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STAFF REPORT ACTION REQUIRED

Toronto Social Procurement Framework

Date:	April 9, 2013
То:	Executive Committee
From:	Executive Director, Social Development, Finance and Administration and the Treasurer
Wards:	All
Reference Number:	AFS# 16843

SUMMARY

This report responds to directions from Government Management Committee and Economic Development Committee to determine an approach for using the City's procurement processes to advance economic, workforce, and social development outcomes. The report details the City's successes with social procurement practices to date and describes how social procurement practices can advance City Council's economic, workforce and social development goals.

The report recommends that Council adopt a Toronto Social Procurement Framework (the "Framework") to guide the City's development of an evidence-based Toronto Social Procurement Policy by the end of 2015. The Framework includes clear principles, goals, and objectives to advance social procurement practices at the City, and an implementation plan that outlines:

- Mechanisms for engaging stakeholders,
- Pilots to test various social procurement approaches and thresholds, and,
- A process to monitor and evaluate impacts.

The report also recommends that the lessons learned in piloting the Framework be consolidated into a Toronto Social Procurement Policy that will be submitted to Council for consideration in 2015.

RECOMMENDATIONS

The Executive Director, Social Development, Finance and Administration and the Treasurer recommend that:

- 1. City Council adopt the Toronto Social Procurement Framework as set out in Appendix A.
- 2. City Council direct the Executive Director, Social Development, Finance and Administration and the Treasurer to report back on a Toronto Social Procurement Policy, inclusive of best practices, a viable approach to targets and thresholds, and benchmarks, for consideration by the end of 2015.

Financial Impact

The adoption of this report's recommendations will have no financial implications beyond what has already been approved in the 2013 Operating Budget.

Equity Impact

The Toronto Social Procurement Framework is an equity-focused framework aimed at strengthening Toronto through strategic use of core City investments. As a mechanism for integrating economic, workforce and social development goals, social procurement expands traditional understanding of 'best-value' for public spending to include the generation of positive societal benefits alongside high quality and competitive dollar amounts. Through its principles, goals, objectives, and implementation plan, the Framework will focus on increasing economic opportunities for unemployed and underemployed city residents, particularly individuals and communities that have been disproportionately impacted and are most distant from the labour market. The Framework will also seek to bring greater diversity to the City's contracting process by understanding and addressing barriers to access for small and medium-sized enterprises ("SMEs"), especially those owned members of equity-seeking groups, to compete for City contracts.

DECISION HISTORY

In adopting *Working as One: A Workforce Development Strategy for Toronto* at its meeting on March 5, 6 and 7, 2012, City Council directed staff to explore the use of procurement to increase access to local employment and training initiatives that advance its workforce development objectives.

http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.ED11.5

At its meeting on April 10 and 11, 2012, City Council requested that the 2015 Pan Am Games Organizing Committee adopt social procurement criteria in the process to award municipal contracts for the Pan Am Games with the goal of ensuring benefits to local communities. City staff were directed to develop a social procurement framework, based on best practices, targets and benchmarks for implementation and an ongoing process for social procurement in City business beyond the Games in 2015.

http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.GM12.18

ISSUE BACKGROUND

Each year, the City of Toronto spends on average \$1.5 billion procuring goods and services, professional services and construction services. In issuing approximately 2,000 purchase orders and blanket contracts and approximately 19,000 divisional purchase orders to a range of vendors annually, the City commits to delivering City services at the best possible value through open, fair, competitive and transparent municipal procurement processes. In March and April 2012, City Council directed staff to explore ways to use the collective buying power of the City's 44 divisions to maximize the City's economic, workforce and social development goals when determining best value for public funds. The scale of the City's annual expenditure illustrates the potential positive impact that social procurement can have on Toronto residents and businesses.

In August 2012, Social Development, Finance and Administration Division (SDFA) convened an Interdivisional Working Group on Social Procurement (the "Working Group") including Purchasing and Materials Management (PMMD), Toronto Employment and Social Services (TESS), the Equity, Diversity & Human Rights Division (EDHRD), and Economic Development & Culture (EDC), in consultation with Legal Services. The Working Group was tasked to develop a social procurement framework that effectively aligns with existing City policies, practices, and experience, and builds from the experiences of other government jurisdictions across Canada and internationally.

Social procurement encourages the use of the procurement process for goods and services to advance positive economic, workforce, and social development outcomes^{1,2}. Social procurement ensures that public sector purchasing decisions deliver on two bottom lines:

- 1. A commitment to purchasing the best services and products at the most competitive prices; and,
- 2. A commitment to leverage limited public resources to achieve strategic city-building outcomes.

Coming out of the inquiry into Toronto computer leasing contracts, the Honourable Madam Justice Denise E. Bellamy, Commissioner, asserted that, "For government, effective procurement should also be measured by social, environmental, and other benefits to the community. Balancing price with these qualitative dimensions is at the heart of effective best-value procurement in the public sector. In other words, procurement practices are an important way of putting a government's policies and priorities into action."³

Accordingly, the City of Toronto has a long history of using its procurement to achieve strategic social development goals. Examples include the adoption of the following procurement-related policies:

¹ Social Procurement: a Guide for Victorian Local Government. State Government of Victoria, October, 2010

² Sustainability Purchasing Trends and Drivers. Sustainability Purchasing Network, Industry Canada. Aug. 2008

³ Page 98 of http://www.toronto.ca/inquiry/inquiry_site/report/pdf/TCLI_TECI_Report_Good_Government.pdf

- Fair Wage (1893),
- Declaration of Non-Discrimination (1998),
- Environmentally Responsible Procurement Policy (1999),
- Purchase of Products Manufactured in Factories where Children are Used as Slave Labour or Other Exploitive Circumstances Which Impeded Child Development (2000),
- Live Animal Testing (2000), and,
- Purchase of Garments and Other Apparel from Responsible Manufacturers (No Sweatshop) (2006).

Through these policies, and through the adoption of the City's main procurement by-laws, policies and procedures, City Council has created a procurement culture of policies and practices that promote and contribute to a fairer, more ethical, and more sustainable city. A social procurement policy for Toronto will be consistent with this established culture of strategic procurement policies.

Strategic Approach to Economic, Workforce and Social Development

Over the last year, City Council had adopted three strategies (described in Appendix B) as blueprints for shaping the City's economic growth, labour market stability, and the overall social well-being and prosperity of Toronto residents and communities:

- 1. Collaborating for Competitiveness: A Strategic Plan for Accelerating Economic Growth and Job Creation in Toronto;
- 2. Working as One: A Workforce Development Strategy for Toronto; and
- 3. Toronto Strong Neighborhoods 2020 Strategy.

Social procurement processes support these strategies and offer another important vehicle for achieving economic, workforce, and social development goals within communities.

Socially responsible public procurement extends beyond conventional job creation and employment opportunities for disadvantaged groups and has far deeper impact by promoting "decent work" including fair wages, promoting compliance with social and labour rights, and supporting social inclusion.⁴ In specific instances, large municipal governments in Canada and in other jurisdictions have used public procurement as a tool for addressing unemployment by increasing labour force participation of the long-term unemployed.⁵

⁴ Buying Social: A Guide to taking account of Social Consideration in Public Procurement. Directorate General for Employment, Social Affairs and Equal Opportunities, European Commission, October, 2010.

⁵ McCrudden, C., Using public procurement to achieve social outcomes. Natural Resources Forum, 28 (2004), 257-267.

COMMENTS

City Experience and Leadership with Social Contracting Processes

Over the past nine years, the City of Toronto has used opportunities to achieve social development outcomes through innovative social contract approaches that promoted employment and training opportunities for Toronto residents, with a focus on communities that have been disproportionately affected by economic recessions, systemic underemployment and other hardships. The City's experience in the field of social procurement can be found in the following six examples:

1. 1652 Keele Street Community Hub

As part of the 2006 redevelopment of a youth-focused community hub at 1652 Keele Street in the Weston-Mount Dennis neighbourhood improvement area, the City and its partners secured socio-economic benefits for local youth. The funding agreement for the capital contributions to the City property stipulated that an employment strategy targeted to local, unemployed youth was to be incorporated into the redevelopment. The City used a Request for Prequalification/Tender process for general contractors to meet the funding requirement. HSI Solutions, the successful proponent out of the procurement process, hired 10 local youth into construction positions. The City developed a partnership with Carpenters' Local Union 27 to provide training and utilized City and community youth employment programs to provide holistic supports to the youth.

2. Regent Park Revitalization

In 2003, Toronto City Council approved the Regent Park Revitalization plan^{6,7}, which included the revitalization of Toronto Community Housing Corporation (TCHC) residential buildings and the development of new market-value residential facilities and amenities. The redevelopment process promised significant employment and training opportunities. TCHC employed a social procurement process; it included criteria that required the successful vendor to provide construction and operating job opportunities for qualified Regent Park residents. The successful proponent, Daniels Corporation, included these requirements in their contracts along the supply chain. Through the Regent Park Employment Engagement Initiative, a number of customized recruitment and training strategies have resulted in over 1,600 residents receiving services, 38 employers being engaged, and approximately 570 residents being hired into positions to date.

3. Woodbine Entertainment Group

In 2008, City Council adopted a citywide Community Improvement Plan⁸ in part to encourage the expansion of targeted employment opportunities. Working directly with the Woodbine Entertainment Group, who owns the racetrack and gaming facility on Rexdale Boulevard near

⁶ Report No. 8, Policy and Finance Committee, Clause No. 2. Toronto City Council, July 22-24, 2003

⁷ Staff Report. Regent Park Social Development Plan Approval, Executive Committee, September 17, 2007

⁸ Staff Report. Community Improvement Plan to Provide Financial Incentives for Woodbine Live!, Planning and Growth Management Committee, September 30, 2008

Highway 427, the City reached a Community Improvement Plan agreement that involved a local hiring and employment strategy. The Plan included advance notice of new jobs, priority hiring for local residents and apprenticeship programs. Although the Woodbine development did not proceed, this concept of incorporating employment opportunities into a development process is transferable to new development plans within the city of Toronto.

4. Waterfront Toronto

The Waterfront Toronto Employment Initiative⁹ (WTEI) connects underemployed and unemployed Toronto residents to employment and training opportunities generated by waterfront revitalization projects. The WTEI encourages its partners, including developers, contractors and consultants, to participate by sharing job opportunities as they become available and to work with the WTEI to develop customized hiring strategies. The initiative is led by Waterfront Toronto, the City of Toronto, and George Brown College, and includes a steering committee with representatives from the West Donlands residents association, Dixon Hall and the YMCA of Greater Toronto.

5. PAN/PARAPAN AM Games Toronto 2015

A primary goal of the TO2015 plan for the 2015 Pan/Para Pan Am Games is to create a sustainable social legacy that is built on the principles of diversity and inclusion. City staff have provided advice and support to TO2015 and other Games partners about the creation of plans which aim to increase access to employment and training opportunities for underemployed and unemployed residents. It is expected that the Pan/Parapan Am Games will create approximately 15,000 jobs in the Greater Toronto Area through the development of the infrastructure and operations required to deliver the Games. In 2012, TO2015 included supply chain and employment diversity as selection criteria for contract bidding. In November 2012, TO2015 released the first Diversity and Inclusion Report; TO2015 also has established a Supplier Diversity Advisory Council to help engage and enable under-represented groups to actively participate in the procurement processes. Consequently, 7% of TO2015's active suppliers who have self-identified and meet diversity supplier criteria account for 33% of spending to date.¹⁰

PMMD in conjunction with TO2015 issued a Request for Proposal for the design of the BMX track for the Pan Am Games. In an effort to maintain the TO2015 diversity objective to provide equal opportunity as well as to enable diverse businesses to participate in the business opportunities that the Games bring, proponents were given the opportunity to demonstrate a commitment to diversity objectives. Sufficiently demonstrating such a commitment can contribute to the proponent's overall score.

In addition, the City is working with Waterfront Toronto, George Brown College, Infrastructure Ontario and the consortium responsible for building and operating the Athletes Village to develop an employment plan. The employment plan will identify strategies for generating and

⁹ cf., Waterfront Toronto Employment Initiative @

http://www.waterfrontoronto.ca/opportunities/waterfront_toronto_employment_initiative

¹⁰ TO2015 First Annual Report on Diversity. Toronto 2015 Pan/Parapan Am Games Organizing Committee. November, 2012

maximizing employment and training opportunities resulting from the development and operations of the Athletes Village. As the contractor, Infrastructure Ontario, in partnership with Waterfront Toronto, has made the development of such an employment plan a requirement of the larger project itself.

6. Imagination, Manufacturing, Innovation and Technology (IMIT) Grant Program

The City has a history of using a range of municipal tools to advance its workforce development objectives. The Imagination, Manufacturing, Innovation and Technology (IMIT) Grant Program¹¹ is one such example of a powerful tool to engage with employers and support business expansion across the city. The IMIT Grant Program allows eligible businesses to receive a Tax Incremental Equivalency Grant (TIEG) of up to 60% of the increase in the municipal taxes attributable to eligible new commercial and industrial construction over a 10-year period. Wherever the City issues this grant, the employer is required to make a commitment to participate in a City-endorsed hiring initiative. As part of this grant process, businesses are required to work with the City to develop a concrete plan to provide employment opportunities to jobseekers in surrounding communities. Through TIEGs, workforce development becomes a critical component of business development and expansion. While the IMIT Grant Program is not an example of procurement, it is an example of how employers are required to work with the City to advance workforce development.

Social Procurement Framework

The Toronto Social Procurement Framework, as outlined in Appendix A, builds on the City's experiences with social contracting processes to date and incorporates lessons learned from other jurisdictions. The Framework incorporates three critical elements: clear Principles; Goals and Objectives; and an Implementation Plan. The Framework will guide the implementation of social procurement activities over the next two years through a series of pilots in order to build the City's experience with social procurement with a view to developing an evidence-based Toronto Social Procurement Policy for Council's consideration at the end of 2015. City staff need this time to effectively consult with the various stakeholders, to identify possible procurements to pilot, and to begin to generate some results in order to develop a fulsome policy.

Principles

The Framework is based on three core principles. First, City of Toronto social procurement processes will be open, fair, competitive and transparent, consistent with public procurement law¹² and the City's existing purchasing policies and procedures. To be successful, social procurement must align with established procurement processes to ensure quality purchasing –

¹¹Staff Report. Stimulating Economic Growth: Toronto's Imagination, Manufacturing, Innovation and Technology (IMIT), Planning and Growth Management Committee, April 22, 2008 Financial Incentives Program

¹² cf., <u>Values and Guiding Principles of Public Procurement</u>, National Institute of Government Purchasing, October 23, 2010 and, <u>Broader Public Sector Procurement Directive</u>, Management Board of Cabinet, Government of Ontario, July 01, 2011

value for money, open and fair competition, risk management and accountability. Further, to be consistent with these laws and policies, the Framework will not give an unfair advantage to any one vendor over another.

Second, City of Toronto social procurement processes will provide unemployed/underemployed residents and more diverse and small businesses with equal opportunities to share in the City's growth and prosperity. Despite global economic uncertainty, Toronto is well positioned for success as the City continues to develop and implement new policies and tools that help stimulate economic growth and job creation and improve the quality of life for residents and businesses.¹³

Third, City of Toronto social procurement processes will promote and adhere to all City policies and practices related to furthering access, equity, and diversity. The adoption of the Framework provides an opportunity for the City to continue its leadership role in relation to other governments and institutions in the community as a model procurer that promotes practices aimed at advancing social inclusion.

Goals & Objectives

The goals of the Framework are to use the City's purchasing power to maximize economic, workforce and social development benefits for residents and businesses that result from City contracts, and to equalize opportunities for all businesses to compete for City contracts, particularly SMEs owned by equity-seeking groups.

To advance these goals, the Framework focuses on three objectives.

1. Increase access to economic opportunities for under and unemployed Toronto residents from disadvantaged communities.

In December 2012, the seasonally adjusted monthly unemployment rate for Toronto residents increased from 9.2% to 9.7% (where it was in October 2012). At 9.7%, Toronto's unemployment rate is significantly higher than that of the Toronto Census Metropolitan Area (CMA) (8.6%), Ontario (7.9%), and Canada (7.4%). Toronto's rate has been consistently higher than that of Ontario and Canada since 2001. Unemployment among youth and newcomers is at least twice the 9.7% rate and is higher in the city's poorest neighbourhoods.^{14,15} Many Toronto residents – notably newcomers, youth and recent graduates – find it more difficult to enter the labour market. ¹⁶ Moreover, workers who have been laid off, especially older workers, find it difficult to re-enter the labour market.¹⁷ Toronto Community Foundation's *Vital Signs 2012* report recently

¹³ <u>cf.</u>, Staff Report: Economic Growth Plan, 2012 -2014 – Directions, June 11, 2012

¹⁴ Youth Unemployment in Canada: Challenging Conventional Thinking? Certified General Accountants Association of Canada, October, 2012

¹⁵ Diversity in Toronto - A Community Profile. Ontario Trillium Foundation, November, 2008.

¹⁶ Canada's underemployed youth slow to recover in post-recession: study, Canadian Centre for Policy Alternatives, October 4, 2012

¹⁷ Bernard, Andre. The job search of the older unemployed. Perspectives on Labour and Income, Statistics Canada, August 22, 2012

documents this inequitable labour market, noting that by 2025, almost 60% of Toronto neighbourhoods will be low or very low income.¹⁸ In this context of chronic labour force marginalization for some Toronto communities, local government faces increased pressure to develop viable short and long-term solutions to support inclusiveness and prosperity. Against this backdrop, the City has an opportunity to use social procurement as one tool to help meet the needs of residents and businesses who are disproportionately affected by economic uncertainties.

2. Increase the number of employers who work with the City to promote local workforce development.

Workforce development focuses on addressing both the demand and supply sides of the labour market. According to Meltcalfe Foundation's recent report on decent work, "Much of the literature on supply-side practices stresses the importance of connecting and engaging with employers, and exhorts employment service providers to address the needs of employers in the same way as they have sought to address the needs of their unemployed clients." ¹⁹ Through this dual-focused approach, workforce development systems are able to better ensure that services are developed and delivered in response to actual need. A dual-focused approach to workforce development stresses the importance of engaging with employers in order to identify the types of opportunities that exist within the labour market. Social procurement provides a mechanism for working with a range of employers to promote workforce development priorities, such as local hiring and training. In 2012, given that the City of Toronto was doing business with approximately 20,000 active unique vendors, there is potential to generate positive workforce development outcomes through social procurement.

3. Increase diversity in the supply chain by supporting access to all businesses to compete for City contracts.

Statistics Canada predicts that nearly 63% of people living in the Toronto census metropolitan area will belong to a visible minority group by 2031²⁰. Given this projected increase by 2031, significantly more SMEs are expected to have diverse ownership. With that in mind, the City of Toronto should ensure that its procurement practices are as open and inclusive as possible to enable the variety of small and medium sized businesses across the city to participate in the City's procurement opportunities. Consistent with public procurement law's purpose of promoting a fair process, expanding the pool of potential bidders is important to obtain best value for taxpayer dollars. The focus will be to increase diversity in the supply chain by increasing access for all businesses, specifically SMEs owned by equity-seeking groups, to compete for City contracts and by encouraging vendors to also implement diversity in their workplaces via diverse employee policies and diverse supply chain policies.

According to Collaborating for *Competitiveness: A Strategic Plan for Accelerating Economic Growth and Job Creation in Toronto*, "Small businesses, with fewer than 100 employees, account for about 97% of all firms in Toronto and 48% of total employment.... Although

¹⁸ Toronto's Vital Signs 2012 Report. Toronto Community Foundation, October, 2012

¹⁹ Tom Zizys, Working Better: Creating a High Performing Labour Market in Toronto, Metcalf Foundation, May 2012 [http://metcalffoundation.com/wp-content/uploads/2011/05/working-better.pdf], p. 38

²⁰ Larson, Paul D., Supplier Diversity in the GTA: Business Case and Best Practices. DiverseCity, November, 2012

medium-sized firms, with between 100 and 499 employees make up less than 3% of firms they employ over 15% of the total labour force²¹. Supporting SMEs to grow their businesses is therefore critical to a robust and sustainable economy. With a strong network of communitybased organizations and social purpose enterprises, Toronto is recognized worldwide as a leader in social innovation²². Supporting social enterprises is a win-win proposition: social enterprises create opportunities for people to learn valuable skills and gain a foothold in the labour market while at the same time operating as viable and profitable businesses. These innovative initiatives create vibrant economic business activities that at the same time fulfill a social mission. Social procurement supports the development of a broad, diverse and flexible supplier market.²³ Through social procurement, the City can increase equitable access to the bidding process for different types of businesses. This in turn will improve competition in the supplier market by ensuring that diverse ranges of suppliers are able to bid on City contracts.

The Implementation Plan

In developing the Framework, City staff researched various national and international approaches to social procurement. This research identified that having a comprehensive implementation plan is critical to the success of all social procurement models. An implementation plan must provide for adequate timelines, resources, consultation strategies, accountability mechanisms, and tracking and evaluating processes for measuring outcomes and successes²⁴.

Initial assessments of other jurisdictional approaches to social procurement have highlighted customization and consultation as critical success factors. The Framework includes a focus on consultation and engagement in order to develop an effective social procurement policy at the City that is well understood and widely supported. Consultation and engagement with a range of internal divisions and external stakeholders creates the foundation for success. Since the City procures a wide range of goods and services, the goal of the Social Procurement Framework is to design a policy that can be applied as widely as possible without interfering with the City's work. As such, consultation will play a key role in developing an evidence-based social procurement policy that aligns with City priorities and directions.

The core of the Framework focuses on piloting different approaches to social procurement in order to choose those that are most relevant and effective for City capital and operating contracts. As part of the implementation plan, the Working Group will consider options for social procurement through a pilot phase. The pilot will investigate the following policy and operational components:

²¹ Collaborating for Competitiveness, City of Toronto, January 2013,

http://www1.toronto.ca/staticfiles/static files/economic development and culture/docs/Collaborating for Competitveness FIN AL-v7.pdf, p.25 ²² Collaborating for Competitiveness, p.34

²³ Whitfield G., and Farrell, D., Diversity in Supply Chains – What really Matters? Journal of Diversity Management, Fourth Quarter, 2010, vol. 5, Number 4

²⁴ for sample planning tool see: cf., Procurement for Social and Economic Development Outcomes in Local Communities: Mapping and analysis methodology. Department of Planning and Community Development, State Government of Victoria. October, 2011

1. Considerations for Scope and Scale of Policy Application

To determine when and how social procurement will apply to City purchasing activities, the Working Group will assess a number of options.

- Type of Procurement (e.g. capital projects, goods and services, etc.)
- Method of Procurement (e.g. RFP, RFQ, Tender, Sole Source, etc.)
- Procurement/Project Value (e.g. >\$50,000, <\$50,000, over \$2 million, etc.)
- Procurement/Project Duration (e.g. 0-1 year, 1-3 years, 3-5 years, 5 years+, etc.)

2. Establishing Vendor Commitment and Targets

Based on these considerations, the Working Group will determine appropriate levels of vendor commitment to achieve social procurement goals. The scope and scale of procurement involved will determine whether vendors will be required to support a workforce development initiative, support supplier diversity or a combination of both.

Options for setting targets to achieve outcomes may range from either a percentage of procurement value to a dollar value commitment. While minimum thresholds may be set, it is intended that the social procurement policy will allow for customization of targets between contracts. The City will work with vendors to develop customized plans for achieving social procurement outcomes.

Further investigation into national and international social procurement models will help to inform the range of options available. Appendix C highlights a number of jurisdictional approaches to setting policy thresholds and targets.

3. Ensuring Policy and Protocol Compliance

As a critical factor in achieving social procurement outcomes, the pilot will also involve determining options to support vendor compliance. The Working Group will investigate the implication of a number of options, including:

- Payment hold-backs
- Penalties
- Impact of non-compliance on future procurement opportunities

4. Developing and Implementing Monitoring and Evaluation Mechanisms

As part of the pilot phase, the Working Group will develop and test monitoring and evaluation mechanisms as a means for developing benchmarks and setting standards. Effective monitoring and evaluation mechanisms will assist in ensuring outcomes are being achieved and successes reported.

Expectations of Vendors and Options to Advance Workforce Objectives

Informed by the Social Procurement Framework, City staff will assess how a Social Procurement Policy will achieve intended outcomes. While one of the most commonly recognized social procurement vehicles is the inclusion of social outcomes, such as employment as a condition of contracting, lessons from other jurisdictions indicate that considering a wider spectrum of approaches is a prudent way to move towards an effective social procurement policy.

Through social procurement, City staff will work with vendors to determine how they will best advance economic, workforce development, and/or social development goals when bidding on City contracts. Successful vendors may be required to work with the City to identify the types and number of "value-add" social procurement opportunities that may be possible through their involvement in providing the City with a particular good and/or service. The intended outcomes may vary from contract to contract, given the scope and scale of procurement involved. Examples of options for advancing workforce development through procurement include, but are not limited to:

A. Customized Recruitment Strategies

These strategies may involve providing advance notice of jobs, supporting local hiring, and participating in customized initiatives to interview and recruit pre-screened candidates referred through the City. These efforts will increase the chances of success for under and unemployed residents seeking to connect with opportunities helping them gain the requisite skills and knowledge.

B. Opportunities for Apprenticeship and Pre-apprenticeship Training in the Construction Sector

This strategy involves the vendors maximizing opportunities available to new workers by sponsoring apprenticeship and pre-apprenticeship placements. These placements enable residents to access training opportunities in the trades that will lead to sustainable careers. Collaboration with trade unions and maintaining consistency with legislation governing apprenticeships are critical first steps.

C. Customized Skills Training Initiatives

Beyond the construction sector, a range of other customized skills training opportunities often links the career development needs of residents to the needs of employers for skilled workers. Whether sector or job-specific, relevant training will allow candidates to gain the skills required to compete for emerging job opportunities. Participation by vendors in recognized mentorship or internship programs, for example, would provide excellent opportunities for under and unemployed residents to gain the work experience needed to develop new skills required by employers.

Diversifying the Supply Chain

Social procurement can be a tool for encouraging diversity in supply chains. It provides an opportunity to foster a new social economy that encourages positive outcomes through increased partnerships with businesses of all types in the private sector and organizations within the non-profit sector. As noted in *Collaborating for Competitiveness*, "The diversity of experience, ideas and connections within the city's labour force provides a tremendous advantage for Toronto businesses. It is this openness to different ways of life and a willingness to embrace new ideas that makes Toronto a global centre for creativity and innovation, reflecting the City's official motto: *Diversity Our Strength*"²⁵.

This can happen in two ways:

The Working Group has identified the need to increase awareness of City's procurement opportunities by reaching out to SMEs found throughout the GTA. In doing so, the City will be able to better promote its role as a buyer of goods and services, and also increase the potential vendor pool.

Currently the City of Toronto has conducted business with more than 80,000 unique vendors over the years. In 2012, the City of Toronto was doing business with approximately 20,000 active unique vendors. Since 1999, the City, through its procurement processes, has asked vendors to submit a Declaration of Non-Discrimination form to the Equity, Diversity and Human Rights Division. This Declaration form asked vendors to voluntarily self-identify as being owned (51% or more) by women, aboriginals, visible minorities and/or persons with disabilities. Through this process, 2,996 businesses identified themselves as owned by: Aboriginal people (10), people with disabilities (140), visible minorities (337), women (2,633). This represents 3.8% of the suppliers in the City's database.

On January 2, 2013, PMMD launched a voluntary survey to businesses who have registered on PMMD's Vendor Registration System. The purpose of the voluntary survey is to update the data on which businesses are owned (51% or more) by women, aboriginal people, visible minorities or persons with disabilities. The survey also captures information on the number of employees as well as annual revenue figures, in order to determine the relative size of the company. New vendors who register on the Vendor Registration System are also asked to complete the survey. Given the voluntary nature of the survey, not all vendors answered all the questions. The number of vendor profiles in the Vendor Registration System is not an exact match to the number of vendors who are currently doing business with the City or those who submit a bid or proposal in response to a particular procurement call since the Vendor Registration System allows any vendor to register, sometimes more than once, whether they actually pursue business with the City or not.

As part of the implementation plan, PMMD will look for ways to increase responses to the survey for the purposes of monitoring and extracting useful information, as well as finding alternative means to ensure we collect useful data. The collection of data since January 2, 2013

²⁵ Collaborating for Competitiveness, p.9

has been promising and provided the PMMD with new information about the diversity of the City's supply chain including data about the size of suppliers, annual revenues, and the proportion of supplier firms owned by minorities (see Appendix D).

Also, as part of Social Procurement Framework's implementation plan, the Working Group will consult with SMEs, various networks and associations to determine if they face any barriers in doing business with the City and how to break down those barriers, if possible, to enable greater participation in the bidding process for a City contract.

In addition to diversifying the City's own supply chain, social procurement serves as a tool for encouraging diversity in the supply chain of the City's vendors. Social procurement provides an opportunity for the City to encourage larger businesses to subcontract with identified SMEs, social enterprises and other diversely owned businesses and to also implement diversity in their workplaces via diverse employee policies and diverse supply chain policies. By doing this, social procurement helps to foster a new social economy that encourages positive outcomes through partnerships in the private and non-profit sector. The Working Group will consult with some of the City's vendors on the best ways to achieve this aim.

Conclusion

The implementation plan for the Toronto Social Procurement Framework supports City staff in applying and testing some of these approaches by: engaging and consulting with various internal and external stakeholders to refine these approaches; and monitoring and evaluating the impacts over the next two years. Staff will take the lessons learned during this pilot phase to develop an evidence-based City of Toronto Social Procurement Policy for Council consideration by the end of 2015.

CONTACT

Denise Andrea Campbell Director, Community Resources Social Development, Finance and Administration T: 416-392-8608 E: dcampbe6@toronto.ca

SIGNATURE

Michael Pacholok Director, Purchasing and Materials Management T: 416-392-7312 E: mpachol@toronto.ca

Chris Brillinger, Executive Director Social Development, Finance and Administration Giuliana Carbone Treasurer

ATTACHMENTS

- Appendix A Toronto Social Procurement Framework
- Appendix B City Council Strategies that are advanced by Social Procurement
- Appendix C Jurisdictional Review of Social Procurement
- Appendix D Vendor Characteristics (PMMD's Vendor Registration System)²⁶

²⁶ PMMD's voluntary survey data collected via the Vendor Registration System from January - March 2013

APPENDIX A: Toronto Social Procurement Framework

The purpose of this Framework is to guide the City's experience with social procurement from 2013 to 2015 with a view to developing an evidence-based Toronto Social Procurement Policy.

The City of Toronto strives to be an exemplary sustainable city that is committed to promoting economic, workforce, social development. Leading by example, the City of Toronto will leverage its purchasing power through social procurement as a mechanism to support this commitment.

Social procurement involves using procurement processes to advance positive economic, workforce, and social development outcomes, in addition to the delivery of efficient goods, services and works.

The Toronto Social Procurement Framework is based on three core principles:

- 1. City of Toronto social procurement processes will be open, fair, competitive and transparent, consistent with public procurement law and the City of Toronto's existing procurement processes and will not provide an unfair advantage to a particular vendor over another vendor.
- 2. City of Toronto social procurement processes will provide unemployed/underemployed residents and diverse businesses with equal opportunities to share in the City's growth and prosperity.
- 3. City of Toronto social procurement processes will promote and adhere to all City policies and practices related to furthering access, equity, and diversity.

The goals of the City of Toronto's Social Procurement Framework are to utilize the City's purchasing power through its procurement processes to:

- 1. Maximize economic, workforce development and social benefits for residents and businesses that result from City contracts; and
- 2. Equalize opportunities for all businesses to compete for City contracts.

By doing this, the City's Social Procurement Policy will be able to achieve the following objectives:

- 1. Increase access to economic opportunities for underemployed and unemployed Toronto residents;
- 2. Increase diversity in the supply chain by supporting access to all businesses, including those owned by equity-seeking groups, to compete for City contracts and by encouraging vendors to diversify workplace employee policies and supply chain policies; and

3. Increase the number of employers who work with the City to promote local workforce development.

IMPLEMENTATION PLAN:

The Interdivisional Working Group on Social Procurement, comprised of Social Development, Finance and Administration, Purchasing and Materials Management, Toronto Employment and Social Services, the Equity, Diversity & Human Rights Division, and Economic Development & Culture, in consultation with Legal Services, will lead the implementation plan for the Framework through the following activities, many of which will take place concurrently:

1. Consultation and Engagement

The Toronto Social Procurement Framework places emphasis on consultation and engagement as an important implementation step in developing a viable social procurement policy. Consultation and engagement supports the development of effective solutions that are well understood, widely supported, and create a foundation for success.

To this end, the Working Group will engage and consult with:

- 1. Divisions across the City to determine projects that can be used to pilot the Framework, determine what, if any, resources, supports and infrastructure is required for ongoing effective implementation and to determine clearer thresholds and targets that should be incorporated into the Social Procurement Policy;
- 2. Small, medium and large sized enterprises (including social enterprises) on the Framework to understand their concerns with respect to the Framework and to take into account their opinions in the development of the Social Procurement Policy;
- 3. Unions, Trade Associations, Industry Associations and Professional Associations that may be affected by the Social Procurement Policy and to take into account their opinions in the development of the Social Procurement Policy;
- 4. Networks (such as Diversity Business Network, Canadian Aboriginal & Minority Supplier Council (CAMSC), etc) to determine how to reach out to businesses owned by equity-seeking groups so as to improve access to City procurement for those types of businesses;
- 5. TO2015 and Infrastructure Ontario to gain valuable lessons learned from their experience related to diversity in the supply chain; and,
- 6. Other order of governments exploring social procurement processes.

2. Piloting – Evaluating Options for Policy Scope and Scale

The Working Group through the consultation process will identify opportunities to apply the Framework in order to pilot social procurement initiatives. Piloting will allow the City to develop a consistent approach for capital contracts and operating contracts. Through the pilot phase, the Working Group will assess potential options for when and how the policy may be applied, including setting thresholds, determining vendor targets, establishing benchmarks and exploring effective approaches to vendor support and compliance.

3. Monitoring and Evaluation

In order to advance the goals and objectives in this Framework, the City needs to be able to measure the effectiveness of the various approaches implemented during the pilot phase and the outcomes they generate.

Before commencing the pilot phase, the Working Group will:

- 1. Establish an accountability and compliance framework that monitors implementation, measures outcomes, and produces reports;
- 2. Establish current baseline for City procurement activity with SMEs owned by equityseeking groups;
- 3. Evaluate pilot approaches using a development approach so that refinements can be made throughout the pilot phase;

4. Reporting on Progress

The long-term purpose of City Council's directions on social procurement is that a Toronto Social Procurement Policy results from lessons learned from the City's greater experience through piloting and from a review of other jurisdictions.

To this end, the Working Group will:

- 1. Develop a Toronto Social Procurement Policy based on best practices, a viable approach to targets and thresholds, and benchmarks;
- 2. Report to back to Committee and Council for consideration of the policy by the end of 2015;
- 3. In consultation with City divisions and partners, develop guidelines, a toolkit and other support mechanisms to assist in the successful integration of the policy;
- 4. Support divisional rollout and training.

<u>APPENDIX B: City Council Strategies that are Advanced by Social</u> <u>Procurement</u>

On February 20 and 21, 2013, City Council adopted *Collaborating for Competitiveness: A Strategic Plan for Accelerating Economic Growth and Job Creation in Toronto*. A major goal of the Plan is to leverage economic growth and prosperity to achieve broader societal objectives that improve the quality of life enjoyed by all Toronto residents. Promoting workforce development initiatives that create jobs and training opportunities for unemployed and underemployed residents, helping Small and Medium-Size Enterprises (SMEs) to grow, and strengthening regional industry sectors all help to further this goal. Crucial to job growth is ensuring that residents have the skills and knowledge required to participate in the labour market.

The City's Workforce Development Strategy, adopted in March 2012, sets out a framework and vision for workforce development in Toronto with the aim of integrating employment and economic development services to assist employers in addressing their workforce needs while also helping jobseekers increase their potential to compete in the labour market. It identifies key steps that are required to develop a robust, integrated employment services system and to create more effective gateways for employers to access and benefit from City services. Social procurement supports City workforce development priorities by providing valuable employment opportunities for under and unemployed residents, especially those who have been disadvantaged by economic uncertainties, through contract agreements. It also synchronizes skills training and employment supports in order to ensure residents are prepared for available opportunities.

On March 5, 2012, City Council also adopted the Toronto Strong Neighbourhoods Strategy 2020 to guide the City's neighbourhood-focused work. The strategy is intended to ensure that every Toronto neighbourhood has the public, private and community infrastructure required for equitable opportunities for resident. The strategy emphasizes that a neighbourhood perspective should routinely inform government policies, programs and funding priorities. Social procurement supports neighborhood and community development by strategically connecting residents and local employers to bring about jobs, build community capacity, and help stimulate the local economy.

APPENDIX C: Jurisdictional Review of Social Procurement

	Jurisdiction	Sector	Social Procurement Threshold	Award, Monitoring and Evaluation Process
1.	Greater London Authorities (GLA)	Transport for London (TFL)	 Consultancy/Service Contracts: For every £1m value, a commitment to 1 apprentice or equivalent must be made. Construction / Manufacturing Contracts: For every £3m Value, a commitment to 1 apprentice or equivalent must be made *equivalent = i.e. placement position, graduate positions, etc. London living wage (£8.50) incorporated into all soft FM Contracts – cleaning, catering and some security and grounds maintenance. Equality and Diversity requirements are included in relevant contracts over £25 million. 	 Invitation to tender; supplier submits a method statement and quantum of job and training outcomes required, providing a demand profile over life of project Evaluation; Method of statements are evaluated by skills manager and scored. Where appropriate the bidder may be challenged or clarification sought on content Award ; Skill manager works with the supplier to develop a Strategic Labour Need and Training (SLNT) plan linking in appropriate provision Implementation; skill manager supports the supplier in accessing the right funding and support Management; skills manager provides ongoing support and trouble shooting for supplier. Regular monitoring is undertaken
2	City of London Corporation (UK)	City Developers (building or work repairs in the City)	 10% of total procurement spent must be dedicated towards the procurement goods and services from small to medium sized (SME) businesses based in the City and surrounding boroughs 	 Developer bids for the tender by identifying opportunities for local small to medium sized businesses (City provides free local procurement guidance to businesses and city developers for this);

	Jurisdiction	Sector	Social Procurement Threshold	Award, Monitoring and Evaluation Process
			 Where the procurement of the goods and services is contracted out, insert this local procurement clause into the tender documentation issued to the subcontractor. (SME's defined as < 250 employees and <50 million Euros turnover at time of writing or an annual balance sheet total not exceeding 43 million Euros at time of writing) 	 Developer submits a local procurement strategy to the City Planning officer for approval prior to implementation of the planning permission for a development. Developer will be required at 6 months or half way through the project (whichever is earlier) to report to the City's Economic Development Office on their performance against the 10% local procurement target. Updates to continue every six months until the end of the project with one final report submitted no later than one month after the development is occupied.
3.	Government of South Australia	Construction	 All government and Civil construction contracts over \$150,000 must meet the following workforce development target; ✓ 15% of labour hours on specified contracts for building and civil works be undertaken by apprentices, trainees, Aboriginal people, and local people with barriers to employment and for up- skilling. Tier 1 Contract – Contract value between \$5 million and 50 million (both inclusive) and a contract duration of 6 months or more; 15% of total labour hours on total contract hours to be met as follows; ✓ Prepare a workforce participation and skills development plan ✓ Onsite hours performed by target 	 Tenderers must show a commitment and have a demonstrated ability to effectively plan and implement workforce participation initiatives aimed at achieving the 15% target, including training leading to up-skilling. Failure to provide sufficient evidence of this will result in a tender not being considered. The tender documents and the contract will include a workforce participation clause regarding the following mandatory requirements on the contractor: ✓ meet the 15% (including up to 2 percentage points Aboriginal people) workforce participation target; ✓ develop and implement a <u>Workforce Participation and Skills Development Plan (tier 1) or Strategy</u> (tier 2)

	Jurisdiction	Sector	Social Procurement Threshold	Award, Monitoring and Evaluation Process
			 group is no less than 11% of total contract hours; Sum of target group hours and number of hours of up skilling provided should be no less than 15% of total contract hours; Onsite hours performed by Aboriginal people is equivalent to up to 2% of total contact hours Tier 2 Contract – Contract value greater than \$50 million and a contract duration of six months or more: Meet tier one conditions above Prepare a workforce participation and skills development strategy; Appoint a person to be responsible for the workforce and skills development strategy; Seek to use Aboriginal owned and/or managed enterprises where possible. 	 Nominate a person to be the contractor's employment and training coordinator (tier 2) Seek to use Aboriginal owned/managed enterprises where possible; Every quarter from the beginning of work on the contract provide a Workforce Participation and Skills Development Interim Report; Report on performance against targets at the end of the contract by completing the Workforce Participation and Skills Development Strategy Final Report All reporting is to be done through the <u>online CITB Wizard</u>.
4.	Brisbane City Council, Queensland	Develop a Social Enterprise Supplier Market in in areas of gardening, landscaping, mowing, parks maintenance, catering, street and asset maintenance, printing and design	 The Council is able to socially procure up to 1% of its operational budget of \$2 billion with social enterprises Goal: Annual spend of \$1m with Social Enterprises for financial year 2012-2013 	 After demonstrating their ability to deliver on contracts offered via a Memorandum of Understanding (MOU) process, social enterprises may graduate to being able to compete against other social enterprises in a social tender, which offers larger contracts, but opens the tender only to social enterprises. Eventually the social enterprises may have sufficient capability and capacity to tender for mainstream contracts alongside other commercial suppliers – whilst still continuing to deliver social impacts in addition to

Jurisdiction	Sector	Social Procurement Threshold	Award, Monitoring and Evaluation Process
			 Award, montoring and Evaluation Process particular goods and services. The basis for the decision to award any contract under this framework will be recorded in a formal submission. All submissions will address the following issues in assessing whether the public interest test has been met: The basis upon which the organisation is considered to be a microenterprise (ME), social enterprise (SE) or community enterprise (CE); How the contract will develop the capacity and/or capability of the MEs/SEs/CEs or otherwise contribute to Councils Procurement objectives or 2026 Vision; Market analysis including consideration given to commercial enterprises operating in the sector and whether they would be unduly prejudiced by the award of such a contract; Market analysis including consideration of other known MEs/SEs/CEs and whether it would be appropriate for those organisations to compete with each other for the contract How quality of the goods and/or services is to be ensured; How value for money will achieved by Council; and Past performance of the supplier where a repeat contract is being considered.
			be reported to Council in the monthly delegates

Jurisdiction	Sector	Social Procurement Threshold	Award, Monitoring and Evaluation Process
			report.
US – Los Angeles	The Figueroa Corridor Coalition for Economic Justice; This Community Benefits Program will Provide: publicly accessible park space, open space, and recreational facilities; target employment opportunities to residents in the vicinity of the Figueroa Corridor; provide permanent affordable housing; provide basic services needed by the Figueroa Corridor community; and address issues of traffic, parking, and public safety.	 \$1,000, 000 for the creation or improvement of parks and recreational facilities \$25,000 per year for a term of five years for the creation of a residential parking permit program Comply with the city's living wage ordinance and to make all reasonable efforts to reach the goal of ensuring that 70% of the jobs created by the project living wage Give priority hiring to persons displaced by the project and to low income individuals residing within three miles of the project Job training programs to be coordinated with community groups \$100,000 in seed money for a first source(i.e. local) hiring program A requirement that 20% of the residential units in the project be affordable \$650,000 in interest- free loans to non- profit housing developers for the creation of additional affordable housing 	 To assist with implementation of this Community Benefits Program, address environmental concerns and facilitate an ongoing dialogue between the Coalition and the Developer, the Coalition and the Developer shall establish a working group of representatives of the Coalition and the Developer, known as the Advisory Committee. This Advisory Committee shall meet quarterly, unless it is mutually agreed that less frequent meetings are appropriate. Among other issues, the Developer shall seek the input of the Advisory Committee in the Developer's preparation of the construction management plan, the traffic management plan, the waste management plan and the neighbourhood traffic protection plan. In addition, the Developer shall seek the input of the Advisory Committee in an effort to develop and implement potential solutions to other environmental concerns, including without limitation, pedestrian safety, air quality and green building principle.
US-New York City	Government – Administrative Code (SS6-129)	Program/policy requires City departments to establish citywide contracting participation goals for MBEs WBEs and emerging business enterprises for:	The availability rates of firms owned by minorities and women are reviewed and compared to the utilization rates of such firms in agency contracts and subcontracts every two years
		(SS6-129) New York City policy	enterprises for:

Juriso	liction Sector	Social Procurement Threshold	Award, Monitoring and Evaluation Process
	that seeks to ensure fair participation in city procurement. <u>Program</u> designed to enhance participation by minority-owned business enterprises (MBE's), women- owned business enterprises (WBE's) and emerging business enterprises (EBE's) in city procurement. City will enforce all laws prohibiting discrimination to ensure fair participation and promote equal opportunity in city procurement Targeted groups include minority groups (identified as Black- Americans, Asian- Americans and Hispanic Americans), women and persons who are socially and economically disadvantaged,	 million dollars professional services contracts under one million dollars services contracts under one million dollars goods contracts under one million dollars construction subcontracts under one million dollars professional services subcontracts under one million dollars Agencies are required to establish goals for purchases valued at or below five thousand dollars to be made from MBEs, WBEs and/or EBEs. Agencies are also required to encourage eligible businesses to apply for certification as MBEs, WBEs and EBEs and inclusion in the directories of MBEs, WBEs and EBEs, encourage inclusion on their bidders lists, seek pre-qualification where applicable, and compete for city business as contractors and subcontractors	The review also considers the extent to which discrimination continues to have an impact on the ability of minorities and women to compete for city contracts and subcontracts The availability and utilization of EBE's are reviewed every two years and participation goals revised and set at a level intended to assist in overcoming the impact of discrimination on those businesses Each agency which has made procurements in excess of five million dollars during the fiscal year is required to submit an agency utilization plan (for the next fiscal year) which includes the agency's participation goals for MBEs, WBEs and EBEs for the year, an explanation for any agency goal that is different than the participation goal for the relevant group and industry classification and methods and relevant activities proposed for achieving the agency's participation goals Agencies are required to engage in outreach activities to encourage MBEs, WBEs and EBEs to compete for all facets of their procurement activities For each contract in which a contracting agency has established participation goals, the agency is required to evaluate and assess the contractor's performance in meeting each goal The annual compliance report determines whether each agency and the City as a whole has made substantial progress toward achieving its utilization goals
7. Toront (Wood		 Expected job creation: 9,400 jobs Of that total, Entertainment phase of the 	To be approved;

Jurisdiction	Sector	Social Procurement Threshold	Award, Monitoring and Evaluation Process
Live! Project)	retail, hotel, office and residential components. The project is focussed on a "Live District" incorporating a live performance venue, a pedestrian-friendly street layout, outdoor amenity areas, restaurants, bars, night clubs and a hotel for the benefit of residents in North Etobicoke.	 project will create 6,400 jobs. At least 2,500 jobs must be 'full time equivalents.' Failure to reach this could result in the City withholding a portion of the annual grant. Construction of a 10,000 sq ft fully furnished including office equipment) Employment centre for the community Priority local hiring and training for construction of employment centre The establishment of an apprenticeship program for local residents by Woodbine Live! In partnership with the General Contractor, and other relevant stakeholders such as Ministry of Training Colleges and Universities and local academic institutions. 	 The Woodbine Live! development had to meet the general criteria that at least 2,500 jobs be created In order to qualify for the enhanced development grants, the developer had to meet a number of terms and conditions, one of which is that it must be substantially constructed within five years and 10 months. The earliest that Woodbine Live! could begin to receive (TIEGS) grants is after the following minimum development requirements met: at least 75,000 square metres of eligible floor space has been substantially constructed within the Enhanced Grants Area; at least 2,500 jobs (full time equivalent) have been created; the outdoor amenity space was substantially constructed buildings;

<u>APPENDIX D: Vendor Characteristics (PMMD's Vendor Registration</u> <u>System)²⁷</u>

The information provided in the tables below was collected from January to March 2013 and was captured through PMMD's Vendor Registration System. The data provides information on registered firms that are more than 50% owned by aboriginals, people with disabilities and visible minorities and also captures information on the size of the firms.

Response:	Percentage	Count	
Aboriginal/First Nations	0%	3	
People with Disabilities	1%	11	
Visible Minorities	9%	109	
Women	14%	172	
Not Applicable	78%	911	
Total Responses		1163	

Table A: Firm is more than 50% Minority-owned

Table B: # of Employees in the firm

Response:	Percentage	Count
1-20	54%	642
21-50	17%	195
51-100	9%	112
101+	20%	239
Total Responses		1188

Table C: Annual revenue of the firm

Response:	Percentage	Count
\$0- \$250,000	16%	176
\$250,001-\$500,000	9%	97
\$500,001-\$1,000,000	10%	102
\$1,000,001 +	65%	694
Total Responses		1069

²⁷ PMMD's voluntary survey data collected via the Vendor Registration System from January - March 2013.