality jobs in the North East.
3. Stakeholder views: Key findings

3.1 ADDED VALUE PROCUREMENT: CURRENT PRACTICE

This section outlines main findings from the interviews and group discussions with a wide range of key stakeholders. It provides an overview of stakeholder perceptions on current practice, challenges and opportunities within the field of fulfilling work procurement.

Existing procurement initiatives related to the concepts of work quality and social value were reported to focus on three key areas:

1. **Availability of work**
2. **Local supply chains**
3. **(To a lesser extent) Wider community development**

### Availability of work

Using procurement practices to improve the availability of work was a clear priority for the majority of organisations involved in the study, and reflects the regional labour market pressures described previously. Job creation initiatives primarily took the form of numbers of apprenticeships specified as an essential requirement within procured contracts. In addition, some specifications included a requirement for upskilling initiatives such as training programmes and work placements. These were most commonly aimed at young people (aged 16-24), though there was also evidence of initiatives aimed at targeted groups such as armed forces service leavers, ex-offenders and the specific group of young people not in education, employment or training (NEETs).

### Local supply chains

A second key focus was the encouragement of local supply chains, with evidence of many years of process development in this area. One particular innovation, encouraged by the North East Procurement Organisation (NEPO) and other stakeholders, was the use of ‘lotting’ within contracts to facilitate participation by smaller, locally based organisations. The method of breaking large contracts down into different sized chunks (or ‘lots’), and then limiting the number of lots for which one organisation could bid, was described as advantageous both from a social value perspective and also from a risk management viewpoint, as it allowed the procuring organisation to spread associated risk across several suppliers. In addition to lotting by contract size (commonly found in construction contracts for example), there was evidence of lotting by geographical area (more common in social care) and also by trade. The latter was described by a local authority procurement lead:

> ‘We sometimes lot things up to make contracts – or the lots – small enough that they’re then attractive to more local suppliers, and the big boys would probably look at it and say, ‘That’s too small for me to worry about,’ and therefore it encourages more local, smaller businesses to apply… we have lots of minor works, so things like repairing broken windows and plumbing, stuff like that, and we split that into the trades. So there’d be a lot for plumbing, a lot for glazing, a lot for roofing… and they become small enough to just be attractive to local plumbers and roofers.’

* (LA procurement lead)
As well as growth in the use of ‘lotting’, procurement teams described increasing use of market engagement work with local suppliers. This enabled procuring organisations to better understand key markets and the requirements of SMEs and VCS organisations, while also providing an opportunity to encourage and support smaller organisations to bid for and win public sector contracts. Engagement work took place collectively at a regional level (led by regional infrastructure organisation NEPO) and also locally in the lead-up to specific large contracts being advertised.

Wider community development

Finally, and to a much lesser extent, there was some evidence of procurement practices being used to encourage wider community development work within local communities. For example, a contract might specify a requirement to work with local primary schools (e.g. by asking the supplier to facilitate an agreed number of construction site visits), or by encouraging volunteering within the local community or donations to local charities.

Wider aspects of work quality and fulfilling work

The three main areas of social value focus currently advanced through procurement, as described by those involved in the study, do not take into account any elements of work quality. Participants were asked about any known initiatives to influence wider aspects of fulfilling work through the procurement process, with a particular focus on employee conditions such as pay levels, contract types and employment terms and conditions. As can be seen in the quotes below, these elements were much less visible both in existing practice and in discussions around social value:

‘I’ve been doing this job for 14 or 15 months. I think the first time that I’ve heard the words ‘Living Wage’ being mentioned is today with you.’
(Supplier representative)

‘In terms of the quality of work, hours, terms and conditions, pay, training, progression, job security… I don’t think it’s our responsibility. In terms of terms and conditions, as long as they’re legal and fair then for me that’s enough.’
(LA procurement lead)

‘We built some targets into the tender and the contract for the main contractor around numbers of apprenticeships, numbers of training opportunities, number of school visits to have a look around, that sort of thing. But interestingly we’ve never gone down to the level of detail… where we’ve started to ask about terms and conditions of contracts, and pay levels and stuff like that. That’s just something we’ve never really pursued in the past…’
(LA procurement lead)

‘There’s all sorts you could actually consider… there could be stuff around notice periods, pension provision… holiday pay, sickness… lots of stuff that we never really consider to be perfectly honest. We almost say, “Well they’re your workforce, you manage them as you see fit.”’
(LA procurement lead)

As illustrated in the quotes above, it was generally considered outside the scope of existing procurement processes to influence aspects of work quality such as pay and employee terms and conditions. Assumptions about work quality were often made based on existing industry or profession-specific expectations or codes of conduct related to pay levels, training and progression.

One key exception to this general trend was a collaborative attempt by one local authority and
a third sector social enterprise to improve working practices in the home care sector. This is presented as a case study on p.27.

**Sector and industry variation in Social Value Act (2012) implementation**

When discussing social and ethical elements of procurement, the Social Value Act (2012) was generally used as a reference point and anchor for debate. Participants described wide perceived variation in the level of progress and particular approach taken to social value procurement across sector, industry and organisation.

Substantial sector variation was reported on a spectrum from local authority and social housing procurement teams (generally considered to be the most informed and active sectors) through to NHS procurement teams (perceived by others as being ‘uninterested’ and having made little progress on social value). Sector differences were explained by several factors including organisational culture, ethos and purpose as well as team capacity and the level of authority held by procurement departments within the wider organisation. It was explained for example that procurement teams within healthcare can be less likely to include senior strategic decision makers, thereby limiting their influencing power within the organisation as a whole.

The importance of organisational purpose and objectives was described by one interviewee as follows:

> ‘The NHS, we’ve really struggled to get anyone to take this kind of stuff particularly seriously… I wouldn’t expect an NHS Trust to have the same level of concern about the local economy as the local authority does. Because local authority is specifically tasked with development of the local economy. The NHS is tasked with keeping people healthy and there is a relationship there, but it’s an indirect one.’
> (Regional infrastructure organisation)

Procurement traditions were also seen as an important source of variation in progress. Healthcare for example was described to have traditionally relied upon ‘tacit understandings’ of work quality based on clinical guidelines and national standards for professional practice. To be explicit about aspects of work such as pay, training and continuing professional development (CPD) was considered unnecessary because it was seen to be inherent in existing professional standards. Interestingly this was perceived to be a rapidly changing assumption, due to new challenges arising from opening up the public sector healthcare market to external players from the private sector, who may not share the same professional guidelines.

Industry-level differences in attitude were also reported, in part driven by internal market factors. For example, issues attracting and retaining new workers to the construction industry was described as a key market driver behind the industry’s motivation to invest in highly developed training and apprenticeship programmes.

**Team variation and individual differences**

In addition to sector and industry-level variation, the data also pointed to large differences across individual procurement teams in terms of attitude and approach taken to social value. Team differences were perceived to be influenced by practical factors such as the level of resource and capacity, as well as the amount of strategic influence they held within the wider organisation.

Team ethos and the beliefs and attitudes of individual team members were also seen as hugely important. The success of added value initiatives (both procurement and non-procurement focused, and from both the procurer and supplier side) was suggested to be heavily reliant on individual champions to provide the necessary passion and motivation to drive change forward. Described as ‘pockets of enlightenment’ within the system, the following quote referred to a construction company who held a strong ethos around apprenticeships and jobs creation for young people:
Implementation of the Act was perceived as lacking imagination or creativity, instead having been reduced to an outputs-focused ‘numbers game’ of how many apprenticeships a supplier could offer within the contract value. In addition, there was a perceived lack of consistency in approach across different local authority areas, creating a patchwork effect which made it difficult for suppliers to navigate systems and expectations when operating in more than one locality. This in part was linked to the lack of statutory requirement to use social value frameworks, leading to a reliance on good will and substantial variation on a contract-by-contract basis. As one participant expressed:

‘It needs enforcement, not persuasion alone’.  
(Supplier representative)

Discussions also pointed to potential tensions between ideology and practice, whereby social value was talked about positively at engagement events and well-articulated in policy documents but then did not translate into tender documents when they were advertised. As described by one supplier representative:

‘It still feels a bit like procurement is just a careful risk management exercise with social value sprinkled on to show the Commissioner as human…’  
(Supplier representative)

Both suppliers and procurement teams reported some unintended negative outcomes of current social value procurement practices. For example, issues with apprenticeships being left unfinished at the end of short-term contracts had led NEPO members to explore whether a ‘pooled’ apprenticeships system could be introduced, which would allow apprenticeships to span more than one construction project. In the housing sector it was reported that some large suppliers had started to back away from Registered Social Landlord (RSL)
contracts as a direct result of the additional social value requirements, creating a negative impact on competition within the market. Feedback from these suppliers suggested that there was not enough of a profit margin to deliver the added value expectations. The issue of minimal profit margins and its repercussions for good work procurement is considered further on p.21 and highlighted in the home care case study example on p.27.

In general, while the underlying premise of the Social Value Act (2012) was considered a positive step forward, suppliers were cynical about its potential to create long-term gains or organisational behaviour change. It was also described as ‘too blunt a tool’ – at least in its current form – to deliver the more nuanced aspects of fulfilling work which are of interest in the current study.

‘I see some evidence that social value elements are being considered at the start. I see virtually no evidence that evidence is being collected or acted on… So the behaviours at this end aren’t driving better behaviours the other end.’
(Supplier representative)

Issues around the measurement and monitoring of non-core elements of publically procured contracts will be considered in more detail in Section 3.3 on p.21.

### 3.2 ATTITUDES TOWARDS ‘FULFILLING WORK’ PROCUREMENT

The qualitative study elements displayed wide variation in attitudes towards the potential use of procurement to influence aspects of work quality such as pay, contract type and employee terms and conditions. Views were dependent on individual beliefs and background, organisational culture and team ethos, and the perceived level of connection or commitment between an organisation and the local community. This section provides an overview of the range of attitudes towards this type of procurement, both positive and negative.

**Value to local economy and workforce**

For the regional infrastructure bodies involved in the study, the idea of addressing work quality through procurement provided a welcome focus on local economic development, labour market issues and the nature of work. A focus on improving work quality was agreed by these organisations to hold the potential for greater synergy between regional economic strategies and the neighbourhood-level, human experience of work.

By improving conditions such as pay, it was also perceived that a focus on work quality could enhance the ‘local multiplier’ effect, whereby household budgets would increase and more money retained and circulated within the local economy. One academic interviewee commented that it also provided an opportunity to ‘re-build social capital within the workforce’, which was perceived to have been lost in recent years through outsourcing and the “contractualisation” of social care.

**Value to suppliers**

From the supplier perspective, procuring for work quality was (tentatively) praised for the opportunity it could offer to broaden and diversify the supplier base, by giving a ‘competitive advantage’ to organisations with a social ethos:

‘We’re not looking for contracts to be shared out neatly and evenly between everyone. We’re looking for the businesses that can deliver the most all round for the region to be given the opportunity to do so.’
(Regional infrastructure organisation)

This was considered to sit neatly within the concept of ‘smarter’ or ‘intelligent’ procurement described in Section 3, which aims to bring a fairer and more ‘common sense’ approach to existing practice. In addition, it was articulated that a broader outlook can lead to business growth and that there is
Increasing value in being seen as a ‘good employer’, particularly in industries with competitive markets for attracting new talent.

**Definition and clarity issues**

Across the qualitative study elements, significant difficulties were encountered in describing, clarifying and understanding the term ‘fulfilling work’ procurement. The word ‘fulfilling’ was reported to conjure up connotations of intrinsic meaning, fulfilment or enjoyment experienced by employees, as opposed to extrinsic quality factors such as pay and employment conditions. The range of alternative phrases used in the ‘good work’ movement, including ‘better jobs’, ‘great jobs’ and ‘inclusive growth’ added to the confusion, with each term holding slightly different connotations and meaning different things to different participants.

Participants felt strongly that the starting point for any future work must be an agreed way to define and conceptualise the good work movement, with one shared definition that cuts across sectors, funding bodies and campaign groups. Questions were asked around who decides what ‘good work’ means, and how certain ‘grey’ areas would be addressed within any shared definition. Ethical issues were raised for example about whether zero hours contracts should always be considered ‘bad work’, and whether low paid apprenticeships should be judged as progressive or exploitative in the current employment climate.

**Articulating value and importance**

The ‘So what?’ factor was heavily present in interview and focus group discussions on the topic of work quality and fulfilling work. Demonstrating the value of this area of interest was considered crucial to generating buy-in from suppliers, policymakers and the general public. However it was acknowledged that there is currently no shared recognition of the value of addressing such issues, whether through the procurement process or other mechanisms. Participants described the lack of a solid, accessible evidence base on the positive impact of ‘fulfilling work’ practices on employees, the wider community or the local economy. Without a strong argument for investment in this agenda, it was considered unlikely that it could become a political priority:

‘If you went to a politician and said, “What are your top five priorities as a leader of an organisation?” I don’t think fulfilling work would be on that list. I think **any** work might be on that list.’

(Local authority procurement lead)

The existing landscape of social value procurement, which is heavily based on bespoke contracts without outcomes evaluation built into the delivery model, admittedly made it difficult to articulate impact or add to the evidence base.

There was a general perception held by procurement teams that value for money and whether the supplier can fulfil the contract should be prioritised over delivery of any added value elements. For obvious reasons, this was seen as particularly important in sectors such as home care, where fulfilment of contracted activities is a statutory requirement and non-delivery holds potentially harmful consequences:

‘We could, in theory, increase the weighting [within contract specifications] around social value. Whether that would outweigh other things though because at the end of the day we want safe care for the people of [locality] and… with home care if someone doesn’t turn up… it could be quite serious, someone might not get their medication… and people do die as a result of poor care in that sector. So our number one focus is always on making sure we’ve got providers who can deliver safe care.’

(Local authority procurement)
Let the market decide?

Some local authority procurement leads felt strongly that the market should decide aspects of work quality such as wages, contract types and training requirements; rather than it falling within the responsibility of procurement teams to dictate such details to service providers:

‘On a procurement perspective we leave that up to the individual suppliers. It’s their own policy… We deliberately don’t say you must not have zero hours contracts. We deliberately don’t say you must pay the Living Wage Foundation living wage, because at the end of the day we need the right solution but we’re managing public money… ’

(Local authority procurement lead)

Several assumptions were made by procurement teams when awarding contracts, for example that longer contracts would naturally mean greater job security passed down to workers – however it was not considered necessary to specify such details within the contracts themselves. Concerns were also raised that highly prescriptive terms may negatively impact on the relationships built up between procuring organisations and the supply base.

Cynicism about replication

As already mentioned on p.17, some participants displayed a level of cynicism related to current good practice examples that are lauded nationally, on the grounds that they are often isolated cases which rely heavily on individual drivers and the ‘champion enthusiast factor’. Because of this, it was argued that positive outcomes were unlikely to be open to widespread replication:

‘The fact is we haven’t moved forward. I mean, I’ll be honest we’re fed up of using the Durham County Council example around social value, as good as it may be… the fact that we haven’t progressed from that to something else within the region… it’s frustrating’.

(Supplier representative)

3.3 PRACTICAL (SYSTEM) CHALLENGES

‘I think the two biggest barriers, which are related is – one has been the heavy emphasis on price. And the other has been a squeezing of capacity and expertise within procurement departments to be able to invest in doing anything creative. Both of which are a pretty direct result of funding cuts in the public sector and particularly in local government.’

(Regional infrastructure organisation)

The interview and focus group discussions highlighted a range of perceived barriers to procurement acting as an effective mechanism to achieve ‘good work’ outcomes for the region. This section provides an overview of the key practical challenges identified, including:

- Overriding emphasis on price.
- Monitoring delivery.
- Commodification and measurement of good work outcomes.
- Legal considerations.
- Complexity of the process.
- ‘Levelling the playing field’ for smaller and less established organisations.
As illustrated in the quote above, many of these barriers were linked to wider national challenges – particularly public sector funding cuts – which will be explored later on p.25.

**Emphasis on price**

Despite evident progress on social and ‘added’ value elements of existing procurement practices, an overriding emphasis on price was reported to remain the primary consideration in spending decisions:

> ‘There’s a tension between financial and everything else… the local authorities have seen huge budget cuts and I think savings is always going to be there. However I think everyone is on the page of it’s not just about doing what we’ve always done and trying to squeeze the supply base to deliver it cheaper.’
> (Regional infrastructure organisation)

There were several clear tensions visible in the data, both for suppliers and procuring organisations themselves. From the supplier perspective, the highly competitive funding environment was described as continuously requiring providers to undercut each other on price, resulting in lower margins and fewer opportunities to offer ‘added value’:

> ‘If the price is always being chipped away at then the opportunity for you to then offer fulfilling work, well paid work, meaningful work to your staff through your services starts to diminish… you need to make yourself competitive so you need to reduce your costs. And this starts to put an additional strain on the organisation.’
> (Supplier representative)

Procuring organisations faced similar tensions when considering the provision of decent work opportunities within a finite financial envelope. In the quote below, one LA procurement lead described the potential consequences if the real Living Wage was to be applied to all of their contracts:

> ‘Being candid, the Living Wage Foundation living wage, this council would fall over if we implemented that with all of our contracts. If we did that we’d have to do less, so we might create fulfilling jobs but there would be less jobs so there’ll be other people then not fulfilled… There’d be service provision cuts… so provision will be reduced.’
> (LA procurement lead)

A key consideration for local authorities in the current study was understanding the ‘red line’ – how much of the total contract value could be allocated to social value or fulfilling work elements before it would negatively impact on affordability, competition and the supplier’s ability to deliver. At the time of writing, NEPO were leading some exploratory work on this but it was estimated to be a maximum of 10-20% of contract value.

As a result of the conflicting tensions already described, it became apparent that added value elements were not always costed into contract value. This raised several questions about who should be responsible for paying for added value and whether it had become just another way of asking more for less.

In the quote below, a third sector provider described the social value elements of a recent tender document for delivery of a home care service. The value of the contract was less than £15 per hour of care delivered:
‘There’s a question about… delivering person-centred care that was 10% of your mark… There’s one on promoting independence, social and economic wellbeing so that was 10% of the mark… you had to respond to say how you would work in partnership with other agencies across the voluntary and community sector, how you’d aid individuals to maximise their participation with the wider community, and how you’d add value to the service by providing positive economic and social benefits, for example in providing employment and volunteering opportunities. And how you’d raise the profile of care work… So yeah I suppose social value, added value was considered.

…And I think for anyone writing that response, whether you’re voluntary sector or private, you’re sat there thinking, £14 an hour and you want us to change the world?’
(Third sector provider)

A key discussion point centred on how to monitor or ‘police’ the delivery of fulfilling work outcomes specified within procured contracts. This was described as a major issue within existing social value work and recognised as a crucial element of any future developments related to ‘good work’ procurement. Several challenges associated with this were put forward, including:

▶ How a specific monitoring mechanism would be designed and what it might look like.
▶ Lack of capacity to monitor delivery and the additional resource that would be required.
▶ Complexity added to the application and delivery process for suppliers.
▶ Questions around how to monitor through sub-contracting chains.

An academic interviewee and supply-chain specialist acknowledged that monitoring quality through many different levels of a sub-contracted supply chain is possible, yet the costs attached are so considerable that it tends to be seen only in highly regulated industries where safety is of paramount importance, such as the manufacturing of aeroplanes.

Participants in the current study reported that post-award contract management is currently the least developed (and least well-resourced) aspect of the procurement process, and would require substantial investment and development to enable such monitoring to take place.

‘It’s very easy to put down those clauses… having the mechanisms and the capacity to actually audit that effectively is often where it falls down. If you’re a local authority you haven’t got the resources to be doing spot checks on your suppliers as to, are they doing what they said they’re doing in relation to X, Y and Z.’
(Regional infrastructure organisation)

It was noted that the use of volunteers to deliver added value elements of procured contracts was not no-cost, due to the capacity and large time commitment required to recruit, train and support an organisation’s volunteer base as well as the requirement to pay travel and other expenses.

Monitoring delivery

‘It’s actually making them make good on their promises and that’s the bit… I could probably hold our hands up, all of our hands up collectively and say we probably haven’t got that bit right.’
(Regional infrastructure organisation)
The reasons why careful monitoring was considered so crucial to effective implementation were clearly articulated, based on past experience of social value procurement. A key challenge was raised in how to avoid the process becoming a ‘game’, whereby increased sub-contracting is used alongside other methods to create an illusion of ethical practice by the main contractor.

In addition, it was reported that the lack of effective monitoring could create an advantage for suppliers who are more ‘clued up’ about the lack of accountability once contracts have been awarded. The following quotes drew upon experience from the introduction of social value procurement:

‘It can be frustrating for somebody thinking… I’m not going to tender for this… because I can’t meet what they’re asking for, when others maybe are a bit more clued up and think, well they’re probably not really going to come and ask anyway so I’m just going to put it in my bid.’

(Regional infrastructure organisation)

‘We have had one or two contracts in the past where bidders have made big commitments to do stuff and lo and behold it hasn’t happened… because of poor contract management or supplier lack of capability in terms of, well we promised the earth to get the gig and now we’ve got the gig we can’t actually do it.’

(LA procurement lead)

‘Why bother [fulfilling promises] because nobody polices it anyway…’

(Supplier representative, describing the attitude of some suppliers)

This discussion linked to a wider perception (explored further in p.24) that existing systems tend to be ‘loaded in favour’ of larger organisations who can be more experienced and adept at navigating the procurement process.

**Commodification of fulfilling work outcomes**

Leading on from the previous point, questions were raised around how to articulate and commodify/quantify fulfilling work outcomes, in order to enable their inclusion in the design of procurement frameworks. It was pointed out that specificity is crucial for legal acceptability and transparency. Any social value or ‘good work’ elements of procured contracts must be measurable and relevant to the contract delivered. Expectations must also be proportionate to the size and scope of each contract.

Tensions were identified around the need for creativity and flexibility to maximise added value gains, versus the requirement for specificity and clarity of expectation within the procurement process. This left procuring organisations in a ‘Catch 22’, whereby it was essential to be prescriptive, yet the prescriptiveness itself was perceived to reduce opportunities for creativity and innovation.

**Legal considerations**

The interview and focus group discussions illustrated a marked lack of clarity or shared understanding of what is legally possible within procured contracts, in relation to ‘added value’ or fulfilling work elements. This included for example whether social value elements can be included as mandatory rather than desirable criteria within procured contracts. There were also differences in opinion on whether it is legally possible to hold suppliers to account for delivery of fulfilling work contract elements, and if so how this could be enforced. Several specific legal considerations were also identified, including suggestions that local jobs cannot be specified if it is seen to limit competition and that the real Living Wage cannot be specified on contracts which must comply with European procurement regulations.
Additional contractual considerations for individual suppliers were also raised. For example, if some contracts specify the real Living Wage but others don’t, is it (practically and ethically) acceptable to pay different workers different rates – or the same worker different rates depending on the contract they are working on?

In the following quote, one LA procurement team discussed the legality of asking bidders to disclose the hourly rate they would pay employees to deliver a domiciliary home care service:

“We know wages has an impact on the delivery of home care, so it was right to include that... [but] if we start asking about something that actually has got nothing to do with the actual delivery of the contract that’s where we expose ourselves legally... if we were to say, ‘You get extra points because you’re a charity’... we become discriminatory and that’s when we start facing legal challenges. The concept of social value gives us the tools to push further than we probably ever did, but we can’t go too far.

And nor would we – why would we want to?... If we put at risk service delivery and then there’s the whole value for money thing that we need to consider as well…”

(LA procurement leads)

Complexity of the process

Tensions were highlighted between ‘simpler’ and ‘smarter’ procurement systems, with social value and other fulfilling work elements increasing complexity and lengthening the application process for both procurers and suppliers. Participants acknowledged the resource implications of such increased complexity to both sides of the process.

Creating a ‘level playing field’ for smaller and less established organisations

Wider discussions around existing procurement practices portrayed a general perception that they are ‘loaded in favour’ of larger organisations, who have an advantage due to high levels of risk aversion built into current systems and are subsequently able to ‘soak up’ the majority of available contracts.

Any increased complexity in the bidding process was perceived to increase this bias further, by favouring organisations with dedicated resource, expert knowledge and the capacity to monitor and store large amounts of data. Large organisations were reported to gain an advantage through greater capacity and a better understanding of the process:

“They [SMEs] can carry out the work but what they can’t do is demonstrate on a piece of paper all of the answers to the questions. They just don’t have the expertise in-house... if you’ve got a huge company like Carillion with a whole department of people, three floors of people who write bids and that sort of thing, then you’ve already got a huge advantage over somebody where the MD is doing it around the kitchen table on a Friday night sort of thing.”

(Supplier representative)

In addition, larger organisations were perceived to be more able to absorb the cost of fulfilling work elements into other areas of the business and benefit from the economies of scale – a crucial advantage in sectors with low profit margins such as social care and construction. The two following quotes describe this issue in the context of the home care case study found in section 3.5 on p.27.
‘Those national organisations will always have those economies of scale. You know little things like uniforms, it all adds up when you’re paying a very low rate for home care, and they just save money all over the place.’

(Local authority procurement)

‘I guess, we might have quite naively thought in the early days we might have had more of a margin, which would enable us to then do some of that social value, added value work.’

(Third sector supplier)

There was a clear perceived tension that larger organisations could find it easier to offer added value, but that this did not always translate into delivery on the promises made. This links back to issues already covered around monitoring, accountability and understanding of the system.

3.4 NATIONAL CHALLENGES

Market fragility

A key overriding discussion in the research was around the fragility and vulnerability of current markets. Construction and social care were provided as key examples of sectors constrained by market uncertainty and low profit margins. Construction contracts were reported to be characterised by tight profit margins, vulnerable payment structures and high levels of sub-contracting by ‘the big guys’ (R12) who win the majority of contracts. In addition, the ripple effect of large organisation failure such as Carillion was reportedly felt throughout sub-contracting and supply chains.

‘A lot of civil contractors are operating at massive losses which aren’t sustainable or they’re making tiny margins on projects. Most of them have big cash flow difficulties because you’re paying workers, you’re paying for plant hire weekly or monthly but you might only get paid at the very end of the job... At that point there might be some sort of retention where you only get paid 80% of what you thought and you have to fight for the rest for 120 days. So there are real big structural problems in the industry... You can’t see what work there is six months down the line. We can’t take the risk of having – you tell us to employ ten new apprentices for this job. That’s difficult.’

(Supplier representative)

Social care was described to share similar issues, categorised by tight margins or even delivering at losses, weak financial systems and a heavy reliance on contracted income throughout the system. In addition, the lack of a stable workforce made the delivery of core services a major challenge:

‘Home care is a difficult market... Sometimes you might get a referral in the morning and you have to start delivering home care to someone in the afternoon, so you need a workforce that’s very flexible where you can increase or decrease hours accordingly. And therefore what you often find is a lot of home care providers employ staff on zero hours contracts, that’s quite prevalent in the industry...’

(Local authority procurement)
The lack of market stability and sector vulnerability quickly became a key theme in the research. The health of individual markets is a crucial consideration and will be re-visited in Section 4 (p.29). This issue was linked to a wider discussion about the need for broad, national investment in fragile markets. The current ‘lumpy’ nature of investment in a few large, ‘grand splash’ investment projects was perceived to have no marked impact on overall market health.

**Political will and national commitment**

A second major, overriding theme in the qualitative study elements was concerned with the necessity for political will and national commitment in driving initiatives forward. Specific to procurement, participants stressed that fulfilling work goals must be mapped onto the corporate objectives of the procuring organisation to enable them to filter down into the organisation’s purchasing systems. In addition, it was articulated that high-level, public accountability for the delivery of added value outcomes was an essential requirement for successful implementation.

There was a notable tension between high-level, symbolic political will and the perceived ability to actually operationalise good work objectives within public sector procurement. The local government obligation to deliver as many services as possible in the most cost-efficient way was described as a political balancing act, made up of conflicting priorities and difficult funding decisions:

> ‘Would the leader of the council want to pay people more money, that means people have got more money to spend in [name of local authority area], that then develops the economy, that creates more jobs and more wealth and so on? Of course he would. “Why are you not doing that then?” Well he hasn’t got enough money.’
> (LA procurement lead)

As can be seen in the quotes above, the wider economic context of public sector funding cuts, strained services and the need to provide ‘more for less’ was a key barrier to progressive funding decisions related to good work. Wider issues were also raised related to the value placed on low paid work and the lack of national commitment to addressing problems of in-work poverty:

> ‘If we think that people should be paid higher than the minimum wage, then increase the minimum wage rather than come up with a very complex mechanism of, through the public procurement system, finding a way toward it… Why not just make the minimum wage higher in the first place?’
> (Regional infrastructure organisation)

The importance of raising the profile of difficult markets and low paid work amongst politicians and policymakers was highlighted by one local authority procurement lead, in the context of the case study example portrayed below:
‘It tested a concept out and I think… it’s almost raised the whole profile of home care with senior managers and members around, ‘actually this is a really difficult market to be in.’ And the way that we contract for it we put all the risk on providers because we only pay for the hours that they deliver… it’s just raised the profile of that whole market a bit.’

(Local authority procurement lead)

3.5 REGIONAL CASE STUDY: INFLUENCING WORKING PRACTICES IN HOME CARE

During 2016-17 one North East local authority commissioned a local third sector social enterprise to pilot a new domiciliary home care service. This was driven in part by political will to look at alternative contracting models within social care, with a focus on ‘added value’. Another key ambition was to support the development of the home care sector, which had historically been dominated by a small number of private sector providers. By introducing a new provider with a strong social ethos, it was anticipated that the increased competition could drive up service quality and ‘re-balance’ the market to include a wider range of organisations.

The pilot involved grant funding from the local authority to initiate the service, alongside collaborative working and support from commissioning and procurement teams. It provided an opportunity to test out new ideas related to service delivery and workforce development. Two key areas of innovation were:

- A focus on work quality including a commitment to guaranteed hours contracts (16 hours) for core staff and minimal use of bank staff and zero hours contracts, paid travel time and travel expenses, flexible ‘family-friendly’ working options, enhanced sick pay and a core focus on training and staff development.

- An additional ‘added value’ befriending and social isolation service, building on the organisation’s existing community assets and volunteer base.

At the end of the initial 1-year pilot the new provider had successfully delivered its core statutory home care duties to a high standard. Workers provided positive reports of their employment experience, particularly related to the training and development opportunities offered. However the service faced substantial challenges, significant financial losses and required additional investment from both sides in order to meet financial break-even.

One key issue arose from the commitment to guaranteed hours contracts, which proved less popular than expected with employees and created barriers to meeting service demand at peak times. Against expectations, staff turnover during the pilot was almost 100%, with 4 months as the average length of time in post. Recruiting a suitably stable and flexible core workforce to meet service demand (within service hours of 7am to 11pm) without a heavy reliance on bank staff was described as one of the pilot’s most significant challenges. This reflects issues seen across the home care sector and illustrates the importance of market-specific challenges highlighted elsewhere in this report.

In addition, the new provider was unsuccessful in delivering the ‘added value’ befriending service. Alongside difficulties recruiting and retaining volunteers, priority inevitably had to be given to ensuring delivery of the core, statutory elements of the contract within the available resource. At the time of interview, the social enterprise was looking for additional match-funding in an attempt to meet these aims, however they had so far been unsuccessful in attracting any extra resource.

The pilot has now been extended in two localities for an additional 2 years, in order to explore whether more time to grow the volume of referrals would enable the service to become financially viable and deliver the ‘added value’ elements. Based on feedback from the initial pilot, the local authority procurement team had decided against
putting a clause related to minimising zero hours contracts in the latest version of its home care contracts. Instead the specification emphasises employee choice over employment contract type. A recent tender for other areas in the authority included a specific question about the hourly rate that will be paid to workers, in order to incentivise better pay and longer term sustainability. As a result, the most recent home care contracts were won by national and regional private sector organisations which were able to give more of the total hourly rate paid by the local authority for home care directly to its staff.

While the results were not as anticipated, the pilot was described positively by both sides. The venture was praised for its innovative nature, and for the local authority’s vision to test out a different way of working and willingness to encourage and support a new provider into the market. At the time of writing the local authority was exploring the use of smaller local organisations to deliver more ‘niche’ services, such as step-down from hospital support. The procurement team was also exploring how learning from the pilot could be used to influence procurement practices in other low paid sectors such as care home provision. From the social enterprise’s perspective, the pilot’s initial investment allowed them to achieve CQC registration and gain valuable experience in the delivery of home care services. Furthermore, the pilot was perceived to have raised the profile of home care as a complex and challenging market with local politicians and policymakers.

Provider perspective: Transcript extract

On the pilot’s concept:

‘I think it was really good actually… it was pretty daring of them to have confidence in an organisation that has never delivered domiciliary home care before… there was obviously that vision and that drive from all of us to work together… to develop these open and honest and transparent relationships.’

On guaranteed hours:

‘Guaranteed hours from the offset seemed really the right and responsible thing to do… we were absolutely committed from day one… As we’ve grown we’ve learnt it’s a very difficult market, very tight margins but in turn it’s difficult to attract and retain the right set of people, because a lot of the staff lead pretty complex lives… with the guaranteed hours we asked some of our staff, does it matter? And on the whole there was a bit of a mixed bag…’

On ‘added value’:

‘Really when you strip the funding right back… the same as any provider you get paid for doing your calls. So we went into this thinking of all the great added value we can put in around doing lunch clubs and all that kind of stuff, reducing social isolation, but… when your numbers reach the point – in terms of your weekly hours – which you need them to for financial stability, all your energy and focus is then going on delivering the care, monitoring the care, doing your spot checks. So where our Registered Manager did have capacity initially to organise lunch clubs… slowly but surely that has been eroded pretty significantly.

We talked a lot about using volunteers… but volunteers to recruit and manage and support, is very time consuming and we just did not have the capacity to do that.’
4. Discussion and Recommendations

4.1 DISCUSSION

The scoping study aimed to explore current practice, attitudes, opportunities and challenges related to the concept of ‘good work’ procurement in the North East. This final section draws together the report’s major themes and issues for consideration, before setting out initial thinking and recommendations as heard from participants on the Stage 2 ‘test-and-learn’ development work.

The regional picture: Summary of attitudes, practices and challenges

The world of public sector procurement is incredibly complex. The diverse range of frameworks and systems mean that there is not one direct way to systematically influence processes across the region. Existing ‘added value’ procurement practices in the North East are developed on a contract-by-contract basis and predominantly focus on jobs creation (specifically apprenticeships) and the encouragement of local supply chains. Procurement for aspects of work quality such as pay, contract type and worker conditions is a relatively new and under-developed concept.

Discussions with procurement teams, suppliers and regional infrastructure organisations demonstrated mixed attitudes and a ‘healthy dose of cynicism’ towards the concept of good work procurement. While some participants perceived great value in such an approach, others questioned the lack of evidence base and asked why responsibility for improving work quality should be in the hands of local procurement teams rather than central government or employers.

The findings demonstrated a significant lack of clarity or shared understanding related to both the definition of ‘good work’ and the rationale as to why it should be considered a priority for the region. This was exacerbated by the current literature which uses several terms interchangeably (fulfilling work, good work, better jobs, great jobs, inclusive growth) and each with different meanings. There is a clear need to strengthen the ‘good work’ movement itself – including an agreed single definition and a solid, accessible evidence base – in order to generate necessary traction and buy-in from policymakers, procurement teams and the general public.

Cynicism related to the concept of ‘good work’ procurement originated at least in part from participant experience of implementation of the Social Value Act (2012). This was reported to have been less successful than anticipated in ‘levelling the playing field’ for smaller organisations and those with a social ethos, having instead been reduced to a numbers game of which supplier could offer the highest number of apprenticeships within contract value. The lack of evaluation of social value initiatives made it difficult to articulate its importance, as well as exacerbating the national lack of evidence underpinning the good work movement. In addition, the Act was described as ‘too blunt a tool’ – at least in its current form – to deliver work quality gains for employees.

One key piece of learning from existing added value initiatives is that persuasion alone is not enough to drive change. Success of the movement depends on political leadership at all levels of implementation, including national influence. This of course raises several tensions and questions. How can a progressive national policy on work quality sit alongside less progressive policies such as the government Work Programme? How can progressive regional and local policies be built within the constraints of austerity, public sector funding cuts and the unrelenting requirement to deliver more for less? In the research, the overriding emphasis on price (for both procurer and supplier) was unanimously considered the single greatest barrier to achieving good work through procurement.
A second major, overriding theme in the research was the fragility of key markets such as construction and adult social care, which are characterised by minimal profit margins, weak financial systems and a high level of uncertainty related to future income. Market health is crucial to whether suppliers are able to offer added value within procured contracts; an issue brought into sharp focus in the home care case study presented in section 3.5. Extensive local, market-specific research is required to understand what opportunities exist and how far individual markets can be pushed without making them vulnerable or negatively impacting on competition. Linked to this is the consideration of who should be expected to pay for added value – the supplier, the contractor or the taxpayer?

Finally, the scoping work raised a series of practical (system) challenges that must be overcome in order for procurement to act as an effective mechanism to deliver good work outcomes. In particular, findings highlight the need for:

- A system of monitoring or ‘policing’ the delivery of added value promises made by suppliers (including resources to support this enhanced role of procurement teams).

- A measurement framework which can quantify/commodify fulfilling work outcomes, to enable them to be included in contract specifications.

- A clear, shared understanding of what is legally possible.

Many of the issues raised in the current study can be considered relevant to the good work movement as well as procurement as a mechanism to deliver it. The findings presented in this report argue that procurement should not be seen as a ‘silver bullet’ or single answer to the work quality problem. However, if the movement is strengthened and key issues addressed, there is certainly scope for it to become a key mechanism used to implement and drive forward the good work movement.

### Good work procurement: Facilitating factors

Figure 1 overleaf provides a summary of facilitating factors of ‘good work’ procurement, based on the findings presented in this report.

As highlighted in the diagram, for procurement to act as an effective mechanism to deliver good work objectives, attempts must be *well-defined, legal, measurable and reasonable* within specific market conditions and contract value. In addition, *political leadership* is essential at each level of influence.

#### 4.2 RECOMMENDATIONS

Recommendations related to fulfilling work procurement:

- Public sector procurement is a highly complex area and should not be considered as a ‘silver bullet’ or single answer to issues of work quality, but as one of several possible mechanisms of influence.

- The first step must be to build widespread political and public buy-in to the good work movement as a whole. Initial work is required to develop a single, shared definition and a strong, accessible evidence base on the value of good work practices.

- Within this, moral and ethical tensions within the movement must be addressed. Emphasising *employee choice* may be more useful than taking a prescriptive approach (for example one that defines all zero hours contracts as ‘bad’ work).

- Specific to procurement, development work and investment is required on specific process issues including the quantification/measurement of good work outcomes, mechanisms to monitor the delivery of good work outcomes, and legal considerations related to its inclusion in different forms of contract specification.
Figure 1. Implementing fulfilling work procurement: Summary of facilitating factors

- **Early development work and evidence base**
  Clear, shared definition; articulation of value; accessible evidence base.

- **Political leadership**
  At all levels of influence – national, regional and local; engage senior political leaders; create public accountability for delivering outcomes.

- **Senior buy-in**
  Top-level commitment; organisational champions; ambitions mapped onto corporate objectives.

- **Supplier engagement and market research**
  Clarity of expectation; shared language and understanding; realistic market-specific expectations; supplier support and training.

- **Team factors**
  Resource and capacity; capability and skills; level of authority/influence within the wider organisation; team ethos and individual attitudes.

- **Process/practicalities**
  Specific, quantifiable and proportionate expectations; clear questions; detail-level instructions; shared clarity and consistency across procuring organisations; measurable outcomes; accountability for delivery; legal considerations.

- **Contract management**
  Enhanced role and resources to support; agreed and fair approach to unfulfilled promises.

- **Contribute to evidence base**
  Impact evaluation of short, medium and long-term gains; unintended negative outcomes.
Stakeholder recommendations for Stage 2

Across the course of the scoping work, participants offered a range of useful suggestions and recommendations to be considered within Stage 2. Desired outcomes of the test-and-learn development work were articulated as follows:

- Regional recognition and commitment to issues related to work quality.
- Joint involvement from regional LEPs, council leaders and procurement leads.
- Set of agreed work quality standards/principles.
- Initiation of long-term work towards the development of an established, agreed framework on work quality.

It is worth noting that the desired outcomes suggested by participants focused more on supporting and promoting the overarching good work agenda within the region (for example by supporting the development of a Good Work Charter or regional business case for good growth), rather than following a narrow focus on procurement.

Specific to influencing procurement practices, the following suggestions were made:

- Influencing a procurement framework is more useful (and challenging) than influencing individual contracts.
- Large procurement organisations have the greatest influence over supply chains and an ability to set precedents, so they offer the best chance of transferable ‘wins’.
- Service contracts are more open to influence on employment conditions than goods contracts.
- Long-term contracts are easier to influence and demonstrate outcomes than shorter term contracts.
- Concentrate on more stable markets first.
- Consider tailored drivers of interest for different organisations or sectors, e.g. workforce health or mental health when engaging with NHS organisations.
- Consider a more spatial/geographical approach than current social value work.

Other helpful suggestions for Stage 2 included exploring the concepts of workforce-led procurement (where service providers and workers shape specifications together) and initiatives related to commissioning for the process (rather than for outcomes). One participant recommended examining how ‘planning gains’ are conceptualised and attached to infrastructure contracts. Could we conceptualise good work outcomes as ‘workforce gains’?

As referenced above, Stage 2 will be to support the development of a procurement framework to align with and inform the North of Tyne Combined Authority’s “Good Work Business Pledge” and its overall economic strategy. These suggestions provided by participants will provide a starting point for our exploration of how this framework can be shaped and implemented.
Making Procurement Work for All

The Carnegie UK Trust, ILG and NECPC project is made up of two phases, comprising initial scoping work (Stage 1) followed by a practical development project (Stage 2). This report outlines key findings from Stage 1, which took place from January to June 2018.

REGIONAL SCOPING WORK (STAGE 1)

Stage 1 methods

Stage 1 was made up of qualitative fieldwork with key regional stakeholders (n=32), alongside desk research (evidence review).

1. A targeted evidence review was carried out, including academic literature as well as published and non-published material from practitioner bodies. Additional information was gathered from interview participants and wider regional stakeholders. Particular attention was paid to studies where social or ethical procurement issues were raised.

2. A combination of 12 face-to-face, semi-structured interviews and 3 focus group discussions (total 32 participants) were used to explore current practices, attitudes and perceived challenges related to fulfilling work procurement. A sample topic guide can be found in Appendix B.

All 12 interviews and 2 of the focus group discussions were recorded with written consent from participants. Interviews were transcribed verbatim, coded and analysed thematically using an approach based on Ritchie and Spencer (1994). This involves a series of processes including familiarisation, indexing, framework development, mapping and interpretation.29

Participant details

A total of 32 participants from 19 organisations took part in the qualitative elements of Stage 1. A full list of organisations that contributed to the scoping work can be found at the start of this report.

A purposive sampling approach was used, whereby participants were sought based on characteristics and experience relevant to the study’s research questions. They were drawn from a range of targeted stakeholder groups including local authority procurement teams, higher education procurement, social housing, health and social care, construction, the academic community and the voluntary sector. Views were also sought from key regional infrastructure and/or campaigning bodies such as the North East Procurement Organisation (NEPO), North East Chamber of Commerce (NECC), Trades Union Congress (TUC) and Federation of Small Businesses (FSB). Participants held experience of procuring contracts, bidding for procured work, undertaking research related to procurement, or a strategic interest in the study area.

Stage 1 outputs and intended outcomes

Anticipated outputs and outcomes of Stage 1 were as follows:

i. A written overview of key findings, challenges and practice examples, including:
   - A description of the North East picture including current procurement practices and attitudes towards ‘good work’ procurement.
   - A summary of critical issues, including barriers to more progressive practices (e.g. attitudinal, structural, administrative).
   - Identified practice examples from within the North East and elsewhere.

ii. Initial ideas related to the key principles of good growth/‘fulfilling work’ procurement and what a region-wide strategy might look like.

iii. Identification of key partners to be involved in Stage 2.

Sections 3-5 of this report provide an overview of key findings from Stage 1.
PRACTICE-FOCUSED DEVELOPMENT PROJECT (STAGE 2)

At the time of writing (July 2018), a detailed methodology for Stage 2 is being developed based on the emerging findings outlined in this report. Stage 2 will entail a focused ‘test-and-learn’ project in partnership with one or more key stakeholders. The goal is to design, develop and refine a practical resource to aid the implementation of ‘good work’ procurement practices, for example a regional strategy or toolkit.

Stage 2 methods

Based on action research techniques, Stage 2 will utilise targeted group work to enable a cyclical process of development, piloting and refinement. Given the developmental nature of the study, the exact methods will evolve based on emerging findings from Stage 1. However they are anticipated to include:

1. Initial meetings with service and/or team leads to examine political and cultural attitudes within the partner team, service or organisation.

2. A small number of face-to-face development sessions over a 6-month period, to examine how current procurement practices could be adapted or developed to fit within a good growth/‘fulfilling work’ framework.

3. Development and refinement work undertaken by the research team between meetings.

4. A final development session or workshop, bringing key stakeholders together to gather feedback and gain a cross-sector perspective on the process and resources developed.

The structure of individual sessions will evolve as Stage 2 develops but may include for example:

Session 1: Initial ideas and resource structure/design.

Session 2: Feedback and initiate testing of draft resource.

Session 3: Feedback from team testing, resource refinement and further ideas development.

Session 4: Group feedback on draft findings, resource and how to take forward.

2.2.2 Stage 2 outputs and intended outcomes

Anticipated outputs and outcomes of Stage 2 are as follows:

i. A draft good growth/‘fulfilling work’ procurement toolkit, strategy or alternative practice-based resource, including practice examples and consideration of cross-sector variation in requirements.

ii. An emerging sustainability and long-term implementation plan.

Ideas and participant recommendations for Stage 2 are explored further in Section 5 (Discussion and Recommendations).

Dissemination

Dissemination of the study’s findings is expected to extend beyond the 14-month project timeline and will include:

- A regional event or seminar to discuss findings, next steps and future sustainability.

- Dissemination through existing contacts and regional networks including the regional Assistant Chief Executives network, North East Regional Information Network (NERIN), North East Child Poverty Commission (NECPC) and NE child poverty policy network.

- Wider dissemination through attendance at conferences, feeding into national policy work, academic publications and widespread circulation of the final report.
Appendix B: Interview topic guide (individual interviews)

1. **Opening question** – First of all, could you tell us a bit about **your role** (or organisation’s role) in commissioning and procurement in the region?

   Our research focus is on ‘fulfilling work’. This is defined by Carnegie Trust UK as a combination of:

   - **Availability of work** (how easily and fairly can people find the type and level of work they want?)
   - **Quality of work** (terms and conditions, pay, training and progression, job security)
   - **Work and wellbeing** (management support, social connections, meaningful work, job satisfaction, agency and engagement)

2. To what extent do **your organisation’s** ways of working fit with this approach?

   In what ways? Examples

   - If not, why not? Internal barriers and challenges (e.g. structural, financial regulation, customs, attitudinal factors, political framework)

3. Can you tell us about any **current practices** you are aware of (within or outside your organisation) which include a focus on social/ethical/‘fulfilling work’ aspects of commissioning/procurement?

   - If yes, ask for details and views on impact
   - Examples of good practice/innovation (within region or elsewhere)

4. What do you think current **awareness and attitudes** are towards this type of commissioning in the North East? (e.g. appetite for developing something, political landscape, variation across different sectors/areas of employment)

5. What do you see as the main **barriers or challenges** to developing ‘fulfilling work’ commissioning and procurement? (e.g. administrative, attitudinal, structural, political)

6. What do you see as the main **opportunities** associated with this approach? (Locally, regionally, nationally)

7. Are there any particular aspects of the ‘fulfilling work’ agenda which you feel would be most **open to influence** through commissioning and procurement?

8. **Closing question** – Is there anything that we have not discussed, or that you would like to go back to, that you feel is important?

   Are there any other key contacts that you think we should speak to?

Thank you and close


5 Tussell (2016), ibid.


9 NECPC (2015) Commissioner Briefing: Child Poverty in the North East. North East Child Poverty Commission, July 2015. In-work poverty is defined as a household living below the poverty line and where at least one adult is in paid work.


17 ILG (2013), ibid. .


23 NOMIS (2018), *ibid*.

24 ONS (2018), *ibid*.

25 Tussell (2016), *ibid*.

26 Tussell (2016), *ibid*.


Carnegie UK Trust
The Carnegie UK Trust works to improve the lives of people throughout the UK and Ireland, by changing minds through influencing policy, and by changing lives through innovative practice and partnership work. The Carnegie UK Trust was established by Scots-American philanthropist Andrew Carnegie in 1913. www.carnegieuk.trust.org.uk

Institute for Local Governance
The Institute for Local Governance (ILG) forms part of Durham University Business School. Established in 2009, the ILG is a research and knowledge exchange partnership between the region’s universities, local authorities and other public sector organisations. It seeks to facilitate relevant research through collaboration between academics, policy makers and practitioners. Further information about the ILG is available at www.ilg.org.uk

North East Child Poverty Commission
As part of its work, the ILG hosts the North East Child Poverty Commission (NECPC). Funded by Millfield House Foundation charitable trust, the NECPC is a voluntary partnership across the region’s public, voluntary and private sectors. It aims to provide a strong regional voice to raise awareness of child poverty in the North East and facilitate collaborative working to tackle the problem. Commission members include representatives from all 12 local authorities as well as a wide range of other public, private and voluntary sector organisations. Further information is available at: www.nechildpoverty.org.uk

This report was written by Dr Deborah Harrison and Phillip Edwards

Institute for Local Governance (ILG)
Durham University Business School
Mill Hill Lane
Durham DH1 3LB

November 2018