

## **Social Procurement Program Review**

**Date:** December 6, 2024

**To:** Executive Committee

**From:** Chief Procurement Officer

**Wards:** All

### **SUMMARY**

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The purpose of this report is to outline the results of a review of the Social Procurement Program (the "Program") and recommend policy and program improvements. The report summarizes Program output data from 2017 to 2023 to assess the Program's success at meeting its two primary objectives: supporting workforce development and advancing supply chain diversity.

The Program was implemented in 2017 by the Purchasing and Materials Management Division (PMMD), with support from the Social Development, Finance & Administration Division (SDFA), to leverage the City's purchasing power to achieve wider social, economic and workforce development objectives, specifically:

- Supporting inclusive economic development by improving access to the City's supply chain for people from Indigenous, Black, and Equity-deserving communities;
- Leveraging meaningful training and employment opportunities for people experiencing economic disadvantage, including those belonging to Indigenous, Black, and Equity-deserving communities; and
- Shifting the City's procurement culture towards supporting the City's social and equity goals.

In 2021, City Council requested a five-year review of the Program, and instructed staff to report back on successes and opportunities for improvements. As a result of the review, this report recommends:

- Conducting additional business and community engagement, to further develop recommendations from the review findings, particularly with respect to workforce development;
- Identifying the legal, privacy, and information management requirements and equity considerations, in alignment with the City's Data for Equity Strategy and Guidelines, that would allow for the collection, storage and use of disaggregated socio-demographic data from individuals in relation to the City's Social Procurement Policy and Program; and,

- Amending the Social Procurement Policy to:
  - Prioritize commitments in the Reconciliation Action Plan and Confronting Anti-Black Racism Action Plan for supply chain diversity;
  - Expand social procurement beyond supplier certification;
  - Define Social Enterprises separately from Diverse Suppliers; and,
  - Improve clarity.

Program enhancements are proceeding under the Chief Procurement Officer's authority, including publishing a public social procurement dashboard and updating solicitation templates to clarify requirements, particularly around workforce development target-setting.

## **RECOMMENDATIONS**

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The Chief Procurement Officer recommends that:

1. City Council amend the Social Procurement Policy, as set out in Attachment 1, effective January 1, 2025.
2. City Council direct the Chief Procurement Officer to continue divisional, business and community engagement, in consultation with the Executive Director, Social Development, Finance and Administration Division, and report back to the Executive Committee by Q4 2026 on the results of this engagement and with recommendations for additional enhancements for the Social Procurement Policy and Program.
3. City Council direct the Chief Procurement Officer, in consultation with the City Solicitor, City Clerk, Chief People Officer, and Executive Director, Social Development, Finance and Administration Division, to identify the legal, privacy, and information management requirements and equity considerations that would allow for the collection, storage and use of disaggregated socio-demographic data from individuals in relation to the City's Social Procurement Policy and Program and report back to Executive Committee by Q4 2026 with recommendations.

## **FINANCIAL IMPACT**

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There are no financial implications arising from the recommendations in this report. The engagement and program improvements recommended for the Social Procurement Policy will be funded through PMMD's base operating budget in 2025. Future year budget impacts will be considered through future budget processes.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial implications as identified in the Financial Impact section.

## EQUITY IMPACT STATEMENT

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The Social Procurement Policy, actioned through the Program, attempts to provide equitable access to economic opportunities for people experiencing economic disadvantage, discrimination and/or barriers to participating in the City's procurement process, including those from Indigenous, Black, and Equity-deserving communities. The Program facilitates access to the City's procurement processes for Indigenous, Black, and diverse suppliers who experience barriers to successfully competing for City contracts.

The Program also supports employment, training and apprenticeship opportunities for people experiencing economic disadvantage. In doing so, the Program aims to achieve positive economic outcomes for people who are disproportionately affected by systemic barriers, including poverty and discrimination, using City procurement as a strategic tool for impact. The Social Procurement Program supports other City of Toronto initiatives, including the Toronto Poverty Reduction Strategy, Community Benefits Framework, Reconciliation Action Plan, Toronto Action Plan to Confront Anti-Black Racism, and Action Plan for Toronto's Economy.

## DECISION HISTORY

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On November 13 and 14, 2024, City Council adopted Sidewalks to Skylines: An Action Plan for Toronto's Economy (2025-2035), which includes [an action for PMMD to continue to enhance the Social Procurement Policy and Program](#), including engaging community and suppliers to review the definition of diverse supplier and investigating the feasibility of collecting disaggregated business ownership data for City suppliers.

On September 4 and 6, and October 15, 2024, respectively, PMMD presented to the [Confronting Anti-Black Racism Advisory Committee](#), the [Toronto Accessibility Advisory Committee](#) and the [2SLGBTQ+ Advisory Committee](#) with an overview of the Social Procurement Policy and Program and a summary of the recommendations contained in this report. Toronto Accessibility Advisory Committee moved a motion, adopted by City Council on October 9 and 10, 2024, [requesting the Chief Procurement Officer to include businesses owned by people with disabilities into the mandate of the Social Procurement Program and Policy](#), develop certification and procurement policies to make it easier for businesses owned by people with disabilities, track the number of businesses owned by people with disabilities participating in the Social Procurement Program and report back to the Executive Committee on the feasibility of collecting disaggregated business ownership data for City suppliers.

On July 24 and 25, 2024, [City Council adopted a procurement plan for FIFA World Cup 2026](#), which directed staff to utilize the process being developed by Purchasing and Materials Management Division, in collaboration with identity-based business associations, to work with Indigenous, Black and diverse suppliers that are not certified by a supplier certification organization, in advance of this report (November 26, 2024) to Executive Committee on the results of the Social Procurement Program Review.

On April 6 and 7, 2022, [City Council adopted the Reconciliation Action Plan](#), which directed City staff to develop new decolonized City procurement processes and enhance opportunities for Indigenous businesses through the Social Procurement Program.

On February 2, 3 and 5, 2021, [City Council received an update on Advancing the Community Benefits Framework](#), which directed City staff to conduct a five-year review of the Social Procurement Program and report back on recommended improvements, incorporate a ten percent EQUITY target in construction projects over \$50 million, and increase Black business enrollment on the City's diverse supplier list.

On July 17 and 18, 2019, [City Council adopted the Community Benefits Framework](#) to maximize the use of City levers to create inclusive and equitable economic opportunities through community benefits initiatives.

On December 5, 6, 7 and 8, 2017, [City Council adopted the Toronto Action Plan to Confront Anti-Black Racism](#), which directed City staff to target Black-owned businesses and social enterprises as part of the Social Procurement Program.

On May 3, 4 and 5, 2016, [City Council adopted the Social Procurement Program](#), which implemented a new purchasing policy that authorizes staff to embed supply chain diversity and workforce development in City procurement.

On December 9 and 10, 2015, [City Council directed City staff to consider, as part of the Social Procurement Policy requirements](#), hiring people who identify as Indigenous.

On November 3 and 4, 2015, [City Council adopted TO Prosperity: Toronto Poverty Reduction Strategy](#), which recommends that the City leverage the economic power of the City to stimulate job growth, support local businesses, and drive inclusive economic growth, including designing and implementing a Social Procurement Policy.

On August 25, 26, 27 and 28, 2014, [City Council received an update on the Toronto Social Procurement Framework](#) for information and directed staff to include youth employment in the development of the final policy.

On February 19 and 20, 2014, [City Council adopted a motion directing staff to explore options for amending City procurement processes and policies](#) to encourage and/or require hiring of people from Indigenous communities for City contracts, and report on progress made to the Aboriginal Affairs Committee.

On May 7, 8, 9 and 10, 2013, [City Council adopted the Toronto Social Procurement Framework](#), a plan for developing a Social Procurement Policy for the City of Toronto.

On April 10 and 11, 2012, [City Council requested that the 2015 Pan Am Games Organizing Committee include social procurement criteria](#) when awarding municipal contracts. City staff were also requested to develop a framework for implementation of best practices, targets, benchmarks, and an ongoing process for social procurement beyond the Games in 2015.

## COMMENTS

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### Background

#### *The Social Procurement Program*

The creation of social procurement in the City of Toronto was community driven, and started with a focus on local workforce development and inclusive economic development. As early as 2006, youth in the Flemingdon Park neighbourhood saw City of Toronto capital projects in their community and approached staff in SDFA about how to access employment opportunities on those projects. Work then began on connecting youth with jobs on a project-by-project basis and over time, this creation of economic, workforce and social development benefits derived through City contracts came to be referred to as social procurement.

In response to significant interest in social procurement, a corporate team was established with staff from PMMD, SDFA, and Toronto Employment and Social Services (TESS) to begin scoping a social procurement program for the City. In 2012, City Council instructed the Toronto Organizing Committee for the 2015 Pan and Parapan American Games to include social procurement criteria when awarding municipal contracts and begin developing a Social Procurement Framework to guide City staff. In 2013, City Council adopted the Social Procurement Framework. The creation of economic, workforce development and community benefit opportunities for residents remained the foundation of the framework, but supply chain diversity was added as a key approach to support inclusive economic development by improving access to the City's supply chain for people from Indigenous, Black, and Equity-deserving communities.

In 2015, the creation of a social procurement policy was recommended as a key action of the Toronto Poverty Reduction Strategy. This resulted in the adoption of a Social Procurement Policy and Program by Council in 2016. The policy has two components: workforce development and supply chain diversity.

- Workforce development attempts to increase the number of employment, apprenticeship and training opportunities leveraged for people experiencing economic disadvantage, particularly those from Indigenous, Black and Equity-deserving communities.
- Supply chain diversity focuses on contracting and subcontracting to Indigenous, Black and diverse suppliers and social enterprises.

#### *AnchorTO Network*

In 2015, the AnchorTO network was co-founded by the City of Toronto and the Atkinson Foundation. AnchorTO represents a collective effort of 18 public institutions, including the Agencies and Corporations of the City, Toronto-based higher education institutions and provincial agencies, to leverage institutional purchasing power to achieve social and economic objectives. Since its inception, AnchorTO has facilitated the development of publicly-available tools and resources to strengthen the social procurement

ecosystem. Its member-driven approach aligns with shared values while remaining operationally distinct from the City of Toronto's procurement policies.

### *The Community Benefits Framework*

In 2019, the Program came under the umbrella of the Council-adopted Community Benefits Framework. The Framework, led by the Community Benefits Unit in SDFA, provides coordination and guidance to City of Toronto divisions and agencies on incorporating equity-focused community benefits when the City buys, builds, or enters into legal agreements.

The Social Procurement Program, managed by PMMD, is one of several Community Benefits Initiatives. Other Community Benefits Initiatives include:

- FIFA World Cup 2026 (FIFA Secretariat)
- Housing Now Initiative (Housing Secretariat and CreateTO)
- Imagination, Manufacturing, Innovation and Technology Program (Economic Development and Culture)
- Rexdale - Casino Woodbine Community Benefits Agreement (SDFA)
- Toronto Community Housing Revitalizations (Toronto Community Housing Corporation)
- Transit Expansion Projects (Transit Expansion Division)

Since 2022, the Community Benefits Unit has researched and developed best practices in community benefits approaches and tools to support divisions and agencies to forecast project-specific labour needs, develop workforce development strategies, and monitor and evaluate outcomes and impacts. These approaches and tools are tailored to each Community Benefits Initiative.

## **Current Social Procurement Program**

### **Workforce Development**

The current Social Procurement Policy requires PMMD to review workforce development opportunities in procurements valued over \$5 million. There is Council-mandated intake of all construction projects valued over \$50 million. All other projects are reviewed based on four principles: suitability, reach, volume, and feasibility. These principles are put into practice in several ways, for example, with the current available policy mechanisms:

- It is only feasible to incorporate workforce development provisions for projects over 2 years in duration.
- Workforce development requirements are only suitable for procurements of services, not goods.
- Volume cannot be achieved through rosters, or in procurements resulting in a blanket contract (versus a purchase order).
- There are procurements for services that are so specialized, they are determined to be unsuitable, with minimal reach, on a project-by-project basis.

When a project is selected for workforce development provisions, targets are set based on the solicitation type. For construction projects and for any solicitation where award is to the lowest compliant bid, targets are set up-front in five activity areas, in discussion with the Divisional Project Manager. In evaluated solicitations without a Construction Agreement, suppliers are asked to include a workforce development plan in their bid that considers the five activity areas, which is assessed during the evaluation process. The plan and targets are finalized post-award with the successful supplier. The activity areas are:

- Non-construction employment, which involves customized recruitment approaches for professional, administrative and technical opportunities;
- Opportunities for registered apprentices;
- Training and work-based learning opportunities;
- Subcontracting opportunities for Indigenous, Black and diverse suppliers; and
- Other employment-related activities, such as participation in job fairs.

The Social Procurement Policy sets out other requirements, which include:

- The successful supplier must designate a liaison who will implement and maintain a workforce development plan.
- The liaison must attend mandatory meetings with PMMD to review workforce development activities, future opportunities and related outcomes.
- The supplier must complete a quarterly reporting form which tracks their workforce development activities.

In 2023, the Community Benefits Unit began to roll out a Community Benefits Workforce Intermediary approach with a number of the City's Community Benefits Initiatives, including the Social Procurement Program. A Workforce Intermediary supports PMMD in select quarterly meetings with suppliers by sharing tools, templates and resources for community benefits implementation and data collection. The Workforce Intermediary coordinates between suppliers, community-based employment service providers and skilled trade union contacts to promote hiring opportunities for Indigenous, Black, and Equity-deserving communities.

The Community Benefits Unit also leads system-level analysis to address challenges that require collaboration among City divisions and agencies, community organizations and external partners. For example, the Community Benefits Unit has worked with skilled trade unions for over two years to identify ways to implement community benefits construction hiring pathways. This collaboration has revealed varying dispatch approaches among unions. In response, the Community Benefits Unit has begun to pilot test a Community Benefits Skilled Trade Union Contact List with the aim of connecting suppliers and their sub-contractors with unions and skilled trade workers from Indigenous, Black and equity-deserving communities.

## **Supply Chain Diversity**

The primary focus of supply chain diversity in the current Social Procurement Policy is invitational or limited solicitations. These are procurements that are valued under \$133,800 and are not covered by any trade agreements that apply to the City of

Toronto. Divisions manage invitational solicitations valued under \$120,000 through the Divisional Purchase Order process. PMMD staff run invitational solicitations on behalf of divisions if the value is under \$133,800 and either the solicitation method required is a Request for Proposals, the procurement is of a complex nature or requires complex additional documentation, or the division does not have sufficient trained resources to conduct a Divisional Purchase Order process.

The Social Procurement Policy requires staff to invite at least one certified Indigenous, Black or diverse supplier to submit a quote for an invitational solicitation, when it is feasible to do so. PMMD staff are responsible for determining feasibility, based on whether a certified Indigenous, Black or diverse supplier is registered on the City's Social Procurement Supplier List and has indicated they provide the good or service that is being procured.

The current Social Procurement Policy requires Indigenous, Black and diverse suppliers to be certified by a supplier certification organization that is recognized by the City. The following not-for-profit organizations are currently recognized:

- Canada's 2SLGBTQI+ Chamber of Commerce (CGLCC);
- Canadian Aboriginal and Minority Supplier Council (CAMSC);
- Canadian Council for Indigenous Business (CCIB);
- Inclusive Workplace and Supply Council of Canada (IWSCC); and
- Women Business Enterprises Canada (WBE Canada).

For procurements valued over \$133,800, requirements are added to encourage bidders to adopt a supplier diversity policy and, for scored procurements, points are awarded to Indigenous, Black and diverse suppliers and to suppliers that demonstrate a commitment to supplier diversity. In cases of tied bids, the award is made to the Indigenous, Black or diverse supplier.

The Social Procurement Policy uses the defined term "diverse supplier". This report uses the term "Indigenous, Black and diverse supplier" to highlight PMMD's priority to implement the procurement-related actions in the Reconciliation Action Plan and Confronting Anti-Black Racism Action Plan. This term is reflected in the recommended policy changes (Attachment 1).

## **Social Procurement Program Review**

In 2021, the Chief Procurement Officer was directed to conduct a 5-year review of the Social Procurement Program to determine where improvements are needed to maximize impact and achieve social value. Due to staff vacancies and turnover, the review has taken longer than anticipated to complete, so the results presented in this report cover 2017 to 2023. The review consisted of:

- Data analysis of Program outputs and achievements;
- A jurisdictional scan of emerging best practices, and preliminary engagement with community and business;
- An online public survey of Indigenous, Black and diverse suppliers;



- Review of the Program's mandate, administration, and alignment with related City social and economic strategies and objectives; and
- A feasibility assessment of options to enhance the Program's performance.

## **Workforce Development Achievements**

### *Results*

From 2017-2023, 78 projects have included workforce development requirements (Attachment 2, Table 1). These projects have collectively created 100 new jobs within professional, administrative and technical fields, provided 194 subcontracting opportunities and over \$10.4 million of spend to certified Indigenous, Black and diverse suppliers, and allowed for suppliers to participate in 187 employment-related activities geared towards Indigenous, Black and Equity-deserving communities. These activities include participating in job fairs and learning and networking events.

The COVID-19 pandemic significantly impacted workforce development as hiring over the pandemic slowed. Project intake was put on hold at the beginning of the pandemic due to staff redeployments and only resumed in late 2021. Despite this, PMMD is currently managing 50 projects with workforce development. One staff position is available to manage these projects. As such, beyond mandatory intake of construction projects valued over \$50 million and projects valued over \$5 million for FIFA World Cup 2026, all other intakes are currently tied to projects ending, to ensure a reasonable workload of 50-60 active projects is maintained.

### *Data Collection, Analysis and Limitations*

PMMD collects quarterly reporting from suppliers with workforce development contract requirements, following which staff meet with suppliers to review the reporting forms and discuss challenges with implementing workforce development activities. Results are then aggregated into an internal dashboard to support program administration. Due to staff vacancies and turnover, reporting was collected less frequently in 2022-2023, but the program output data presented in this report is a complete dataset for 2017-2023.

As part of the review process, it was not possible to engage with people who have been hired through workforce development requirements in City contracts to assess the quality of the employment and training opportunities. Currently, staff connect suppliers with non-profit employment service providers who share candidate applications as jobs become available. Given the nature of this relationship, it is not necessary for job applicants to know they are connected with a City program and so there are no existing consents that would allow the City to connect with employees.

To address this data gap, this report recommends identifying the legal, privacy, and information management requirements and equity considerations, in alignment with the City's Data for Equity Strategy and Guidelines, that would allow for the collection, storage and use of disaggregated socio-demographic data from individuals in relation to the City's Social Procurement Policy and Program and report back to Executive Committee by Q4 2026 with recommendations.

Due to the personal nature of the data collection, staff anticipate consultation with Legal Services, City Clerk's Office and People & Equity will be required, particularly with the Data for Equity Unit. Consultation with SDFA will be required to leverage learnings from other City-led community benefits initiatives and to share recommendations for the Social Procurement Program with the leads for those initiatives. In addition, community and business consultation will be required to ensure appropriate data points are identified, collected, and can be shared with or owned by community. Once a data collection framework is drafted, additional work will be required to ensure the City has the technical capacity to collect the personal information that will be requested and that whatever systems are used to collect the data meet the City's privacy and cybersecurity requirements.

### *10% Equity Target*

In February 2021, City Council directed staff to strive to achieve a 10 percent equity target in construction projects and report back on the feasibility of making the 10 percent target mandatory. PMMD has applied this target to all construction projects valued over \$50 million since project intake restarted in 2021. Staff have encountered several issues that make it infeasible to continue to implement a blanket 10 percent target at this time:

- For apprenticeships in construction trades, the City and the supplier cannot guarantee that labour on City projects will be from Indigenous, Black and Equity-deserving communities due to union dispatch policies.
- The lack of socio-demographic data on employees, including the lack of authority and systems to collect, use and store such data, has made it infeasible to track the progress towards meeting a 10 percent equity target within construction projects.

As noted above, over the past two years SDFA has been working in partnership with skilled trade unions and community organizations to build local and social hiring pathways for construction opportunities. Staff plan on continuing this work and evaluating strategy options to increase success. A deeper analysis of the challenges and opportunities is essential to align the City's strategies with the needs of partners, including Indigenous, Black and Equity-deserving apprentices.

## **Supply Chain Diversity Achievements**

### *Results*

From 2017-2023, the City awarded almost \$10 million of contracts to certified Indigenous, Black and diverse suppliers through invitational solicitations (Attachment 2, Chart 2). Over this period, divisions managed Divisional Purchase Order processes valued up to \$50,000 and PMMD ran invitational solicitation processes valued up to \$100,000. On July 1, 2024, Municipal Code Chapter 195, Procurement, was updated and these thresholds increased. The current process is described above. Under the previous thresholds, in 2023, 4.2% of divisionally-managed invitational solicitations valued up to \$50,000 and 5.9% of PMMD-run invitational solicitations valued up to \$100,000 were awarded to Indigenous, Black and diverse suppliers.

From 2017-2023, the City awarded \$88.7 million of contracts to certified Indigenous, Black and diverse suppliers through open competitive solicitations (Attachment 2, Chart 3) and \$4.1 million through non-competitive procurements (Attachment 2, Chart 4).

In total from 2017-2023, the City awarded almost \$103 million of contracts to certified Indigenous, Black and diverse suppliers (Attachment 2, Table 5). Of those awards, 66% were made to WBE-certified businesses, followed by businesses certified by CAMSC (16%), IWSCC (11%) and CCIB (6%) (Attachment 2, Chart 6).

### *Data Collection, Analysis and Limitations*

For the Program review, analysis was completed for invitational solicitations valued up to \$100,000, open competitive solicitations of all values, and non-competitive procurements of all values. Data analysis to identify Indigenous, Black and diverse suppliers in the supply chain is currently a manual process. Staff compare the Social Procurement Supplier List with invitation and award data on a quarterly basis to identify awards to Indigenous, Black and diverse suppliers. This award data is then compiled into an internal dashboard to support program administration, along with analysis of awards by supplier council or business ownership.

The City creates the Social Procurement Supplier List using supplier certification organizations' business directories. PMMD is aware of uncertified Indigenous, Black and diverse suppliers in the City's supply chain that cannot be included in data analysis under the Social Procurement Policy. As with workforce development data, to address this data gap, this report recommends identifying the legal, privacy, and information management requirements and equity considerations, in alignment with the City's Data for Equity Strategy and Guidelines, that would allow for the collection, storage and use of disaggregated socio-demographic data from individuals in relation to the City's Social Procurement Policy and Program and report back to Executive Committee by Q4 2026 with recommendations.

Certification and inclusion on the Social Procurement Supplier List are not static, as suppliers may be de-certified and are then removed from the City's list. PMMD is in the process of transitioning management of diverse supplier registration into the City's online tendering system, SAP Ariba, which will allow for more automated and comprehensive reporting. However, significantly more work is needed to review how data is collected and analysed to increase the efficiency and accuracy of the process and protect historical data.

Due to the limited policy mechanisms available in the current Social Procurement Policy and the limited resources available to manage the Program, data analysis is completed for social procurement in open competitive and non-competitive procurements, but these procurement categories are not actively managed for supply chain diversity. The application of the Social Procurement Policy to invitational solicitations is actively managed by PMMD. As such, data analysis is more rigorous for this procurement category and unless otherwise specified, data points in this report cover only this category.

## **Jurisdictional Scan and Preliminary Community and Business Engagement**

While Toronto was among the first Canadian jurisdictions to launch a Social Procurement Program, most large municipalities, as well as the federal government and most provinces, now have social procurement policies or practices. To identify challenges and emerging best practice, PMMD staff met and consulted with:

- Public and Private Sector Buyers:
  - The Agencies and Corporations of the City, including presenting at the Cooperative Purchasing Group;
  - Other Canadian municipalities and regions, including the Greater Toronto and Hamilton Area Municipal Procurement Working Group, which consists of senior officials from municipal and regional governments;
  - The Government of Canada and the Government of Ontario, and a number of their agencies and corporations; and
  - Several private sector organizations with social procurement policies.
- Community and Business Organizations:
  - The Community Benefits Advisory Group, convened by SDFA;
  - Business associations representing Indigenous, Black and diverse suppliers and social enterprises, such as Buy Social Canada and the Afro Canadian Contractors Association; and
  - Community organizations, including the Toronto Community Benefits Network.
- City Staff and Suppliers with City contracts:
  - Key City divisions, with a focus on capital spend; and
  - Suppliers who have active contracts with the City that include workforce development provisions.

### *Public and Private Sector Buyers*

Based on discussions and research, Toronto's Social Procurement Program is generally aligned with social procurement policies and programs across Canada and internationally. Conversations with public and private sector buyers identified that many of the challenges faced by the City are also experienced by others, particularly around business identification and data analysis. While some jurisdictions and businesses are advancing work in certain areas beyond the City's current practice, in many instances, this is possible due to different procurement contexts and trade obligations.

### *Community and Business Organizations*

Discussions with community and business organizations highlighted that the Social Procurement Policy, and how it fits within the procurement process, is not well-understood. In particular, questions were raised around how the invitational procurement process works and how hard targets are set for workforce development. In discussions around barriers, both internal and external factors were identified that limit program success. There were concerns around the size and breadth of the Social Procurement Supplier List. In addition, labour shortages in specific job categories were identified as a potential challenge to achieve employment outcomes.

## *City Staff and Suppliers with City Contracts*

Discussions with suppliers that have workforce development requirements in active contracts aligned with conversations with City divisions: there is a high level of support for social procurement, but frustration over a lack of tools and resources to effectively implement it. In regular meetings with suppliers and City project managers, PMMD is often asked to provide a pool of qualified candidates to facilitate employment, and this is not currently possible.

## **AnchorTO Research**

In 2021, AnchorTO and the City of Toronto's Confronting Anti-Black Racism Unit commissioned a report on Addressing Anti-Black Racism in Procurement. The report was developed by Social Enterprise through Social Inclusion (SETSI) and Buy Social Canada and was completed in 2022. The report presented findings from research and engagement with Black-owned and Black-led businesses, highlighting systemic barriers such as access to financing, limited networking opportunities and requirements for diverse supplier certification, including the cost for certification. These barriers have made it more difficult for Black-owned and Black-led businesses to compete with equivalent businesses that do not have to navigate the same barriers.

Building on this work and the challenges identified relating to certification, AnchorTO and the City of Toronto commissioned a report on Self-Attestation: Removing Barriers to Diversity in Supply Chains that was developed by Buy Social Canada and completed in 2023. The report explored the historical context and unintended consequences of third-party certification systems for Indigenous, Black and diverse suppliers, such as cost and time burdens. It also discussed how to increase access to procurement opportunities for Indigenous, Black and diverse suppliers by creating a more efficient and equitable supplier identification process, including changing the social procurement culture from risk to trust.

Given the complexity of incorporating identity into policy decisions, this report does not recommend moving to self-attestation in the Social Procurement Policy at this time. However, as a first step to address some of the issues raised through this research, this report does recommend expanding the definition of Indigenous, Black and Diverse Supplier in the Social Procurement Policy to include members of Identity-Based Business Organizations. The proposed approach to do this is outlined below.

## **Business Survey**

A short online survey was released publicly from September to October 2022, which gathered responses from 368 Indigenous, Black, and diverse suppliers regarding barriers within the Social Procurement Program as well as the City's procurement process. The survey was promoted on the City's social media channels, shared with City divisions and the five City-recognized supplier certification organizations to distribute through their channels, and was publicly posted on the City's Social Procurement Program website.

The responses have provided PMMD with critical insight from business owners that aligns with other review findings regarding the barriers for Indigenous, Black and diverse suppliers to participate in the procurement process and opportunities for improvement. Some key demographics of survey respondents follow:

- 92 percent of respondents were small businesses with under 100 employees.
- Respondents self-identified business ownership. 31 percent of respondents were women-owned businesses; 16 percent were Indigenous-owned businesses; 15 percent were Black-owned businesses; 13 percent were businesses owned by people who are racialized; 13 percent were businesses owned by people with disabilities; 7 percent were business owned by people from 2SLGBTQ+-communities and 4 percent were youth-owned businesses.
- Respondents represented 20 business categories. The highest representation was from the following categories: 23% in Management, Business Professionals and Administrative Services; 12% in Education, Development and Training; 12% in Construction and Maintenance; and 12% in Information and Technology.
- 52 percent of respondents were certified by a City-recognized supplier certification organization.
- 78 percent of respondents had not done business with the City of Toronto, even though 75 percent of the respondents operate a business in Toronto.

Primary themes that emerged from the survey results are:

- The procurement process is complex and difficult to understand. Small businesses, in particular, face challenges with not only navigating the process but also with certain solicitation requirements; for example, requirements around the number of years of previous experience.
- The requirement in the Social Procurement Policy for suppliers to obtain certification excludes some businesses from registering on the Social Procurement Supplier List.
- Opportunities for the City to better support Indigenous, Black and diverse suppliers, particularly small businesses, include more training in different formats; for example, workshops on how to write and submit bids.
- Better communication was also a key recommendation, including dedicated staff for outreach and system navigation and an easier-to-navigate website.

## **Program Administration**

The Social Procurement Policy is centrally managed by PMMD staff and administered across all City Divisions as a Program. The review identified some issues with the administration of the program that are not policy-related and that can be addressed through process improvements under the Chief Procurement Officer's authority.

Workforce development opportunities include:

- Clarifying workforce development requirements in procurement templates.
- Improving target-setting approaches.
- Improving data quality to monitor and enhance performance.

Supply chain diversity opportunities include:

- Expanding the Social Procurement Supplier List to include more Indigenous, Black and diverse suppliers in more material groups. In 2023, 363 suppliers were on the list, representing 66% percent of material groups. Adding more Indigenous, Black and diverse suppliers to the list is limited by the current policy, which does not allow the City to recognize identity-based business associations and organizations that represent, but don't necessarily certify, Indigenous, Black and diverse suppliers.
- Exploring ways to enhance opportunities for Indigenous, Black and diverse suppliers for subcontracting opportunities within the current procurement process.
- Facilitating supplier training and support with navigating the procurement process. In 2023, only 35 percent of Indigenous, Black and diverse suppliers that were invited to participate in procurements submitted quotes. While there are many reasons for this, unfamiliarity with the procurement process impacts participation.
- Facilitating divisional training and supplier networking opportunities to expand staff knowledge of business offerings and increase the success of different Indigenous, Black and diverse suppliers in the City's supply chain. In 2023, 79 DPOs were awarded to 27 unique organizations, which represents 7% of all Indigenous, Black and diverse suppliers registered with the City.

## **Policy Review Findings and Recommendations**

The Social Procurement Policy unintentionally creates several barriers that make it difficult for Indigenous, Black and diverse suppliers to participate in City procurement opportunities and for suppliers with workforce development requirements in their contracts to successfully hire people from Indigenous, Black and Equity-deserving communities. These barriers were unanticipated when the Policy was drafted and emerged over time. Based on the insights from the program review, several key areas for improvement have been identified to enhance the impact of the Social Procurement Program.

The following recommendations are detailed above:

- Redefine Diverse Supplier to Indigenous, Black and Diverse Supplier.
- Engage business and community on the results of the review to identify additional policy and program enhancements.
- Identify the legal, privacy, and information management requirements and equity considerations that would allow for the collection, storage and use of disaggregated socio-demographic data from individuals in relation to the City's Social Procurement Policy and Program.

In addition, the following recommendations aim to address the challenges identified in the review.

### *Create a Social Procurement Advisory Committee*

In 2025, staff will be putting together an Advisory Committee comprised of people from Black and Equity-deserving communities with lived experience and expertise in supply chain diversity and workforce development to further discuss and refine opportunities to enhance the Social Procurement Policy. Areas of focus will be confirmed with the Advisory Committee, and may include:

- Guiding community and business engagement;
- Refining the definitions of Black and Diverse Supplier in the Social Procurement Policy;
- Reviewing the City's criteria for recognizing identity-based business organizations and their members, and identifying organizations the City should recognize;
- Further identification of barriers within the procurement process that may limit the participation of Black and diverse suppliers and refinement of solutions;
- Guiding the creation of a work plan to improve workforce development outcomes; and
- Contributing to the development of data requirements for the collection of socio-demographic data from individuals for program management.

PMMD is co-developing a First Nations, Inuit and Métis Procurement Policy with Indigenous businesses, agencies and partners, guided by an Indigenous Advisory Circle. The Advisory Circle is considering similar areas related to procurement.

### *Prioritize supply chain diversity commitments in the Reconciliation Action Plan and Confronting Anti-Black Racism Action Plan*

The Social Procurement Policy requires staff to invite a minimum of one diverse supplier to bid on invitational solicitations, where feasible. This report recommends amending the Social Procurement Policy to require staff to invite a minimum of one Indigenous, one Black and one diverse supplier or social enterprise, where feasible. While there are many goods and services where this would not be feasible currently, PMMD is working to expand the Social Procurement Supplier List and build relationships with Indigenous businesses, through the co-development of a First Nations, Inuit and Métis Procurement Policy, and with Black businesses through new memberships with Black business organizations.

### *Expand the definition of Indigenous, Black and Diverse Supplier to include members of Identity-Based Business Organizations*

Throughout the review, supplier certification was a polarizing topic. Certification poses numerous barriers for Indigenous, Black and diverse suppliers to participate in the procurement process but also protects the City from the risk of fraudulent identity claims. The current approach to certification creates data gaps. The data analysis included in this report includes only certified suppliers, but staff are aware of Indigenous, Black and diverse suppliers and organizations in the City's supply chain that are not certified but can be verified through credible community and business organizations.



To increase spend with Indigenous, Black and diverse suppliers, this report recommends developing new partnerships with identity-based business associations and organizations that are aligned with the City's social objectives and have the capacity to assist the City with identifying Indigenous, Black, and diverse suppliers.

PMMD recommends developing a new enrolment process for identity-based business associations and organizations that will move beyond the five existing supplier certification organizations and enable PMMD to conduct targeted outreach for goods and services where no Indigenous, Black or diverse supplier is available to do business with the City. This process will be reviewed and finalized with both the Social Procurement Advisory Committee and the Indigenous Procurement Advisory Circle. As a start, the focus will be on building partnerships with charitable and non-profit business associations and organizations representing Indigenous, Black and diverse suppliers and recognizing their members for social procurement opportunities. The guiding principle underlying this new approach is trust and respect; specifically, the belief that community and membership-based organizations know their members best, including who owns the business and is part of the community.

Identity-based associations and organizations will be invited to express interest in working with the City and meet with PMMD staff to ensure certain key criteria are met. These criteria will be set out in a new procedure and made publicly available on the City's website, and may include:

- Organization Structure: The organization must be a charity or non-profit based in Canada.
- Mandate & Mission: The organization must support Indigenous, Black, or diverse suppliers.
- Capacity: The organization must have a directory or database of Indigenous, Black or diverse suppliers that can be shared with the City. Alternatively, the organization must be able to validate a businesses' membership with the organization when a business registers with the City.
- Community Connection: The organization must be able to demonstrate relationships with the community or communities it represents. This may be through activities such as events, resources, advocacy, and participation in other community organizations.

The supplier certification organizations currently recognized by the City will remain an option for suppliers seeking formal certification to confirm diverse ownership.

Making this change is critical for staff to fulfil the 2021 Council directive to achieve an annual 10% increase in the number of suppliers on the City's Social Procurement Supplier List and for 7.5% of business enrollment on the list to be Black-owned businesses.

### *Create a standalone definition of Social Enterprise and recognize Buy Social certified Social Enterprises*

In the current Social Procurement Policy, social enterprises are included in the definition of Diverse Supplier. The current definition of social enterprise in the Policy is based on the social enterprise landscape in Toronto in 2016 and is similar to what is now considered an employment social enterprise.

Staff conducted a jurisdictional and literature review to explore the various business models aimed at creating social impact, including social enterprises. Globally, there is no consensus on the definition of social enterprises. However, most definitions share a common purpose of addressing social issues. In Canada, social enterprises are typically defined as organizations with a core, social mission aimed at addressing social needs or problems. These businesses utilize wealth generation to create community benefits and exhibit various degrees of financial self-sufficiency.

The research found the social economy sector in Canada is quite diverse, and the City recognizes the critical role social enterprises can play towards inclusive economic development. Based on this research, and discussions with community organizations, this report recommends creating a standalone definition of social enterprise and adopting the definition of social enterprise used by Buy Social Canada, a recognized certification body for social enterprises:

A Social Enterprise is a business that generates a significant portion of its revenue through the sale of goods or services, embeds a social, cultural or environmental purpose into the business, and reinvests 51% or more of profits into the social, cultural or environmental mission.

Beyond social enterprises, PMMD is continuing to review other social business models that could be included in future amendments to the Social Procurement Policy, such as worker co-operatives and B Corporations.

### *Other Social Procurement Policy amendments*

The following recommended amendments are meant to simplify and clarify areas of the Social Procurement Policy that have duplicated or conflicting language, or that have resulted in confusion in interpretation:

- In the Purpose and Policy Statement, replace "inclusive economic growth" with "inclusive economic development", in line with the report dated November 12, 2024 on inclusive economic development being considered by City Council on December 17, 2024.
- The definition of "Candidate or Persons" will be redefined to mean someone from an Indigenous, Black or Equity-deserving Community. The current definition does not incorporate any reference to these communities, which does not align with the intent of the Social Procurement Policy.

- The workforce development activity area "Customized Recruitment" will be renamed "Non-Construction Employment Opportunities", defined as customized recruitment approaches for candidates for professional, administrative and technical opportunities. This activity area currently targets non-construction employment opportunities, so the proposed change is meant to clarify the City's intent.
- Two references to construction services procured through the Divisional Purchase Order process being exempt from the supply chain diversity section of Policy will be deleted. There are Indigenous, Black and diverse suppliers, and social enterprises, that provide construction services.
- Two references to development of procedures in consultation with the Social Development, Finance and Administration Division will be deleted. SDFA supported PMMD to develop and implement the Social Procurement Program and played a critical role with the operations of the Program through 2021, when PMMD created a Policy and Program team to lead procurement policy development and the administration of procurement programs, including the Social Procurement Program. PMMD continues to work with SDFA's Community Benefits Unit on social procurement, including sitting on a City Leads Table that enables all community benefits initiatives leads to share tools and learnings. The two references that are being deleted refer to procedures where changes would primarily impact PMMD's ability to resource Social Procurement Program administration and so can only reasonably be made by PMMD.

### **Additional Program Improvements**

PMMD will be proceeding in 2025 with program administration improvements under the Chief Procurement Officer's authority, within the 2025 base operating budget. These include:

- Posting a public dashboard with Social Procurement Program results in Q1 2025. PMMD is planning on posting updates twice annually, given current resource limitations, but will move to quarterly updates as resourcing allows.
- Updating the Doing Business with the City webpage, including the Social Procurement Program webpage. PMMD conducted user experience testing with local small business owners in Q1 and Q2 2024. The results of these conversations are informing the development of updated content that is better tailored to the needs of entrepreneurs and small business owners.
- An objective for the Social Procurement Program in 2025 is to increase City staff awareness of the suppliers on the Social Procurement Supplier List. A variety of activities are being explored to do this, including facilitating networking sessions between City staff and Indigenous, Black and diverse suppliers and social enterprises.
- Registration for the Social Procurement Supplier List is transitioning to the City's electronic tendering system, SAP Ariba. PMMD is currently working with Indigenous, Black and diverse suppliers to ensure all suppliers included in the offline Social Procurement Supplier List are transitioned online. In addition, PMMD will be working throughout 2025 and ongoing to build the Social Procurement Supplier List, with the objective of having a minimum of one Indigenous, Black and diverse supplier or social enterprise available in every material group.

## Conclusion

Since 2017, the Social Procurement Program has created workforce development opportunities through City contracts and increased access to the City's procurement process for Indigenous, Black, and diverse suppliers. As one of the first municipalities in Canada to implement social procurement, Toronto has built a strong program foundation and is often considered a leader in this space among public sectors.

The review of the Social Procurement Program and Policy has highlighted the progress towards, and the opportunities to further advance, inclusive economic development through the City's procurement process. Although significant strides have been made in creating supply chain and employment opportunities for Indigenous, Black and Equity-deserving communities, the review also identifies critical areas for improvement.

The recommendations outlined in the report aim to address these challenges by enhancing the certification process, improving program administration and, most importantly, engaging and building reciprocal relationships with Indigenous, Black and Equity-deserving communities and businesses. This divisional, business and community engagement will be the focus of 2025 and is intended to inform a second phase of recommendations and a report to Council in 2026. Implementation of second phase program enhancements would then proceed in 2027, after which PMMD intends to move to a regular 5-year evaluation cycle.

Moving forward, PMMD is committed to a reciprocal and collaborative relationship with Indigenous, Black and Equity-deserving communities, as well as key organizations and business associations. Continuing engagement will ensure the improvements to the Social Procurement Policy and Program effectively address the needs of those it intends to serve.

## CONTACT

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## SIGNATURE

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## ATTACHMENTS

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Attachment 1: Proposed Social Procurement Policy Revisions  
Attachment 2: Social Procurement Program Achievements