

Procurement for social sustainability

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21 November 2017



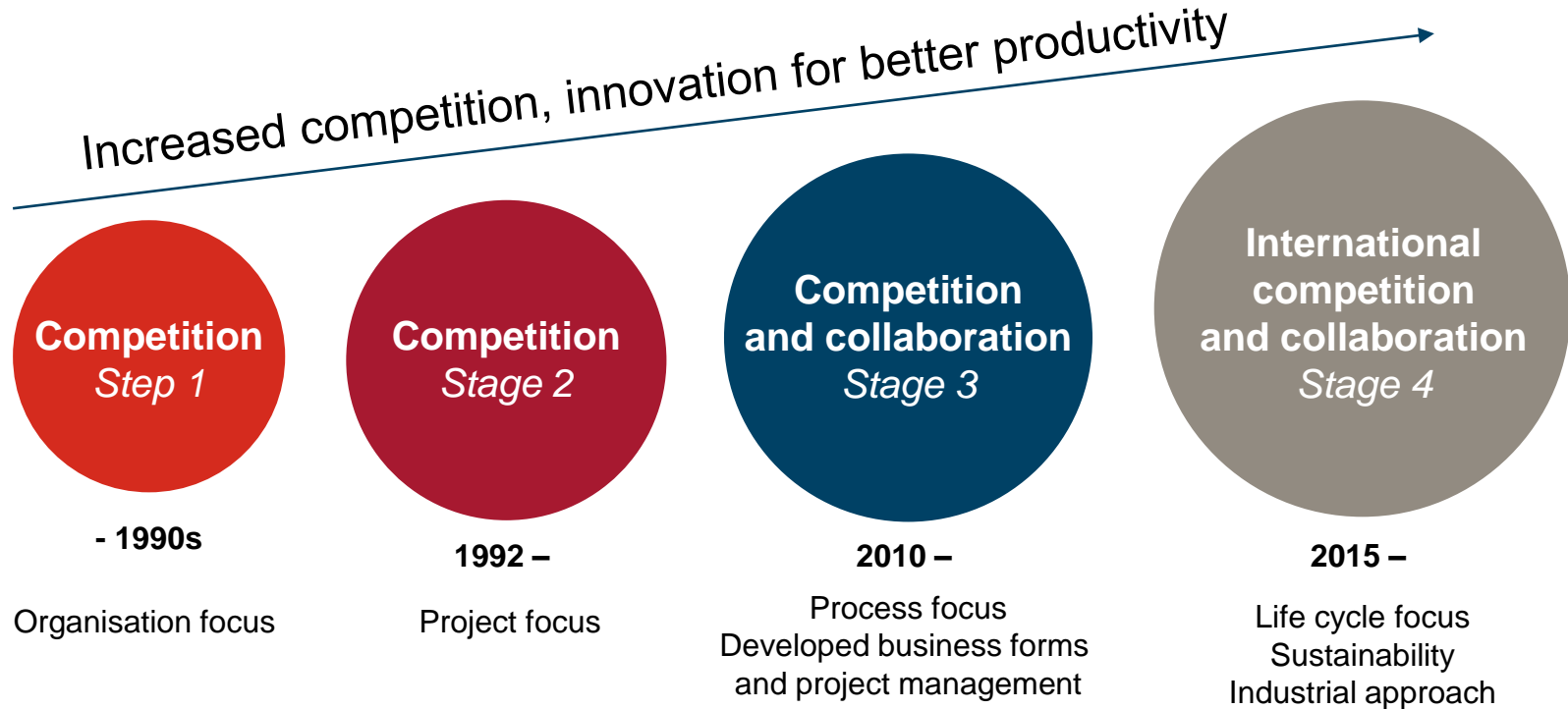
Procurement for social sustainability

Agenda

- Procurement strategy
- Procurement for social sustainability
 - Social requirements
 - Employment
- Ongoing initiatives and collaboration



Procurement strategy – *development and direction*



Social requirements

Social sustainability

- No persons shall be exploited or put at risk
- Laws shall be followed
- Fair competition
- Employment and provision of competence
- Credibility and attractive industry



Social requirements

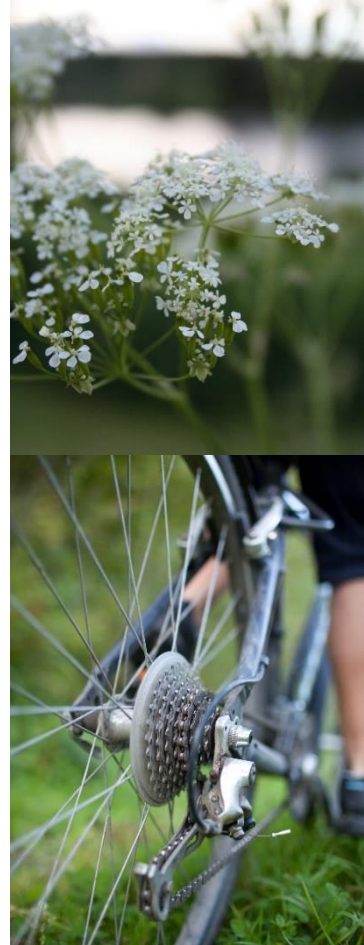
- **Minimum wage/conditions for assignments performed in Sweden**
 - *equal to Swedish collective agreements on pay, working hours, holiday*
- **Basic rights for employees throughout the supply chain**
 - *in production of materials and services and in transportation*
- **Taxes and social security charges**
 - *shall be paid throughout the supply chain, both in Sweden and abroad*
- **Anti-discrimination**
 - *policies and activities*
- **Approach to ethical issues**
 - *The Swedish Transport Administration's code of conduct*
- **Identification and registration**
 - *ID06 (identification) and electronic staff registers (registration)*
- **Employment requirements**
 - *contracts and services*



Labour law conditions - new legislations

June 2017:

- **New legislation posted workers**
 - Unions are able to demand a Swedish collective agreement, with limits to terms and effects, from employers using posted workers, taking strike action if necessary.
- **New procurement legislation**
 - With public procurements over a threshold value, requirements must be set for labour law conditions in line with minimum collective agreements on pay, working hours and holidays, if these can be considered necessary, which means in industries where poor working conditions are seen to be a problem.



Minimum conditions in the Posting of Workers Act

- Corresponding to conditions in a central collective agreement that is applied throughout Sweden for corresponding employees in relevant industry
 - Minimum wage
 - Working hours
 - Holidays



The Swedish Transport Administration sets contract requirements for wages, working hours and holidays.

Contract requirements:

Basic rights for employees

- *the ILO's core conventions on forced labour, child labour, discrimination, freedom of association and right of organisation (no. 29, 87, 98, 100, 105, 111, 138 and 182),*
- *article 32 of the UN's convention on the rights of children,*
- *the work environment legislation in the country of manufacture,*
- *and the labour law (minimum wage legislation included therein) and social security provisions in the country of manufacture.*



Swedish Transport Administration has participated in the SBUF projects:

- Responsible material choice in the construction industry
- The Whole Chain - responsibility for material purchase in the construction industry.

Approach to ethical issues

“The contractor shall adopt to the Swedish Transport Administration’s approach to ethical issues, as below, when work is performed on behalf of the Swedish Transport Administration.”

“... all those who work for the Swedish Transport Administration shall observe this approach and follow the principles that form the basis of the Swedish Transport Administration’s code of conduct.”



Swedish Transport Administration’s code of conduct

covers among other things corruption and conflict of interest.

Follow-up

Qualification & evaluation

- Paid taxes and social security charges
- Other grounds for exclusion

Award

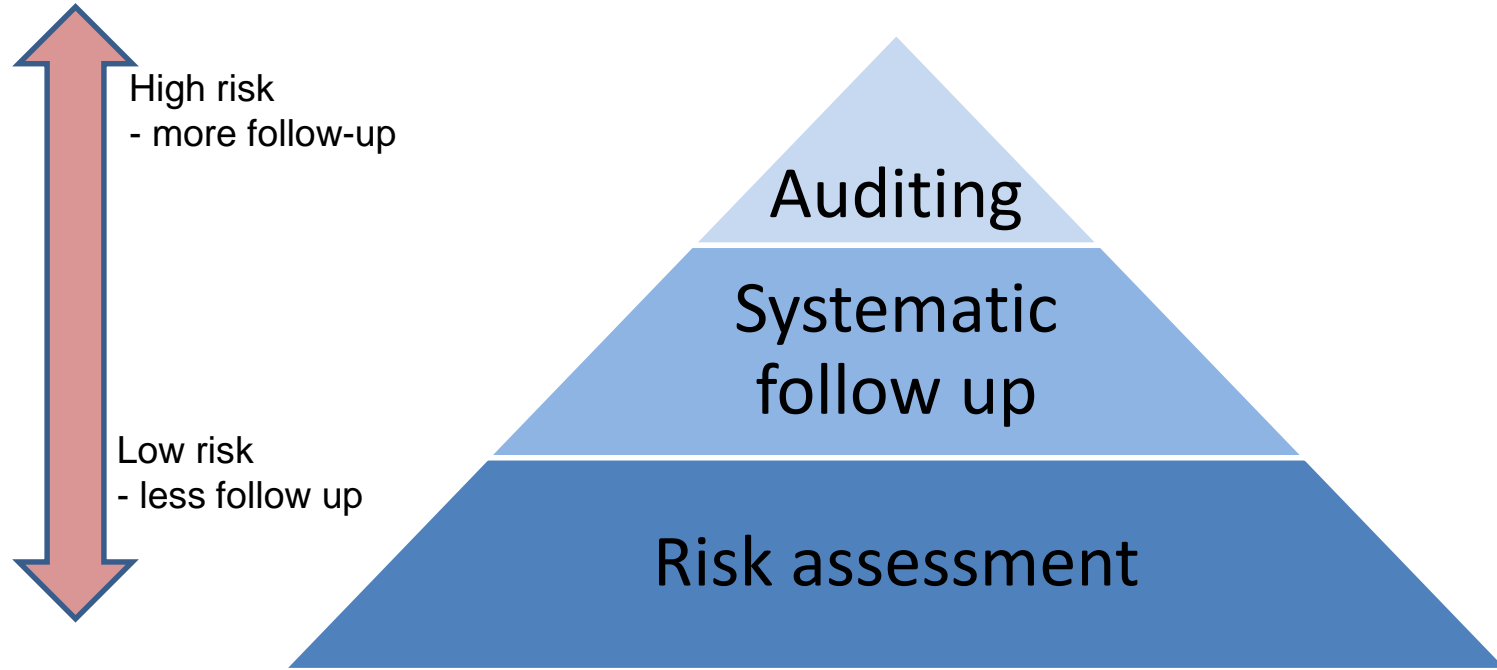
- Information about contract requirements in tender and contract meetings

During the contract period

- Minimum wage and conditions for personnel and basic employee rights
- Anti-discrimination
- Taxes, social security
- Code of conduct
- Attendance reporting



Model for follow up of social contractual requirements



Risk indicators and risk classification (construction contracts)

<u>Risk indicators</u>	
Supply chain (vertical) more than 3 contractors	yes / no
Labor conditions (e.g. salary, working hours and vacation) are unclear or hard to verify	yes / no
Specialist skills not required	yes / no
Working areas widespread	yes / no
Low prices	yes / no
Maximum number of risk indicators	5

Risk assessment:
Before advertising
At time of award
Ongoing

<u>Risk classification</u>	<u>Number of risk indicators</u>
Low	0-2
Medium	3-4 or contract value > 100 MSEK
High	5 or contract values > 300 MSEK



Risk management - Contractors

				High risk
				Audit supplier
				Self assessment supplier
				Follow up at supplier meeting (start meeting, site meeting etc.)
				Follow up at least 4 times per year as well as when new sub-contractors are added
				Follow up at least twice per year as well as when new sub-contractors are added
				Follow up at least once per year as well as when new sub-contractors are added
				Social contract requirements

Frequency of follow up may vary with contract conditions



Systematic follow up

- Ongoing systematic follow up
 - At different types of meeting with suppliers
 - Go through social requirements in the contract
 - Ask questions and document answers

**Control
programme**

**Ask
"How"-
questions**

**Knowledge
Courage
Time**



Self assessment, social requirements

Contractor

- Describe how you ensure that wages, working hours and other conditions follow minimum levels in collective agreements throughout the supply chain
- Describe how you ensure that taxes and social security charges are paid - throughout the supply chain

Goods and services

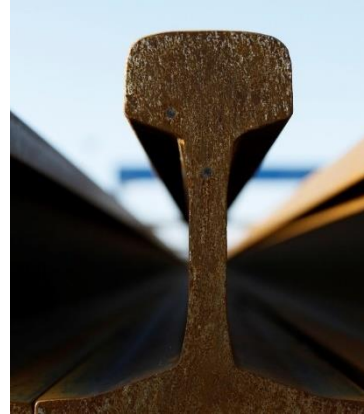
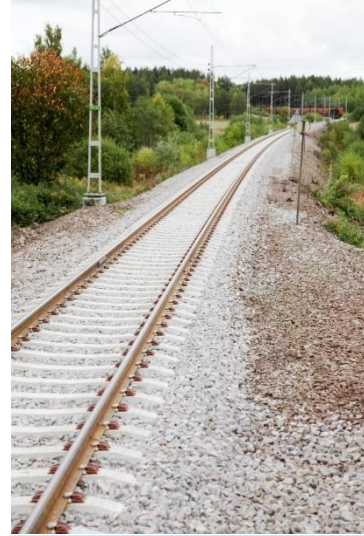
- Describe how you ensure that requirements for basic rights for employees are complied with - throughout the supply chain



Social requirements audits

About 60-70 audits are planned during 2017-2018

- Supplier level
- Contract level
 - Based on risk level
 - By region and business area



Increased risk of breach in the supply chain for materials and services

- The supplier is active in a country where respect for basic rights for employees is considered low
- The supplier is active in industries where low pay is common
- The supplier has many sub-contractors, in depth and across the board.
- Low prices

Materials identified in the SBUF report:

Cement, iron/steel, bitumen, quarried stone, wood, plastic.



Employment through procurement

The Swedish Transport Administration shall work to achieve increased employment

- The government has appointed the Swedish Transport Administration, in public procurements, to work to achieve increased employment for persons who have difficulty in entering the labour market and thus contribute to reducing unemployment.
- The model has been implemented nationally by the Swedish Transport Administration with effect from 2016.



Persons who gain employment shall fulfil one or more of the following criteria

- 1 Unemployed and registered with an employment office.
- 2 Shall undergo a practice or apprentice period within the framework for training or according to the directions of an employment office.
- 3 Has a position that does not correspond to the training and/or experience and expertise that the person has, but can be matched to a service that will be offered in the contract.



Exceptions

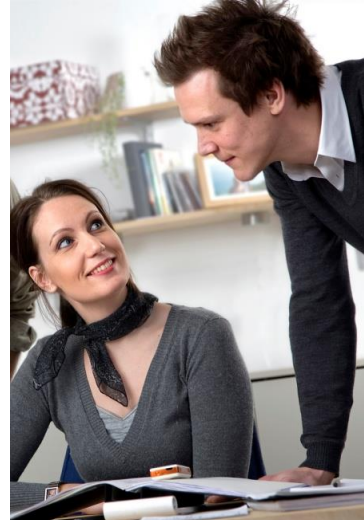
- Contracts that shall not contain employment contract clauses:
 - Service and contract procurements with an implementation time of **less than 9 months** or where implementation requires **max 5 full time employees** (excluding options).
 - All **framework agreement procurements, call-off orders or procurements of goods** are also exceptions.



Model

- **Basics:**
 - **Requirement:** Meeting with the employment office
 - **Incentive:** In the form of a bonus* if employment above requirement level is created.
- **Employment requirement:**
 - Contractor > SEK 50 million (about 15 full time employees)
 - Service/Consultant > SEK 25 million (about 25 full time employees)

**SEK 60,000 for practice places (6 months) and SEK 240,000 for employment (12 months)*



Positions – length and distribution

The guideline is that at least half (50%) of the positions per contract go to employment and the rest as practice places.

Length of employment:

- Each position that shall represent an employment shall correspond to a full year's service (1,720 hours)

Length of practice:

- Each place that shall represent practice shall be six months (960 hours)



Positions - definitions

Employment:

- Employment can be either conditional tenure or defined term (e.g. apprentice appointment and project appointment). The employment office may decide on a labour market policy programme which would then provide pay subsidy.

Practice:

- The purpose is mainly to gain work experience and develop expertise. May occur both within and outside the framework for training. The trainee has no employment relationship with the company where practice occurs. A trainee may never replace ordinary personnel. Practice may last a maximum of 6 months.



What is a position?

Employment



Practice



Bonus and penalties

- Bonus is paid for employment above the requirement level (positions defined in the contract)
- Penalties claimed when requirements are not fulfilled

Type of employment	Bonus/Penalty per place
Employment (12 months)	SEK 240,000
Practice (6 months)	SEK 60,000

Bonus is normally paid annually after verification of employed persons and after any requirements have been complied with.

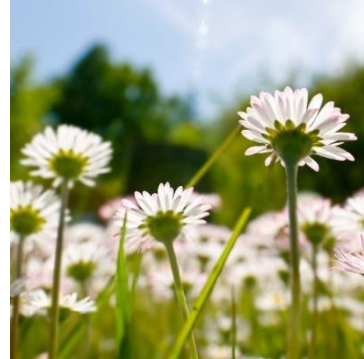
Penalty assessment occurs after the end of the contract. All requirements must be complied with or a full penalty per position is payable.



Follow-up

The supplier reports at project meetings the number of hours worked in the contract by persons in the employment requirement target group (e.g. timesheet document).

The Swedish Transport Administration intends to publish on its website which suppliers have contributed to creating employment.



Ongoing initiatives and collaboration

Collaboration - progress!



Authorities

Swedish Tax Agency
Swedish Work Environment
Authority
National Agency for Public
Procurement
Swedish Economic Crime
Authority
Employment offices
Municipalities

Employers' organisations

Sveriges Byggindustrier (BI)
Maskinentreprenörerna (ME)
Svenska Teknik &
Designföretagen (STD)

Trade unions

SEKO
Byggnads
SACO
ST

Swedish
Transport
Administration

Tools for compliance

Existing

- Swedish model (collective agreements, main contractor's responsibility etc.)
- Internal training at the Swedish Transport Administration
- Risk analysis for contracts
- Dialogue at start-up meeting and site meetings
- ID06 identification
- Electronic staff registers
- Self assessment and audits
- Workplace controls, safety inspections etc.
- Joint controls between authorities



Tools for compliance

Coming

- Increased security ID06 card
- ID06 company declaration
- Employer declaration of taxes and social security by individual level (2018)
- Main contractor responsibility legislation?



Summary: Social sustainability

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- Fair competition
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