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Making Socially Responsible Public Procurement Work: 71 Good Practice Cases

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Employment training and apprenticeships as the deciding award criteria

Municipality of Aarhus, Denmark

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Name of procuring authority, Country: Municipality of Aarhus, Denmark

Product or service sector: Sewerage work: service and maintenance



Introduction/procurement objective

The Municipality of Aarhus has been giving increasing attention to the social and economic impact of procurement, which can be achieved through the creation of employment opportunities for long-term unemployed citizens. With this in mind, the procurement department wished to examine the potential of including training and employment opportunities as procurement objectives. A framework agreement for sewage services was selected as a pilot in 2019, and Aarhus decided to focus on apprenticeships together with training and employment opportunities. Previous contracts for sewage services had been evaluated based on price alone.

In Denmark, it has been made obligatory for contracting authorities to consider apprenticeships as a condition related to the performance of certain

contracts. In this case, however, the procurement department chose to instead focus on the award criteria.

The choice of instrument was made after a market dialogue in which the procurement department learned that they could expect the price difference between the tenderers to be marginal, as suppliers seemed to have similar expenses for material and wages. They also learned that several potential bidders had experienced recruitment difficulties. The framework agreement will last six years (2019-2025). The tender notice gives the following reasons:

- To open up competition due to high investment costs in materials. The depreciation of investments in materials will take more than 4 years;
- To meet environmental and employment

conditions, including specific environmental requirements for transport equipment.

Subject matter

A framework agreement on sewage services

Stage of procurement phase and criteria

Award criteria

The most economically advantageous tender was identified on the basis of the best price/quality ratio using the following criteria and weights:

- Price (80%)
- Quality (20%), divided into the sub-criteria of environmental performance (10%) and employment measures (10%)

Contract performance stage

The contract includes performance clauses on:

- Wages and working conditions, according to ILO-convention No. 94
- Apprenticeships and work retention
- Social responsibility (ILO conventions no. 29 and 105; 100 and 111; 138 and 182; 87, 98 and 135; and 155).

Wages and working conditions must be aligned with ILO convention no. 94. The contractor has to ensure that the employees whom they employ in Denmark to carry out the task receive a wage and general terms of employment that are no less beneficial than those applying for the same kind of work under a universally binding collective agreement within the given field (i.e. under a representative labour market union agreement). This condition applies to any subcontractors, and benefits and working hours are included in its scope.

Concerning apprenticeships and work retention, it was obligatory for the contractor to have a written staff policy which includes an education and retention policy for the people employed on the contract.

Regarding social responsibility, the contractor, as well as subcontractors, is obliged to comply with international conventions, listed in Annex X of Directive 2014/24/EU, concluded by Denmark, including:

- Forced work (ILO-convention no. 29 and no. 105)
- Non-discrimination (ILO-convention no. 100 and no. 111)
- Child labour (ILO-convention no. 138 and no. 182)
- Freedom of organisation (ILO-convention no. 87, no. 98 and no. 135)
- Work environment (ILO-convention no. 155)
- The contractor is required to respect basic human rights including the UN Universal Declaration on Human Rights and the Charter of Fundamental Rights of the European Union.

Social policy objective and/or reference standard

To create apprenticeship opportunities within skilled employment as well as employment and training opportunities for unemployed citizens.

Verification

- To verify the sub-criterion of “employment measures”, the tenderer was asked to report the number of employees in employment training or apprenticeships expected to work on the contract.
- Concerning employment criteria which represented in total 10% of the award criteria, various forms of training and apprenticeships were assigned different values, which were then added to assign a cumulative score:
 - Adult apprentice: 10
 - Apprentice: 8
 - Wage support scheme for unemployed: 3
 - Internship scheme for unemployed: 3

Contract value

The estimated total value of the framework contract was DKK 15 million (approximately €2 million).

Actors

- Project lead and contracting authority: The City of Aarhus' Department of Procurement and Tenders
- Interdepartmental working group representing end users of the sewage services across the municipal organisation.
- Correspondence with the Department of Employment regarding the employment measures criterion.

Social impacts

- Because the competition on price was very tough, the employment measures criterion ended up being a deciding factor. In the subsequent dialogue with the unsuccessful bidders, it was clear that the use of this criterion had a strong signalling effect. Thus the main social impact of the tender is that it has shown the market that the municipality is willing to reward social responsibility. It is expected that the result of the tender will motivate potential suppliers who have not previously considered this option to create apprenticeships or training opportunities.
- Apprentices contracted or subcontracted through this framework contract and subsequent replications of this approach will directly benefit in gained professional experience. The community at large will also benefit from a better trained workforce.

Lessons learned and future challenges

- Combining award criteria with minimum requirements rewards potential bidders who are capable of over-fulfilling the minimum requirements.
- The contract does not include milestones for monitoring to what extent the contractor meets the employment criteria throughout the contract period. For a similar tender it would be advisable to include specific provisions in the contract, which oblige the contractor to continuously fulfil the employment criteria. This could involve annual milestones and penalty fees in the case of non-compliance.

- Social award criteria can be useful for procurement in new or unknown markets where the contracting authority finds it difficult to formulate minimum requirements and/or conditions related to the performance of the contract. Overly lenient requirements can mean that the contracting authority misses out on potential impact, while overly strict requirements can mean they receive no or very few bids.

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"Because the competition on price was very tough, the employment measures criterion ended up being a deciding factor. This has sent a clear signal to the market, that the Municipality is willing to prioritise social responsibility."

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