

Inclusion of Social Services in Public Procurement: A Case Study of Federal Government Departments in Canada

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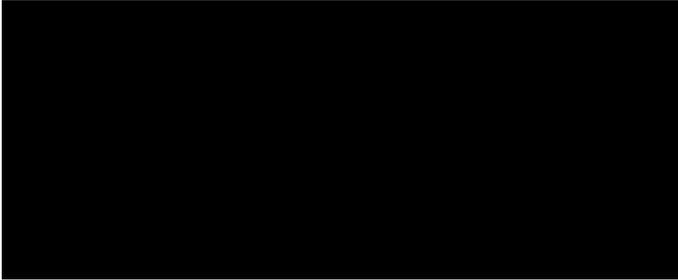
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DECLARATION

I, Jeanette Raymond, declare that the DBA thesis entitled 'Inclusion of Social Services in Public Procurement: A Case Study of Federal Government Departments in Canada' is no more than 65,000 words in length, exclusive of tables, figures, appendices, references and footnotes. This thesis contains no material that has been accepted for the award of any other degree or diploma in any university or institution. To the best of my knowledge, this thesis contains no material previously published or written by another person except where due reference has been given.



15/02/2021

DEDICATION

This thesis is dedicated to my husband Johnnie, son Dyan, and daughter Dena for all their love and support.

PUBLICATIONS

Publications

Raymond, J 2008, 'Benchmarking in public procurement', *International Journal of Benchmarking*, vol. 15, no. 6, pp. 782-793.

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LIST OF ABBREVIATIONS

AANDC	Aboriginal Affairs and Northern Development Canada
CITT	Canadian International Trade Tribunal
EU	European Union
FCP	Federal Contractors Program
GATT	General Agreement on Tariffs and Trade
HRSDC	Human Resources and Skills Development Canada
INAC	Indigenous and Northern Affairs Canada
IT	Information Technology
LEEP	Legislated Employment Equity Program
NAFTA	North American Free Trade Agreement
OECD	Organisation for Economic Co-operation and Development
PSAB	Procurement Strategy for Aboriginal Business
PSPC	Public Services and Procurement Canada
PWGSC	Public Works and Government Services Canada
SME	Small and Medium-sized Enterprise
UK	United Kingdom
US	United States
WTO	World Trade Organization

ABSTRACT

The purpose of this research study is to examine and explore the factors that encourage or inhibit the promotion of social policy through the public procurement process. The study is undertaken with a sample of federal government departments and agencies based in Canada. The study investigates how the Federal Government of Canada has attempted to advance conceptions of social justice and change for disadvantaged people (visible minorities, women, people with disabilities and the Aboriginal community) through their procurement policies and processes. The two social policies examined in this study are the Federal Contractors Program (FCP) and the Procurement Strategy for Aboriginal Business (PSAB), which address the consequences of past discriminatory policies and practices. To address the research questions, this study uses the single case study approach to examine the factors that encourage or inhibit the promotion of social policy objectives through the procurement process. Both primary data and secondary data collection methods are used and a sample of six government departments and agencies is selected from the Canadian Government website.

The findings for the first social policy (PSAB program) from the primary data reveal that the success of the PSAB program cannot be measured only in increasing numbers and the value of contracts awarded to Aboriginal firms, and an increase in both the numbers and capabilities of Aboriginal firms is essential if the overall objectives of the strategy are to be achieved. The findings from the primary data for the second social policy (FCP program) indicate that performance measures of the FCP program appear to be underused to improve program effectiveness. Furthermore there has been little assessment of the FCP program owing to the lack of reporting.

Secondly the findings from the secondary data for the PSAB program indicate that there has been an increase in the award of set-aside contracts; however, Public Services and Procurement Canada needs to develop enhanced accountability and transparency mechanisms for the capture of this data. The findings from the secondary data for the FCP program indicate that two designated groups (visible minorities and the Aboriginal community) continue to experience disadvantage, in the workforce, even though they are covered by the employment equity.

This study makes a key contribution to both theory and practice. Theoretically this study has contributed to the existing debate on institutionalism by applying the three key institutional enablers namely rules, resources and actors. It also represents the first

empirical attempt to examine emerging social practices and diffusion. The study makes a theoretical contribution to the debate on Agency theory in the management literature by extending the Agency theory further to explain the inclusion of social services through the procurement process. The study also makes an important contribution to practice by acknowledging that numerous changes to existing procurement practices are required to encourage and promote the inclusion of social services through the procurement process. In the future, suppliers tendering for major infrastructure and construction projects will need to demonstrate that they are not just efficient in the delivery of goods and services, but also contribute positively to the welfare of the community at large. Suppliers will not only be competing with each other in terms of price, technical skills and past performance, but also in terms of their social credentials.

CHAPTER 1: INTRODUCTION

1.1. Background

Public procurement is sometimes used as an instrument for supporting both economic and non-economic goals, such as environmental and social goals. The study of sustainability goals in the purchasing and supply chain literature is called 'sustainable procurement' (Brammer & Walker 2011; Oruezabala & Rico 2012). Sustainable procurement is described in the literature as a study of sustainable development objectives, encompassing environmental, social and economic aspects (Walker & Brammer 2012; Walker et al. 2012). First envisioned by Elkington in 1997 the triple bottom line or 'people, planet and profit' method moved towards bridging differences between economic benefits (profit) and non-economic benefits (people and planet). This concept proposed by Elkington (1997) recommended measuring revenue not only in terms of financial value, but also in terms of social and environmental denominations. Sustainable procurement policy and other strategies have been established in numerous countries, including the United Kingdom (UK), European Union (EU) member countries, the United States (US) and Canada (Hoejmoose & Adrien-Kirby 2012). Shafiq et al. (2014) demonstrated that academic research on sustainability has increased over the last few years. They focused on a study examining socially responsible practices in relation to firms' supply chain operations (Shafiq et al. 2014). With regard to social denomination (the people perspective), some of the major concerns that have arisen are in relation to cultural diversity, equality and social justice, human rights and gender issues (Brammer & Walker 2011; Hoejmoose & Adrien-Kirby 2012).

Brown and Keast (2003) noted that government procedures should be better linked to connect government and communities and be able to draw from the experiences of their citizens to solve a wide range of social problems that have beset communities. Comparatively few articles have examined the social element of sustainability in the public sector context, and Seuring and Muller (2008) established that environmental concerns are much more predominant than social concerns, representing 75% of articles. Indeed, Canada is one of the few countries that has made a move to endorse and promote social objectives through the public procurement process (McCrudden 2007).

The expenditure incurred by the Government of Canada for the year 2018 was approximately CA\$346.2 billion per year, (Government of Canada, 2018) and it annually purchases approximately US\$3 to \$5 billion per year in goods, construction and services (PSPC, 2017). The Canadian Government also incurs an expenditure of over

US\$22 billion annually for procurement-related expenses for hospitals, universities, schools and municipalities (PSPC 2017). Public Services and Procurement Canada (PSPC) is responsible for handling procurement for 140 federal government department and agencies and for bidding for Crown projects worth CA\$100 million (PSPC 2017). PSPC oversees the procurement requirements in the spheres of goods, services, construction, architectural engineering and consulting services (PSPC 2017). Individual government departments and agencies are also responsible for making their own purchases; however, the dollar value of these purchases should be CA\$25,000 or less. The scale and significance of public procurement in Canada is such that it has resulted in sustainable procurement playing a significant role in the provision of social benefits to the community at large. To a certain degree, this may have been achieved by influencing public sector organisations. Thus, it is vital to shed greater light on policy initiatives that could be effective in promoting social equity and justice in Canada, which is exactly what this thesis sets out to do.

The two main policies utilised by the Canadian government to promote socioeconomic objectives through the procurement process are the Federal Contractors Program and the Procurement Strategy for Aboriginal Businesses. It is now important to examine the background and the origins of these two policies. Firstly with regard to the FCP program, The *Employment Equity Act* was officially introduced to Canada in 1986, leading eventually to implementation of employment equity in Canada (Abella 1984, p. 225). The objective of this Act was to introduce equality and impartiality in the workplace (Abella 1984). The Act seeks to achieve this by addressing issues such as prejudice and discrimination and in assisting disadvantaged categories (Aboriginal communities, women, visible minorities and people with disabilities) to gain employment and promotions in the workplace (Abella 1984, p. 225). Businesses are thus required to undertake employment equity by identifying and removing discrimination in the workplace in their employment policies and practices, and rectify any existing issues related to past discrimination (Ng & Burke 2010). The two main employment equity programs implemented in Canada are the Legislated Employment Equity Program (LEEP) and Federal Contractors Program (FCP) (Ng & Burke 2010). In accordance with the LEEP, all federally regulated industries and Crown corporations with 100 or more employees must demonstrate that they have employment equity measures in place (Ng & Burke 2010). In contrast, the FCP stipulates that all private companies with 100 or more employees and bidding on contracts worth CA\$1 million or more are also required to develop employment equity plans (McCrudden 2007).

Secondly procurement policies have been a useful policy tool for stimulating Aboriginal business development. The Procurement Strategy for Aboriginal Business (PSAB) is an integral part of the procurement initiative in Canada. The PSAB is another social policy launched by the Government of Canada in 1996 to encourage Aboriginal suppliers in bidding for and winning federal contracts (INAC 2017). The PSAB's creation was a response to the underrepresentation of Aboriginal businesses among companies seeking to win lucrative contracts from the federal government (INAC 2017). The PSAB social policy was a creation to stimulate Aboriginal businesses.

The structure of this chapter is organised in the following manner. Section 1.2 offers a synopsis of the context of the study, while Section 1.3 discusses the inclusion of social services in public procurement. Section 1.4 presents the research objectives of the thesis, and Section 1.5 explains the conceptual framework. Section 1.6 presents the research methodology to be used, while Section 1.7 examines the limits of the current literature. Section 1.8 explains the contribution to knowledge. Section 1.9 explains the significance of the study, and Section 1.10 summarises the structure of the thesis.

1.2. Context of the Study

Canada is a good example of a place where regulation of public procurement was practised early on, and presents an ideal model for academic study. It is important to understand the procurement environment in Canada to better understand how socioeconomic objectives were promoted through the procurement process. As such both the primary objectives and the secondary objectives of procurement will be discussed. All three levels of government in Canada (municipal, provincial and federal) are responsible for the purchase of services, goods and construction, and worth CA\$346.2 billion in 2018 (Government of Canada, 2018). Examples of goods purchased by the Canadian Government include missiles, aircraft, vaccines, pens and food. The Canadian Government undertakes a range of procurement processes to deliver the required goods and services to the Canadian population.

Federal departments in Canada spend approximately CA\$346.2 billion for goods and services for 85 government departments, agencies and Crown corporations. The provincial government; three territory governments; and the municipalities, academic institutions, schools and hospitals (MASH) sector spend the rest (Government of Canada, 2018). All procurement opportunities in Canada are advertised on a website, called MERX (www.MERX.com). It is a requirement for all government departments and agencies to post their procurement opportunities on the MERX website. In addition to the federal government department procurement opportunities posted on the MERX

website, the Canadian provincial and municipal governments have their own procurement policies. These extend beyond the scope of this study. The objective of this study was limited to the promotion of socioeconomic objectives through the procurement processes by Canadian federal government departments.

1.3. Use of Public Procurement for Social Policy Objectives

There is an emerging body of literature on the use of public procurement for the contracting of goods and services by government departments and agencies in a strategic manner to achieve socioeconomic objectives (Barraket, Mason, & Blain, 2016; Bolton 2008; Kunzlik 2004; Marron 2003; Van Calster 2002; Wainwright 2002). Public procurement can be defined as ‘the act of a public body purchasing or acquiring goods, works and services from the marketplace’ (Trepte 2004, p. 9). Governments can also use public procurement strategically to promote objectives that are secondary to the primary aim of procurement—in this case, purchasing or acquiring goods, works and services to achieve socioeconomic objectives (Watermeyer et al. 1998). Thus, public procurement appears to be an appropriate tool for the execution of social policies and should not be denied to governments (Arrowsmith 1995; Department of Finance 2015). The use of procurement as a policy tool must occur within a competitive environment (Letchmiah 1997; Watermeyer 2000) and thus be regulated (McCrudden 1999) to ensure accountability and transparency (Department of Finance 2015).

Procurement has been used by European governments to regulate economic activity by protecting national industry from foreign competition, improving the competitiveness of certain industrial sectors, and remedying regional discrepancies (Loosemore 2016; Watermeyer 2000, p. 4). Procurement has also been used to achieve more direct social policy objectives, such as the creation of jobs, promoting fair labour standards and employment rights, promoting the use of local labour as a means to prevent discrimination against minority groups, protecting the environment, encouraging equality of opportunity between men and women, and the increasing involvement of people with disabilities in employment (Bolton 2008; Watermeyer 2000, p. 5). These legitimate objectives of public procurement apply in both developed and developing countries (McCrudden 1995) because, in each type of country, there remains a need to protect vulnerable groups in the labour market from exploitation (Jerrard & Heap 2009).

1.3.1. Primary Objectives

Procurement is defined as the practice of purchasing goods, services or construction (Arnould 2004; Arrowsmith 1998; Arrowsmith, Linarelli & Wallace 2000). In the public

sector, procurement is generally undertaken via the practice of bidding or tendering, rather than purchasing goods and services directly from a supplier (Bergman & Lundberg 2013). An organisation desiring to acquire goods or services will initially specify its requirements (Arnould 2004 & Gianakis, & McCue, 2001). The next step is to invite the supplier to participate in the bidding or tendering procedures (Arnould 2004; Raymond 2008). Suppliers or interested parties are then invited to submit their bid proposals to the client—that is, government departments (Raymond 2008). The respective government departments will evaluate these bids and select the offer that best suits their specifications (Raymond 2008). The company that best suits their specifications will be awarded the tender and required to undertake the contract (Department of Finance 2015). During this process, the government department wishing to purchase the goods and services will adhere to the five fundamental principles of procurement: value for money, accountability, transparency, competition and ethics (Department of Finance 2015). The traditional objective of procurement is to make certain that procurement is undertaken at a minimum cost to the client to eventually acquire a product of satisfactory quality within a given deadline or timeframe (Sanchez-Rodriguez, Martinez-Lorente, & Clavel, 2003; Chen 2008; Bergman & Lundberg 2013).

1.3.2. Secondary Objectives

Governments use the concept of procurement to promote targets that are secondary to the principal objective of procurement (McCrudden 2007 Troje 2018 Petersen, & Kadefors, 2016). The principal objective of procurement is procuring or acquiring goods, services or construction (McCrudden 2007). The secondary objective of procurement is a focus on promoting and enhancing socioeconomic objectives through the concept of procurement (Watermeyer et al. 1998 & Barnard, Deakin, & Hobbs, 2000). Economic growth should be given more importance, rather than focusing only on enhancing socioeconomic benefits, as the benefits of growth will eventually ‘trickle down’ to the poor. However, as demonstrated by Birdsall (2007) and Ortiz (2007, p. 9), a significant degree of current research reveals that economic growth and social developmental policies must be examined concurrently, rather than as two separate entities, for the following reasons:

- Poverty and inequality prevent growth, reduce domestic demand and delay national economic progression.
- While sustained rapid growth may help people escape poverty, mounting inequality may challenge its effect on poverty reduction.
- The higher the inequality, the less the trickle-down effect.

- Approximately only 4.2% of the world's growth reaches the vulnerable segment of the world's population.
- Poverty and inequity are an impediment to social problems and political instability.
- Historically, social development accompanied industrialisation and economic development in most countries. In East Asia's 'late industrialisation', social investment was fundamental to modernisation procedures, nation building and productive growth (Birdsall 2005; Ortiz 2007, p. 9).

Therefore, there is now agreement regarding the necessity to encourage both social and economic policies in a more complementary and mutually accepting manner. Economic development allows sustained investments in social development, while human development increases the ability of people to add to growth (Ortiz 2007, p. 9). Sustainable development and poverty alleviation require socially inclusive 'national development strategies' (Birdsall 2005, Forsyth 2006).

1.4. Limitations to Existing Literature

Based on an examination of the relevant literature, this research explores the factors that influence the advancement of social policy objectives through public procurement. A review of the literature revealed both internal and external tensions arising from the pursuit of socioeconomic goals in industrially developed countries such as Canada. Therefore important questions arise with regard to what should be the key features of a best-practice model of targeted public procurement. Internally, there is inconsistency in the implementation of social policy, while externally, conflicts have arisen because of the existing policies, legislation and directives of global organisations, such as the North American Free Trade Agreement. The emphasis of much of the policy implemented in the EU is environmental, rather than social (Walker & Brammer 2012, p. 260). A study undertaken by Shafiq et al. (2014) focused on the people side of sustainability and examined the socially responsible practices related to firms' supply chain operations. They argued that a limited understanding of social practices within the supply chain network would make it difficult to assess interactions between social and environmental practices (Shafiq et al. 2014).

It is also clear from the literature review that limited research has been conducted on the inclusion of social policy through the concept of procurement in many countries around the world. In industrially developed countries such as Canada, very little research has been conducted regarding how socioeconomic objectives can be promoted through the

concept of procurement in the public sector to advance conceptions of social justice and change. Given that limited research has been conducted on how this has been done or the extent to which these regulatory techniques have been successful in achieving social justice and change, a starting point for recommendations of policy and law is imminent. This study aims to address this research gap.

1.5. Problem Statement

To address this gap in the literature, this study will examine the two Canadian programs that are the main vehicles for achieving social objectives through procurement: (i) the FCP and (ii) the PSAB policy initiatives in Canada, which address the consequences of past discriminatory policies and practices. The aim of this thesis is to investigate the factors that enhance or prevent the promotion of these social policy objectives through public procurement. This examination will be undertaken through a sample of federal government departments and PSPC. PSPC was formerly known as Public Works and Government Services Canada (PWGSC). This thesis has referenced both these terms in accordance with the timelines of when these changes occurred. For example, PSPC was the name given to PWGSC by the Trudeau Government (Public Services and Procurement Canada, 2017).

If this gap in the literature is not addressed, the current predicament may inhibit the achievement of social justice especially for the disadvantaged category (Aboriginal peoples, women, disabled and the visible minorities). The proposed research study therefore aspires to explore the factors that influence the promotion of social justice through public procurement.

Accordingly, this thesis addresses the following research questions:

- How do existing public procurement policies of the Federal Government of Canada promote and enhance the achievement of social development objectives, particularly for disadvantaged and minority groups?
- What are the internal (to Canada) factors that inhibit or prevent the achievement of these social development objectives?
- What are the external (relating to Canada's external trade and investment) tensions arising from the pursuit of these socioeconomic goals?
- Which additional policy reforms are necessary in the procurement policies and processes to more effectively promote socioeconomic objectives through the procurement programs of public sector agencies?

1.6. Research Methodology

This study embraced case study as the predominant research method. For the purpose of this research, the case study related to qualitative research and included a naturalistic type design (Depoy & Gitlin 1998). This study was based in the field and the researcher visited the area of study. Case studies enable the examination of social processes as they occur within an organisation (Hartley 1994; Yin 2003). These situations and circumstances can be investigated in depth to comprehend a particular scenario or situation, such as examination of how socioeconomic objectives, such as employment equity for designated groups (Aboriginal communities, women, people with disabilities and visible minorities), can be promoted by means of the procurement process in the public sector (federal government departments and agencies). In such situations, there are inadequate numbers to conduct surveys and the events are complicated, requiring an in-depth investigation (Yin 2003). The unit of analysis is an important factor in case study research. It is generally seen as a system of action, rather than an individual or group of individuals (Yin 2003). In this study, the units of analysis were the federal government departments and agencies based in Canada (Ottawa/Quebec).

In this analysis, interview was one of the main methods of data collection, as there is a dearth of research on this topic (e.g., Fee & Erridge 2001; Hawkins & Wells 2007; Howe & Landau 2005). In-depth interviews are appropriate for responding to 'how' and 'why' questions (Yin 2003) and were addressed in this research. Semi-structured interviews were used by Fee and Erridge (2001) in their exploration of regulated public procurement in Canada and by Howe and Landau (2005) in their Australian study. The author visited Canada in October 2014 and undertook interviews with the relevant officers in the public sector to determine the extent to which socioeconomic policies were enhanced and promoted through the procurement process.

Using multiple sources of evidence—documentary evidence, semi-structured interviews and field notes—data triangulation was established in the study. Secondary data analysis was also used to evaluate the socioeconomic policies promoted through the procurement process by the public sector. These data were examined using descriptive data analysis, aided by graphs, histograms, pie charts, scatter plots and frequency polygons. The data analysis focused on data captured from 2007 to 2019, and examined changes in representation rates for four designated categories (women, Aboriginal peoples, persons with disabilities and members of visible minorities) and the consequences they have for targeted procurement in Canada.

1.7. Study Contributions to Knowledge

This study contributes to the existing body of knowledge concerning the use of public procurement for the contracting of goods and services by government departments and agencies in a targeted manner to achieve socioeconomic objectives in Canada. In the existing literature, authors have examined the link between procurement and how it can be regulated to achieve socioeconomic objectives (Brammer & Walker 2011; Bolton 2008; Esteves & Barclay 2011; Kunzlik 2004; Marron 2003; McCrudden 2007; Van Calster 2002; Wainwright 2002; Watermeyer et al. 1998). However, the relationships between procurement and socioeconomic objectives have not been investigated extensively in previous research. In addition, a study of the above links and relationships in Canada in particular has not been properly undertaken. Thus, this study contributes to knowledge in various ways, as discussed below:

1. There appears to be a contradiction in the extant literature that needs clarification regarding why, in developed countries such as Canada, targeted public procurement is necessary and may face problems in achieving the identified social justice objectives. This is one of the first studies undertaken with Canadian federal departments in relation to the factors encouraging or inhibiting targeted public procurement.
2. Federal government departments in Canada will consider the results of this study important, as it will provide a framework to understand how targeted procurement practices can be used to achieve socioeconomic objectives.
3. This study will aid the conceptual understanding needed for policy formulation pertinent to improving employment equity through the public procurement process
4. This study will assist in interrelating public procurement with regional developmental policy. The idea behind this policy is to enhance market performance and encourage the participation of disadvantaged firms, leading to economic growth in less favoured regions of economic decline and restructuring.
5. This study will highlight the need to develop future research directions on the factors that encourage or inhibit the promotion of socioeconomic objectives through the concept of public procurement.
6. This study contributes to the debates on institutional theory in the management literature
7. This study extends the framework proposed by Prier and McCue (2008), who used agency theory to model cooperative public purchasing and explain the indirect use of public procurement as a tool of social policy by attaching conditions

to public contracts. This framework can not only be used as a best-practice model to promote employment equity, but can also be used to study stakeholder behaviour, supplier behaviour, purchasing process outcomes and accountability problems.

1.8. Significance of Study

Prior research in emerging markets has been conducted in countries such as South Africa, Indonesia, the EU, the US and Thailand, which are in the higher echelon of economic performance (Troje, 2018). Arrowsmith (1998) reported that, to some extent, there has been centralisation of purchasing functions, with specialist agencies undertaking procurement on behalf of public bodies. Therefore, as is clear from the above discussion, it is important to understand how socioeconomic objectives can be effectively incorporated through the concept of public procurement in industrially developed countries, such as Canada. Thus, this study will provide a new perspective in studying and examining the factors encouraging or inhibiting the promotion of socioeconomic objectives through the public procurement process.

This study will not only benefit the Federal Government of Canada, but will also be of significance to other developed countries, such as Australia, which is culturally, politically and economically similar to Canada. It will provide a framework to understand how the public procurement process could be used to promote socioeconomic objectives in other developed countries as well. This study will also benefit regulators, decision makers and researchers, and assist policy makers to set new and improved standards for best practice in the public procurement process. It will also be of significance to academics, as the new framework will be a useful research tool to assess the conceptual understanding needed for policy formulation pertinent to improving employment equity through the public procurement process.

1.9. Structure of Thesis

This thesis contains eight chapters, commencing with Chapter 1, which has introduced the topic while providing a background to the study. Chapter 1 has also examined the problem statement and context of the study and identified the research questions this study presents. In particular, the chapter has introduced the primary and secondary objectives of public procurement and how the secondary objective of procurement (social use) can be reconciled with the economic purposes. A brief outline of the conceptual framework for this study was also provided. Finally, the chapter has briefly discussed the

study's research design, and presented the significance and key contributions of this study.

Chapter 2 is an exhaustive exposition of the literature sources that the researcher consulted to investigate the research problem. First, this chapter examines the various definitions and terminology that explain the terms of procurement, public procurement and the regulation of public procurement. The chapter then explores why the researcher worked with the four theories—the tender theory of procurement, institutional theory, the third way theory and agency theory. The chapter then presents the theoretical and conceptual framework for the study.

Chapter 3 continues with an exhaustive exposition of the literature sources, but particularly with reference to the Canadian context. Chapter 3 first introduces the Canadian context and the government procurement system currently in operation. The literature also explores the size of the Canadian public procurement market and the Public Works and Government Services, which handles all operations in relation to the procurement process. The chapter thereafter outlines the socioeconomic policies that currently exist in Canada, with particular reference to the FCP and PSAB. Chapter 3 then examines the tensions arising from the pursuit of socioeconomic objectives in industrially developed countries, such as Canada. The chapter then combines some of the concepts identified hitherto to construct an integrated approach and show the relationships between these variables. This integrated approach helps build the conceptual framework for this study, and assists in contributing to the final discussion in Chapter 8.

Chapter 4 outlines the research design and methods used in this study. This chapter then explores the reasons for using a case study approach, while selecting the Canadian federal government agencies and the Public Works and Government Services as case study organisations. It also determines the sample sizes. Further, this chapter discusses the numerous data collection methods used and outlines the data analysis processes. Finally, the chapter highlights the rigour and reliability strategies and outlines the ethical considerations of the study.

Chapter 5 discusses the analysis and findings pertaining to the case study and interviews. This chapter is structured around the research questions. First, it identifies and examines the extent to which existing public procurement procedures promote and enhance the achievement of social development objectives, particularly for disadvantaged and minority groups. Second, it examines the inhibitions arising from the achievement of these social development objectives. Third, it discusses the findings in

relation to identification of the external tensions arising from the pursuit of these socioeconomic objectives.

Chapter 6 discusses the results of an analysis of secondary data of the two social policies—the FCP and PSAB. The secondary data analysis in Chapter 6 complements the interviews conducted in Chapter 5. The data analysis in this chapter is complemented and aided by graphs, histograms, pie charts, scatter plots and frequency polygons, and examines changes in representation of the four designated groups and the consequences this will have for targeted procurement in Canada.

Chapter 7 discusses the Australian context. The two countries share very similar backgrounds, government processes and have geographically vast dispersed populations, leading to a good potential to transfer lessons from the Canadian to the Australian context.

Chapter 8 discusses the implications of the research findings on the inclusion of social services in public procurement and is structured around the four research questions. The chapter also examines the extent to which the empirical results of this study endorse or detract from the established literature and presents the theoretical and practical contribution of the study. Chapter 8 also discusses the policy reforms and recommendations for both the FCP and PSAB. Finally, this chapter outlines the summary and conclusions for this study.

CHAPTER 2: PARAMETERS OF INVESTIGATION

2.1. Introduction

Although research on procurement policies may not appear to be at the forefront of academic research, a systematic review of the operations management literature and supply chain management literature reveals that several academic journals are dedicated to the study of regulation of public procurement, including the *Journal of Public Procurement*, *Public Procurement Law Review*, *International Journal of Procurement Management*, *Supply Chain Management: International Journal of Purchasing and Supply Chain Management* and *International Journal of Law in Context*. This literature review established the most relevant sources and credible studies undertaken by eminent scholars in this field. The literature was also reviewed with a view to trace the historical evolution of procurement policy, and the major concerns are summarised below.

This chapter is structured to provide the most relevant literature relating to the inclusion of social services in public procurement. Section 2.2 reviews the literature on green procurement, while Section 2.3 explains sustainable procurement and its relationship to the thesis. Section 2.4 explains the concept of public procurement. Section 2.5 presents an overview of the goals of public procurement, and Section 2.6 discusses the topic of social procurement. Section 2.7 discusses the theoretical framework for the study. Section 2.7.1 discusses the tender theory of procurement (Bergman & Lundberg 2013; Hulme 1997; Raymond 2008) and Section 2.7.2 examines the agency theory developed by Ross (1973) and Jensen and Meckling (1976). Section 2.7.3 explores the third way theory developed by Giddens (2001), while Section 2.7.4 discusses institutional theory (DiMaggio & Powell 1983; Greening & Gray 1994; Meyer & Rowan 1977; Oliver 1991). Section 2.8 presents the prior link between the concept of procurement and social policy. Finally, Section 2.9 presents the conclusion.

2.2. Green Procurement

Given that this research study tackles the evolving topic of 'public procurement' designed to generate a social benefit, the literature review initially examines the closely interrelated threads of green procurement, sustainable procurement, public procurement and social procurement. The literature review first examines the development of green procurement and its relationship to the thesis topic. For many years, both the private and government sectors have not taken into account environmental effects in the cost of products and services. Climate change and the exploitation of resources has led to many disastrous

events worldwide, alarming environmental protection agencies and governmental agencies. For example, at the beginning of 2020, Australia experienced bushfires of an unprecedented scale, which resulted in legislation prompting businesses to restrict their carbon emissions.

Recently, the priorities for political, economic and global conditions have changed and considerable attention has been devoted to the concept of sustainable development (David & Muthini 2019). Sustainable development meets the needs of the present generation and, in the long term, will not compromise the needs of future generations (Ho, Dickinson & Chan 2010). Examples of stakeholders of the green procurement program are the government, industry, decision makers and suppliers. For example, Wong, Chan and Wadu (2016) identified Hong Kong as having the world's second-highest carbon footprint and buildings, accounting for 70% of greenhouse gas emissions. As a result of this, the Hong Kong government has introduced many policy measures to promote sustainable development and low carbon living (Wong, Chan & Wadu 2016). One important measure introduced by the Hong Kong government in relation to the construction industry was the green procurement policy, which required government departments and agencies to consider environmental concerns in the purchase of goods and services (Wong, Chan & Wadu 2016).

Recently, alongside social and economic concerns, a great deal of attention has been devoted to factoring environmental conditions into purchasing policies, strategies and directives (Bag 2018). The public sector/government departments have started including environmental criteria in their public tenders. However, the inclusion of environmental criteria in contract documents requires specific know-how and technical expertise, which is sometimes lacking in staff handling procurement for government departments and agencies (Testa et al. 2016). These environmental aspects can lead to the reduction of toxic emissions during the construction process and promote the use of clean technology and fuels to facilitate water and energy resource conservation by minimising waste. A good example of a multinational enterprise that has a green procurement policy is IKEA. IKEA is a household furniture and goods retailer that has implemented a code of conduct specifying that all suppliers must address criteria such as recycling; waste and emission reductions, handling and storage; and disposal and storage of hazardous chemicals. Thus, this code of conduct focuses on the environmental impacts of the purchases, and an external team examines these criteria to check whether the suppliers are in compliance. If they do not comply with the criteria, they are requested to remedy this situation, and if they continuously breach this code, they are likely to be removed from the suppliers list (IKEA code of conduct, 2019)

Reportedly, there have been some barriers to implementing a green procurement program. These obstacles can be examined from the perspective of the supplier and the organisation calling for tenders. Obstacles to implementing the green procurement plan from the perspective of the supplier may include a lack of readily available environmentally friendly products or expensive or zero environmental alternatives. Barriers to implementing a green procurement program from the perspective of the organisation may include inadequate organisational policies and directives. For example, it is important that these directives be included in the vision and mission of the organisation; otherwise, there is no commitment by top management (Wong, Chan & Wadu 2016). Blome, Hollos and Paulraj (2014) have demonstrated that top management commitment is an important driver of both green supplier development and green procurement. In their exploratory study of Spanish public universities, Pacheco-Blanco and Bastante-Ceca (2016) indicated that public universities generally include environmental criteria in their public procurement contract specification and frequently organise media and awareness campaigns. Other significant barriers identified by Shen, Zhang and Long (2017) are that contractors and developers have a limited understanding of green procurement and that existing policies are not effective in promoting green procurement. Societal barriers to green procurement include poor public awareness and a lack of cooperation with environmental organisations and academia (Wong, Chan & Wadu 2016). Another significant barrier outlined by Shen, Zhang and Long (2017) is that contractors and developers often purchase products and services based on the lowest price, rather devoting attention to environmental performance.

Both 'green procurement' and 'social procurement' include important criteria to be included in the tender/contract document and active engagement of suppliers to provide the required material. The focus on green procurement in the public sector involves an emphasis on environmental criteria, while 'social procurement' in this thesis also requires the supplier to be in compliance with employment equity and the hiring of vulnerable segments of society (the Indigenous community, people with disabilities, women and visible minorities).

2.3. Sustainable Procurement

According to McCrudden (2004), the development of green procurement was seen as an initiative to promote the goals and objective sustainable procurement. Over the years, sustainable procurement took on a significant social dimension and created growing interest in the social aspects of procurement. Recently, debates have arisen about how

social procurement can be combined with green procurement to produce sustainable procurement and eventually address both environmental and social issues. This linkage between social and environmental procurement has generated increased interest in examining the applicability of social linkages with procurement (McCrudden 2004).

The academic literature on sustainable procurement is not extensive. Smith et al. (2016) demonstrated that, although researchers have outlined many definitions for sustainable and green procurement, there seems to be a lack of clarity between these two concepts. Definitions for green public procurement focus more on the environmental aspects, while definitions for sustainable procurement are vague and confusing (Smith et al. 2016). The EU confirmed this by using explanatory text on the practical differences between green public procurement and sustainable public procurement'. Researchers also note that these two terms are used interchangeably (Smith et al. 2016) and there is an indication that green procurement will inevitably result in a shift towards more sustainable procurement. Failure to address these inconsistencies in the academic literature will result in further confusion in relation to the development of theory and practice in this particular field (Preuss 2007).

For the purposes of this thesis, it is important to briefly examine the role of public procurement in bringing about sustainability. Sustainable procurement presents an opportunity to organisations to increase value by improving productivity and assessing performance and value. Organisations achieve this by enabling enhanced communication between stakeholders, suppliers and purchasers. Most governments within Canada and internationally have implemented policies promoting sustainable procurement principles. However, the nature and extent of sustainable practices varies significantly across countries and regions. The public sector provides a range of services and many of these services may have direct implications for sustainability. Some examples of sustainable procurement are purchasing paper with recycled content, avoiding the purchase of goods made from single-use plastics, and purchasing fittings and furniture that can be recycled at the end of their life (Pacheco-Blanco and Bastante-Ceca, 2016).

It is noteworthy that some goods and services have long supply chains. For example, the car manufacturer Ford is headquartered in one country yet has several subsidiaries located in developing countries. The subcontractors in these developing countries may not respect labour rights and environmental issues during the manufacturing process. In a situation such as this, it is important to assess the social and environmental credentials of suppliers in these locations to ensure that the supply chain also meets social

requirements and environmental criteria. Where possible, countries use different policies to integrate sustainable procurement into their agendas, depending on their sustainability objectives (Pacheco-Blanco and Bastante-Ceca, 2016).

The Federal Government of Canada instituted the Office of Greening Government Operations in 2005, which was eventually responsible for implementing the policy on green procurement in 2006 (Treasury Board of Canada Secretariat 2020). This policy required all federal government departments and agencies to implement green procurement targets, and it was mandatory for all employees responsible for procurement to undertake training in relation to green procurement activities. The Office of Greening Government Operations provided purchasers with a decision-making toolkit that encouraged them to consider sustainability in their operations (Treasury Board of Canada Secretariat 2020). However, other Canadian provinces, such as Manitoba, decided that social issues, such as the promotion of employment opportunities for the vulnerable (Indigenous communities, women, visible minorities and people with disabilities), should be given equal importance in public procurement (Treasury Board of Canada Secretariat 2020). Social procurement goals and objectives are embedded in sustainable procurement contexts and agendas (Barraket, Keast & Furneaux 2015).

2.4. Definition of Public Procurement

The activities of procurement and the significance of the purchasing function in public and private firms have received much attention and consideration in recent times (Callender & Matthews 2002). Over the past century, procurement has moved from a functional, clerical and dispersed activity within organisations to a more strategic position through which entire supply chains are managed (Callender & Matthews 2002; Graves, & Holt, 2001). Procurement is the function of purchasing goods and services and carrying out construction and leasing through contractual arrangements (Coggburn 2003; Loosemore & Reid 2019).

Public procurement is the act of a public body purchasing or acquiring goods, works and services (Snider & Rendon 2008). The concept of public procurement refers to the methods employed by government agencies to purchase the goods and services they need for both daily administrative purposes and large infrastructure projects (Weiss, Thurbon & Mathews 2004). Johnson, Leenders and McCue (2017, p. 57) demonstrated that public procurement is characterised by increased levels of public disclosure and relies heavily on the bid process, compared with private sector organisations. Given the diversity of functions of contemporary governments, this encompasses a wide range of business transactions, ranging from procuring insurance services, stationery and office

furniture through to procuring complex satellites and missiles and constructing airports, power stations, hospitals and roads (Arrowsmith, Linarelli & Wallace 2000). In Kelman's (2002, p. 314) words, procurement uses 'the immense buying power of government in support of a worthy goal'. There are three attributes of procurement that make it a valuable tool for the government: its economic efficiency (through its use of external sources for services to save internal resources), its automaticity and its level of coerciveness (Mah 2014, p. 66). Kelman (2002, p. 66) ranked procurement in the 'medium' category for automaticity, which measures the extent to which a tool is grafted onto existing administrative structures, instead of relying on the creation of entirely new systems.

Procurement continues to consume a large and sometimes increasing slice of government spending. Canada's procurement market alone was worth around CA\$346.2 billion annually in 2018 and comprised about 40.6% of the total gross domestic product (PSPC, 2018). Public sector purchases from private suppliers are also significant in high-income countries. For example, in the Netherlands, 45% of government spending is steered through procurement processes and consists of about 20% of the national income. In countries such as Greece, the procurement spending is much less—around 20% of total expenditure (10% of total gross domestic product) (OECD, 2020). These three examples highlight procurement spending in the Organisation for Economic Co-operation and Development (OECD) countries (OECD, 2020).

2.5. Goals of Public Procurement

Reed and Swain (1997) & Arrowsmith (2004), demonstrated that the main aim of the procurement function in government is to acquire the most suitable and highest quality good or service at a minimum cost. Every country, irrespective of whether it is developed or developing, should establish a procurement system, with clearly stated goals and policies (Barrett 2000). However, because of the different economic, social and political statuses of countries, the government entity within each country—be it a state or local entity—has a different procurement goal or policy (Thai 2001). In Bangladesh, where corruption is rampant, the procurement system may be required to focus on integrity and transparency (Arnould 2004). Alternatively, in a country such as Canada that has underprivileged ethnic groups, the procurement policies may focus on employment equity measures and bridging the gap for the vulnerable segment in society (Aboriginal people, women, people with disabilities and visible minorities). According to Thai (2001),

a country or government entity that deals with an ailing economy may use its procurement system as a tool for economic development and stabilisation.

A sound procurement system in a particular country has two goals: procurement goals and non-procurement goals. The procurement goals maximise value for money, encourage competition and maintain accountability and transparency while promoting efficient and ethical procurement. In contrast, non-procurement goals—such as green procurement, environment protection and social goals—have been developed and promoted in many countries, including the UK, EU member countries, the US and Canada (Hoejmose & Adrien-Kirby 2012). As explained in the introductory section, the social denomination (the people perspective) raises issues in relation to cultural diversity, gender issues, human rights, and social justice and equality (Brammer & Walker 2011; Hoejmose & Adrien-Kirby 2012).

Thai (2001) argued that it is very difficult for policy makers and public procurement officials to make an optimum trade-off between procurement and non-procurement goals and policies. Over the last decade, there has occurred a reformation in the area of public procurement (Trepte 2004). A large number of countries have revised their systems for the regulation of public procurement or introduced legal regulation for the first time (Križić 2019). This reformation has two important aspects. First, some countries have introduced reforms to promote their own domestic agendas in procurement and promote the effective delivery of public services involving other objectives, such as preventing corruption and supporting national industrial development (Arrowsmith 1998; Križić 2019; Trepte 2004). Second, with the growth of international efforts to create free trade between countries and states, there has developed an increasing number of international trade agreements designed to eliminate discrimination in government procurement, thereby ensuring that free trade extends to public as well as private markets (Trepte 2004). These agreements normally require national governments to adopt detailed legislation governing the award of their major procurement contracts (Trepte 2004). For many countries, reform efforts have been directed simultaneously at both domestic and international objectives.

Some countries use non-legal means for procurement (Thai 2001, p. 28). Some examples are sources of procurement regulation, including the constitution/charter, statutes (passed by legislative bodies), executive orders (issued by chief executives or their delegates), rules and regulations (issued by agency heads), and administrative law decisions (administrative decisions on claims, protests by independent units, such as a board or committee of contract appeals) (Thai 2001, p. 28). Public procurement is a very

complicated system with many conflicting interests; therefore, sound procurement regulations are needed to increase public confidence in the procedures followed in public procurement, ensuring fair and equitable treatment of all people who deal with the procurement system (Thai 2001, p. 28). The absence of a procurement code, regulations or manual may lead to unpredictable procurement problems (Arrowsmith 1998; Thai 2001, p. 28; Trepte 2004).

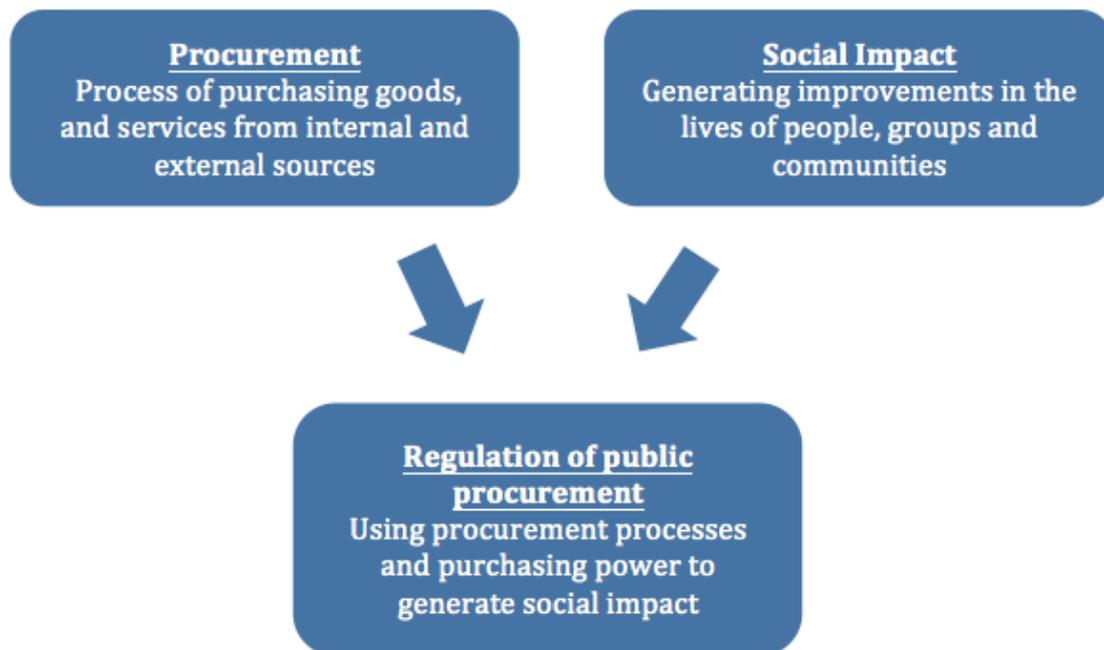


Figure 2.1: Inclusion of Social Services in Public Procurement

2.6. Social Procurement

Figure 2.1 explains how procurement can be used to generate improvement in the lives of people, groups and communities. In other words, how can procurement processes generate social impact? The literature review now examines the important topic of social procurement. Chandra and Young (2017, p. 7) described social procurement as the use of public procurement to achieve some social good and add social value for community benefit. Social procurement addresses social issues and generates social effects, particularly for the vulnerable segment of society (Furneaux & Barraket 2014; Loosemore, Alkilani, & Mathenge, 2020). The way the federal government spends its wealth, who they procure from, and what they procure can have significant social effects (Barraket & Weissman 2009; Harland, Callender, Knight, Telgen, Thai, & Walker, 2006). Most suppliers who have no labour values or businesses whose purchases result in social and environmental degradation are now interrogated and criticised (Barraket & Weissman 2009; Loosemore 2016). In contrast, there are many examples of

procurement decisions resulting in positive outcomes, such as businesses who encourage fair trade by purchasing all their coffee and tea requirements from fair trade suppliers or public bodies who promote increased levels of Indigenous employment by stipulating this requirement in their contracts for public works (Anthony Collins Solicitors 2006). In addition, non-profit organisations that ensure their acquisitions are affiliated with good values and standards also generate encouraging outcomes for both customers and consultants. Thus, in this scenario, the regulation of procurement refers to the inclusion of social goals into the procurement process, resulting in the procuring of goods, construction and services that generally do not have such requirements (Anthony Collins Solicitors 2006, p. 5). For example:

- An organisation that is not motivated by profit decides to procure coffee and tea provisions to support fair trade.
- A government department or agency in the public sector decides to purchase waste management services. To add more value to these services, the agency decides to create employment opportunities in the local community, especially among the vulnerable segment (the Aboriginal community, women, people with disabilities and visible minorities).
- An organisation with the intention of tendering out a manufacturing project considers how they can encourage the successful bidder/contractor to subcontract some of their work to the Aboriginal community or other social entities that are already employing and training Indigenous youth (Anthony Collins Solicitors 2006, p. 5).

These are a few examples of how businesses and organisations are incorporating value into their procurements for goods, services and construction, and aligning it with the secondary objective of adding social value. This also maximises the value of their outputs and contracts.

The concept of public procurement can be linked back to the nineteenth century, when countries such as the US, France and the UK started using their purchasing power to advance conceptions of social justice and change (Halloran 2017). These countries used public procurement to address the underrepresentation of the disadvantaged category in the workforce (McCrudden 2004). Amann et al. (2014) noted that sustainable public procurement, including environmentally and socially responsible procurement, is gradually gaining momentum in EU member countries. This is evident by the numerous policy changes to promote sustainable initiatives across the European member states. Recently, the EU directives placed important emphasis on advancing social goals. Since

2012, Belgium (a member of the EU) has required all regional entities to include social clauses in their public contracts (Valentina, Dorotea & Martignetti 2019). These clauses aim to create opportunities for the socially excluded and the long-term unemployed (Valentina, et al. 2019). The EU directives/social clauses also offer job opportunities to young people with disabilities (Halloran 2017). Since 2019, these clauses have become mandatory and have an estimated value of €750,000 (Valentina, et al. 2019). Given that this is a contractual obligation, the government departments advertising the tender must demonstrate that they are in compliance with the terms proposed in their offer (Valentina, et al 2019).

The international literature also indicates that new practices are taking form (Amann et al. 2014). For example, in 2009, France trialled a network of facilitators responsible for providing specific information on social clauses via a telephone helpline (Tepper et al. 2020). The facilitators and representatives meet three times per year to reflect on issues in relation to these social clauses and provide solutions and recommendations (Tepper et al. 2020). A software that is regularly updated has enabled the facilitators to report and manage these social clauses (Tepper et al. 2020). This effort is ongoing and was financed mainly by national funds and the European social fund (Valentina, et al 2019). The social clause software tool has assisted over 285,000 participants for approximately 425,000 employment contracts (Tepper et al. 2020).

Another good example of new national legislation is the UK's *Public Services (Social Value) Act 2012* and *Procurement Reform (Scotland) Act 2014* (Dragicevic & Ditta 2016). Between 2011 and 2017, a program complementing the *Procurement Reform (Scotland) Act 2014* was established to promote socially responsible procurement. This program provided consultancy services and online resources, support for awareness-raising events and practical thematic workshops.

Measures were also introduced in the US to contest labour issues. For example, the *1936 Walsh-Healey Act* forbids federal government departments from buying sweatshop goods for contracts that have a value greater than US\$15,000 (US Department of Labour 2019). Examples of labour laws violated by sweatshops are labour rules regarding health and safety, child and convict labour, minimum wages and maximum working hours. The *Small Business Act (1953)* sets out procurement statutory goals for all federal government departments and agencies (Dragicevic & Ditta 2016). The Small Business Administration in the US works closely with the government department and agencies to ensure compliance in the tendering process (US Small Business 2019). This program also assists the disadvantaged category/entrepreneurs to gain access to government

contracting, and is divided into two phases (US Small Business 2019). The first phase is a four-year developmental phase, while the second phase is a five-year transition stage (US Small Business 2019). Different states in the US have specific policies related to businesses and enterprises owned by the diverse population (Dragicevic & Ditta 2016). For example, in the state of New York, the division of Minority and Women's Business Development provides access to tendering opportunities to businesses that are part of this program to support equal opportunity (Dragicevic & Ditta 2016).

In the 1960s in the US, there was an increase in social movements and this played a major role in advancing affirmative action policies linked to new tactics and approaches in social procurement (McCrudden 2004, 2007). The US civil rights movement supported the establishment of the affirmative action policies (McCrudden 2007), including set-asides for minority businesses in government contracting, women- and minority-owned business set-asides, workplace safety and anti-discrimination policies, minimum wages for contractor employees, prohibition on human trafficking, veteran-owned and service disabled and the handicapped and blind that are mandatory sources (Dragicevic & Ditta 2016).

The linking of government contracting to socioeconomic policies became popular and gained ground in other countries, such as Canada. In Canada, the FCP was implemented in 1986, focusing on employment equity during the contracting process at both federal and municipal level. Chapter 3 of this thesis covers this literature extensively. Over the next 20 years, the link between affirmative action and public procurement gained ground and was taken up by countries outside the US, and included the incorporation of socioeconomic goals into the public procurement process. Further, public procurement does not operate in isolation and is linked to international market rules, especially the EU directives and other international directives (O'Brien & Martin-Ortega 2019). For example, apart from national laws, public procurement is regulated not only to regional policies, such as the European Directives, but also to the World Trade Government Procurement Agreement, which is responsible for advancing transnational economic integration (O'Brien & Martin-Ortega 2019).

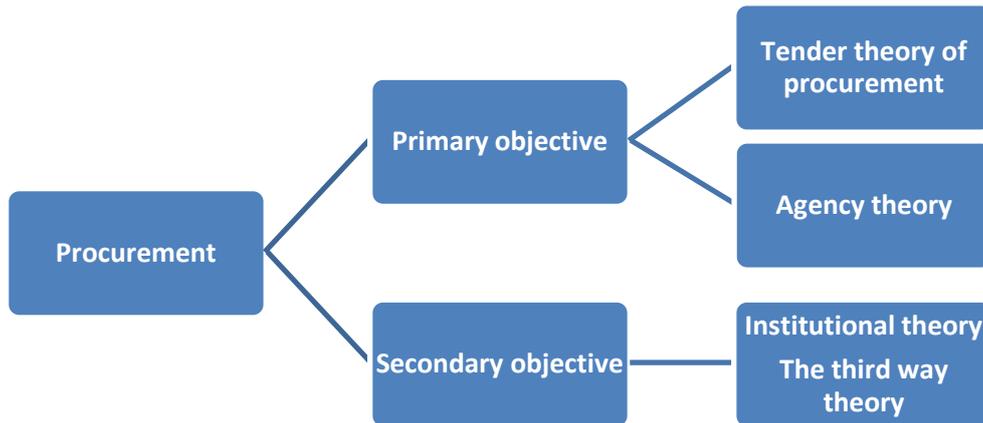


Figure 2.2: Inclusion of Social Services in Public Procurement

2.7. Theoretical Framework

As explained in Figure 2.2, the primary objective of procurement is purchasing. The secondary objective of procurement is the promotion of socio-economic objectives through the concept of procurement. First, the concept of procurement and the public sector will be explained by the tender theory of procurement and the agency theory. Second, the secondary objective of procurement will be explained by institutional theory and third way theory.

2.7.1. Tender Theory of Procurement

The major interest in the development of tendering theory dates back to 1967. Gates (1967, p. 75) referred to tendering theory as a strategy of bidding. Lawrence Friedman's (1956, 1957) paper on 'A Competitive Bidding Strategy' generated much interest and research in the field of tendering. Tendering is the process of calling for bids (Friedman 1956; Gates 1967; King & Mercer 1985; Runeson & Skitmore 1999; Skitmore, Pettitt & McVinish 2007; Stark & Rothkopf 1979) for small- and large-scale projects by the public or private sector. Tenders are usually advertised by the government sector to provide opportunities to many suppliers to encourage competition and select from a greater pool of offers (Hulme 1997).

The public sector affords many opportunities to suppliers and contractors to tender for a huge range of goods and services, ranging from large projects, such as infrastructure, health and defence, to stationery and cleaning contracts (Chandra & Young 2017). Bidding or tendering by government departments includes numerous procedures and guidelines, such as the Commonwealth procurement guidelines, which ensure that the procurement process is conducted in a transparent, fair and ethical manner. The government is accountable to taxpayers and society at large; thus, the government

officials responsible for the purchasing function must guarantee that the bidding process is conducted in an equitable and non-discriminatory manner (Bartle & Korosec 2003; Trepte 2004). Most of these bids are advertised by government departments and comprise certain specifications. Suppliers are required to comply with these specifications, while also meeting strict deadlines when responding to these bids. Interested suppliers prepare a tender outlining the offer they are making, including the pricing and their eligibility to bid on the procurement offer. Suppliers are also required to outline their advantage over their competitors and provide information on previous experience, competency and qualifications (Trepte 2004). Suppliers are also required to demonstrate how their particular bid offers the best value for money. Once the tenders are submitted, they are evaluated in accordance with the defined criteria (Bartle & Korosec 2003). This process is conducted in a fair and impartial manner, free from bias and favour (Raymond 2008). Eventually, the proposal that best meets all the criteria and specifications outlined in the tender request and provides value for money should win the contract (Bartle & Korosec 2003; Walker & Phillips 2009).

Table 2.1: Fundamental Principles of Tender Theory of Procurement

Core principle	Explanation	Source
Value for money	The extent to which the best possible outcome is derived from procurement at a minimum price, although this may not necessarily be the lowest price.	Bartle and Korosec (2003); Department of Finance, Commonwealth of Australia (2020)
Competition	The extent to which all potential suppliers and contractors are given equal opportunities to bid and compete for these tenders.	Trepte (2004); Department of Finance, Commonwealth of Australia (2020)
Accountability and transparency	The extent to which the procurement is conducted in an accountable and transparent manner. Officials conducting the procurement should be held accountable for their decisions and actions.	Raymond (2008); Department of Finance, Commonwealth of Australia (2020)
Ethics	The extent to which procurement is conducted in an impartial and ethical manner. For example, it is not ethical to accept gifts or bribes when a procurement or bid procedure occurs.	Walker and Phillips (2009); Department of Finance, Commonwealth of Australia (2020)

Source: Adapted from the Department of Finance, Commonwealth of Australia (2020).

The tender theory of procurement satisfies the principles of value for money, competition, accountability, transparency and ethics (Friedman 1956; Gates 1967; King & Mercer 1985, Raymond 2008). The tender theory of procurement can be understood as a process that covers several stages and will initially commence from the recognition of

the purchaser's/buyer's needs and requirements (Bartle & Korosec 2003). Once the needs are identified, the tender procedure to purchase this particular good or service will be designed through the tender/bidding procedure (Raymond 2008). The choice of supplier selection methods, methods to evaluate the bids, and contract enforcement mechanisms will be drawn up (Bergman & Lundberg 2013). The ultimate objective of public procurement is to acquire high-quality goods at low prices (Bartle & Korosec 2003). Achieving this objective entails competitive bidding, low transaction costs and ensuring there is a total absence of corruption and favouritism (Thai 2004). The value of the product to be procured often differs between the different suppliers and contractors (Bergman & Lundberg 2013). The design and quality of the product in question can often be influenced by the buyer's choice of award criteria (Thai 2004). Theoretically, since the purchaser will need to optimise the quality and reduce the cost of acquiring the product, the procurement process can become complex (Bergman & Lundberg 2013).

The tender theory is well established and widely practised in the public and private sectors, and has served both well (Raymond 2008). However, its strengths are also its weaknesses because they create resistance to change (Hulme 1997). It is sometimes difficult for managers to understand how a process that has worked well for certain goods and services does not work for other categories, such as construction projects or management information system projects (Hulme 1997). Tendering theory also does not reflect accurately what happens in a market when the demand changes (Runeson & Skitmore 1999). Other criticisms of the tender theory of procurement state that, although tendering is one of the most researched areas, the development of a consistent theoretical framework has been slow and very little academic work has been devoted to testing and verifying the theory itself (Runeson & Skitmore 1999).

2.7.2. Agency Theory

The theoretical underpinnings explaining how socioeconomic objectives can be promoted through the concept of public purchasing are examined initially here. As demonstrated by Yukins (2010) socio-economic preferences are really a function of politics and not procurement. However agency theory does help to explain how socioeconomic requirements play out once these requirements are imposed generally by statutes (Yukins 2010 p.78). Agency theory in this study has been proposed for two reasons. First, a theory in this area can help all stakeholders in public procurement better understand the role they play in providing incentives for using socioeconomic objectives in purchasing decisions. For example, Prier and McCue (2008) argued that both practitioners and academics are interested in the mechanism by which goods and

services are purchased; however, public sector purchasers have no theoretical guidelines to help them decide upon the purchasing mechanism. Secondly this is achieved by modelling their underlying motivations and by clarifying the needs and goals of the stakeholders who support the promotion of socioeconomic objectives through the public procurement process (Prier & McCue 2008). This also allows for a theoretical expansion of agency theory and a greater understanding of the social context (Tate, Ellram, Bals, Hartmann, & Van der Valk, 2010). The participating entity in the principal agent relationship can be an individual person, entire groups of people, an enterprise or the state administration. In this case the participating entities are the federal government departments and the suppliers (Chrisidu-Budnik & Przedariska 2017) based in Canada.

Agency theory dates back to the 1970s and was developed by Ross (1973) and Jensen and Meckling (1976). Agency theory lay the groundwork for research work in the fields of financial accounting and information systems, management and economics. This theory is concerned with the agency problem, as the principal and agent have different goals (Jensen & Meckling 1976; Ross 1973), and the agency problem emerges when there is an agency relationship (Ekanayake 2004). The agency relationship is evident when one of the parties must rely on the acts of the other (Chrisidu-Budnik & Przedariska 2017). The agency theory tries to solve two problems. The first is problems related to monitoring that have occurred because the principal must confirm whether the agent has behaved aptly. The second problem is that of risk sharing, mainly in the case of outcome-based controls, which occurs when the agent and principal have different mindsets (Eisenhardt 1989; Ekanayake 2004). Eisenhardt (1989) and Jensen (1983) both argued that agency theory can be divided into two schools of thought. The first school of thought—positive research—has concentrated on recognising scenarios or circumstances [where] the agent and the principal may have opposing goals and then describing governance mechanisms that limit agent self-serving behaviour (Eisenhardt 1989, p. 59). Positive agency research is concerned with the goal conflicts between owners (i.e., shareholders) and managers (Ekanayake 2004).

Following this positive approach, Jensen and Meckling (1976) demonstrated how equity ownership by management helps align the goals of managers with those of owners. Fama (1980) and Ekanayake (2004) examined the role of capital and labour markets controlling the behaviour of managers. Principal–agent research believes that the second school of thought is a general theory of the principal–agent relationship applicable to employer–employee, lawyer–client and buyer–supplier relationships (Ekanayake 2004). Ekanayake (2004, p. 50) demonstrated that the ‘positive theory identifies various contract alternatives, and principal–agent theory indicates which

contract is the most efficient under varying levels of outcome uncertainty, risk aversion, information and other variables'. Agency theory has also grown beyond its original domain and been used by principal–agent researchers in many disciplines to study issues that arise from agency-like relationships, such as superior–subordinate relationships (Ekanayake 2004).

Trepte (2004) demonstrated that the government is not represented by a single individual, but by a combined group of individuals who are in hierarchical positions within an organisation/institution. The relationship between these combined groups of individuals is governed by the government's institutional arrangements. A recent development in economic theory from the perspective of public procurement is that an organisation can be divided into two: (i) the government represented by politicians and (ii) the government's procuring agencies (Trepte 2004). These two stand in an agency relationship, with the government as the principal and the procuring agency as the agent (Trepte 2004). The operational link between the suppliers and the government is recognised as significant for decision making and the promotion of government policy (Prier & McCue 2008).

In terms of procurement, Trepte (2004) demonstrated that the agent is much closer to the procurement procedures and in due course will possess additional evidence with regard to the availability of suppliers and market. This can create an informational asymmetry between the agent and principal (Trepte 2004). The interests between the principal and agent may also differ, and this may allow greater manipulation by the agent (Anderson, Henrikson, & Spjelkavik, 2008). The more discretion the agent exercises, the more control the agent loses over his or her activities, and eventually the chances for abuse increase (Eisenhardt 1989). The agent can expect personal gains from the public procurement process if she or he is given the authority to exercise discretionary authority. Procurement officials who are positioned in different government departments and agencies and who operate independently of each other generally are given the authority to exercise discretionary authority (Prier & McCue 2008; Trepte 2004). Sometimes procurement procedures are also undertaken by tender committees of varying hierarchical superiority, though this will depend on the value of the contract (Prier & McCue 2008). Ekanayake (2004) noted that these procedures are more common in developed countries than in developing countries.

2.7.3. Third Way Theory

According to Giddens (1998), 'social inclusion' is understood to be an inclusive term encompassing aspects of an individual's social class, ethnicity, gender, sexuality and

disability. The attention of policy makers in the past was strongly focused on economic growth and efficiency goals. In the current context, social policy in a broad sense recognises the role of the state in regulating policy, and is becoming increasingly recognised as effective in promoting social justice and change. Social policy protects vulnerable people, leads to the expansion of markets by stabilising them and increases output through an established educated and healthy workforce. Most importantly, it fosters gender equality and social cohesion. According to theorist Giddens (1998), it can also reinforce democracy by introducing a social contract of rights and responsibilities among citizens and the state.

Since the early 1970s, inequalities of income and wealth have arisen in the majority of developed countries, although not in all countries. Official statistics reveal that the countries recording high levels of income inequality include Belgium, Japan, Nordic countries, France, the UK, the Netherlands and Germany (OECD, 2020). However, the highest levels of income inequality were recorded in the US, Israel, Italy and Australia (OECD, 2020). The most unequal income distribution was recorded in the US and the amount of earnings taken by the top 1% has risen gradually over the previous decades, where countries have seen their average returns stagger and decrease over the years (Coggburn 2003). The incidence of poverty in Australia and Canada is also high, at 13% and 14%, respectively (Bovis 2006). Thus, recognising the significant role of social policy for development and poverty reduction is an optimistic step in the right direction.

According to Giddens (1998), the future challenge will be to encourage social protection policies that have values related to social justice and basic human rights, and to increase the regulatory capabilities of the government towards vulnerable groups in society. The next challenge for the state is to create sustainable and employment-intensive paths towards the creation of more equitable and democratic societies (Giddens 1998). This challenge requires the coordination of policies and institutions in the social, economic and political spheres, and requires necessary political support to allow for the implementation of such policies (Gilbert, Malta & Schapper 2006).

2.8. Prior Research on Link between Procurement and Social Policy

As aforementioned, the academic literature on the link between social policy and procurement is not extensive. Some of the studies are dated and the research methodologies lack coherence and rigour; thus, much work is needed in this area. Loosemore (2016), Barraket et al. (2016) and Walker and Brammer (2012) demonstrated that this particular field lacks empirical investigation and theorisation. This is not to criticise the work of other eminent authors, but to highlight some imminent issues in

relation to this topic and construct development that could lead to further research and debate. While addressing this gap especially in the Canadian context, it is important to review some older studies that were undertaken in relation to this topic.

While research to date has tended to focus on developing countries, such as South Africa (Watermeyer et al. 1998), it has also focused on developed countries in the EU (Bovis 2006), and on examining the World Trade Organization (WTO) Agreement and its effect on human rights via procurement (McCrudden & Gross 2006; Petersmann 2002). The EU has provided the major source of debate about the links between procurement and equality issues for many years. A study of contract compliance in Northern Ireland by Fee (2002) illustrated how policymakers are discouraged in their endeavours to enhance social protection through the concept of procurement because of the existence of a set of EU guidelines regulating public procurement. The EU legislation is strong on this factor, with only two conditions specified in the legislation—lowest price and most economically beneficial offer (European Commission 1996). Contracting authorities can award a contract based on a condition relating to preventing unemployment (European Commission 1996). However, this condition must respect all the principles of community law and can be applied in a situation when two or more economically equivalent tenders need to be submitted to contracting authorities (European Commission 1996). If this occurs, then the following procedures must be followed. In reality, this is applicable to a situation where the contracting authority has two or more bids that are economically equivalent, and must give due consideration to the award criteria laid down in the EU guidelines (McCrudden & Gross 2006). It is clearly stated in the literature that this situation is rarely likely to arise in practice (McCrudden & Gross 2006). This means that informative communication is not helpful as an argument for the EU Parliament's request to incorporate social policy into the EU directives (Fee 2002). It is also unclear whether any other members of the EU support the use of social clauses (Fee 2002). For example, a detailed negotiation process needs to be undertaken in Brussels before any national governments can freely include social and environmental criteria in government contracting (European Commission 1996). Academics and professionals argue that these directives issued by the EU include legislation that is flawed and will not be beneficial to either procurement professionals or suppliers (Fee 2002; Ratcliff & Orton 2004). Therefore, revision of the EU directives is imperative, including wider revision than is currently proposed (Ratcliff & Orton 2004).

Another study by Erridge, Maxwell and Fee (1998) on contract compliance in the context of the EU (member countries) and UK social and public procurement policy argued that contract compliance policies face a double jeopardy in Britain, as endeavours to

implement social policy through government contracts to further employment rights will continue to be discouraged by the EU directives. This study identified the problem of a double jeopardy because even if local authorities in Britain adopt contract compliance policies at the national level, attempts to impose these policies at the national level through large service contracts will be contrary to EU law and service directive. The emphasis of much of the policy implemented in the EU is environmental, rather than social (Walker & Brammer 2012). Therefore, policy in the UK and EU is not consistent, and the law as it stands is not addressing social policy. Thus, unless this situation is rectified, the future for low-paid part-time workers employed under service contracts looks bleak (Walker & Brammer 2012).

2.8.1. Institutional Theory

In their book *Social Procurement and New Public Governance*, Barraket, et al. (2015) explained that the main objective of social procurement is institutions trying to achieve social justice directly or indirectly through their purchasing practices. In these evolving times, when there is inadequate support for institutional support, the legitimisation of new social procurement practices can become problematic for Canadian public sector organisations to purposefully promote social objectives through their purchasing practices (Barraket, et al. 2015). Scott & Barraket, Keast and Furneaux (2015) listed three key institutional enablers for emerging social practices and diffusion: rules, resources and actors in relationships. Fligstein (2001, p. 12) noted that the 'rules of the game' are very significant in understanding institutions. Thus, the 'rules of the game' around the inclusion of social services is significant to the way in which Canadian public sector organisations 'play the game' of social procurement, including membership composition and decision making. According to Beckert (2010) and Blom Hansen (1997), these rules can be formal and can take the form of Acts and regulations or can be social standards and codes of conduct that provide agreed ways of acting in social contexts. Rules can be both formal (regulatory) and informal (guides). Institutional theory is applied to this research study from this perspective, as it involves activities such as tendering, contracting, delivering and reporting. It is through tendering and contracting that the Canadian public sector can promote the inclusion of social services in public procurement.

Resources can also be listed as an institutional enabler of social procurement (Beckert 2010). Resources are either tangible or intangible. Examples of tangible resources include physical assets, such as property, plant and equipment (including human resources and finances). Intangible assets include copyrights, patents, knowledge and

information. The access and use of these resources may be prescribed by rules. These resources can flow through relationships and the structuration of roles between actors (Barraket, et al. 2015). Resources empower social procurement by providing templates and models to actors within an organisation. These models or templates can be used in different contexts, and organisational actors (in this case, the federal government) can eventually understand what did and did not work. This is what this thesis seeks to accomplish and to examine whether the regulatory policies introduced by the Canadian Government have succeeded in delivering the intended social outcomes.

Scott (2008) demonstrated that the second institutional enabler of 'actors in relationships' is viewed in institutional theory as part of the institutional environment. 'Rules' are thus formulated by human agents and applied to specific situations (Ostrom 2009). Rules are also enforced through consistent performance and maintained through relationships (Ostrom 2009). Institutional rules are relatively fixed and are one of the main drivers of conformity in an institutional setting (DiMaggio & Powell 1983). Organisational actors can also be involved in attempts to create change and enforce the rules by which they play (Beckert 2010). Other academics have seen more of an active relationship between actors and rules in institutional environments (Barraket, et al. 2015). The public sector or government tends to take on the roles of financial stakeholder, regulator and contractor (Kearns 1994). Examples of organisational actors in this research study include the Canadian federal government, the provincial or territorial government, and the municipal government, and examples of the roles that they would take on include the responsibility to disseminate information and regulate to pursue social outcomes.

In this research study, institutional actors are also seen to be the social value creators who seek to stimulate economic diversity within given regions by giving priority to businesses owned by marginalised communities (Indigenous people, people with disabilities, women and visible minorities). One such program introduced by the Canadian Federal Government is the PSAB, which will be examined in more detail in Chapter 3. This program assists the Indigenous community in Canada to compete for and win federal contracts with federal government departments and agencies.

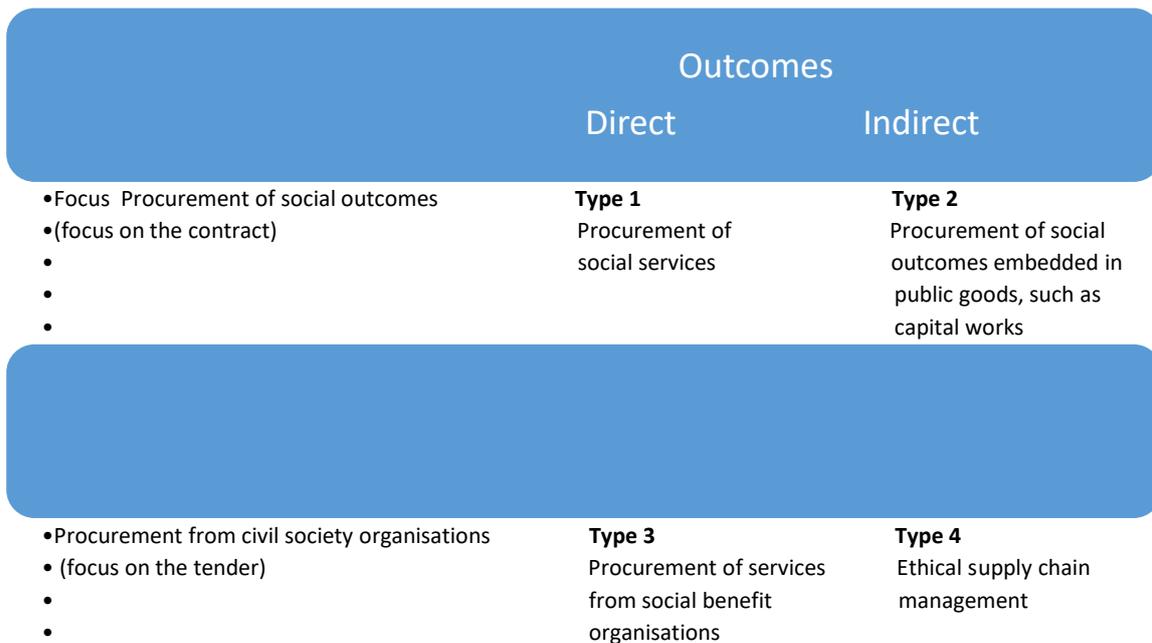


Figure 2.3: Typology of Social Procurement (Source: Adapted from Barraket, Keast & Furneaux 2015)

The above typology of social procurement presented by Barraket, et al. (2015) identifies four approaches to social procurement. The first approach examines the direct purchasing of social outcomes, with a focus on the contract. This approach to social procurement involves a government department or agency purchasing goods or services from a ‘social benefit supplier’ and endeavouring to directly deliver social and sustainable outcomes. Examples of social benefit suppliers include social enterprises, cooperatives, non-profit organisations, disability enterprises, women- and minority-owned microenterprises and First Nation Indigenous businesses (Canada).

Type 2 explores the indirect aspects of procurement and is relevant to this research study. The indirect approach to social procurement involves a government department or agency deciding to purchase goods and services from a supplier or contractor who is not a social benefit supplier, and including clauses in the contract to deliver sustainable and social outcomes. Although a few academics—such as Erridge and Greer (2002), Fee (2002), Erridge (2007) and McCrudden (2007)—have researched the secondary objectives of procurement, not much significance has been attached to the Type 2 approach. A good example of the Type 2 approach to social procurement is provided by Northern Ireland, (Flynn, Davis, McKevitt, & McEvoy, 2013) which has a troubled history and may require procurement procedures that do not discriminate on the grounds of religion, gender, ethnicity or disability (DFP 2002; Equality Commission for Northern Ireland and the Central Procurement Directorate). At the time of writing, more than 16

million Australians have lost their jobs as a result of the 2020 COVID-19 lockdown, and the official unemployment rate was predicted to grow to 9% by the end of September 2020, assuming that all states in Australia can emerge from the current lockdown restrictions. Australia is heading for economic conditions that may not have been seen since the nation's last recession. In light of this situation, the Type 2 indirect approach to social procurement may provide answers to the unemployment crisis.

The third approach stipulated in the above typology is the allocation of a percentage of work to a social benefit organisation (Barraket et al. 2015), such as Indigenous businesses or minority-owned microenterprises. The main purpose in allocating a specific tender or project to a social benefit organisation is to assist the Indigenous community to gain access to federal procurement in countries such as Canada. The Canadian Government's goal is to increase the number of Indigenous suppliers to compete for and win contracts with federal government departments and agencies. However, Indigenous suppliers or businesses bidding for these tenders often lack the skills and capacity (smaller size) to respond to requests for proposals to the federal government (INAC 2014). As such, one way of developing their capacity to bid is to set aside smaller contracts specifically for these vulnerable groups and omit other suppliers with the required capacity from bidding for these tenders. However, as demonstrated by Barraket, et al. (2015), this approach may be difficult to implement in certain jurisdictions, mainly because of the restraining effects of institutional rules, and may breach the competition guidelines. It is noteworthy that legislation in countries could make it difficult to implement the third approach stipulated by Barraket, et al. (2015), as it could be prohibited under the applicable legislation. Scott (2008) noted that institutional rules either empower or constrain action.

The fourth approach outlined stipulates that social outcomes can be included in the procurement processes via corporate social responsibility considerations in the supply chain. This involves integrating corporate social responsibility into corporate buying and fostering greater supply chain transparency. Corporate power can be used to influence social outcomes, which could assist jobseekers and long-term unemployed in disadvantaged communities. However, as this thesis specifically examined the public sector in Canada, the focus was more on the second and third approaches of the typology proposed by Barraket, et al. (2015). A close examination of this typology also reveals that the institutional rules not only specify what is possible and can be achieved, but also provides a clear indication of the roles that the actors can play (Kearns 1994).

2.9. Conclusion

The literature reviewed in this chapter has revealed that procurement is one of the key activities of governments, and as such is assuming a very important role in delivering government objectives (Thai 2001). This chapter also examined and reviewed important topics, such as green procurement, sustainable procurement, public procurement and social procurement, and their importance and relationship to the thesis topic. Next, the chapter identified the theories that are relevant to procurement and social policy in promoting social justice and change. The application of the tender theory of procurement, agency theory, institutional theory and third way theory were discussed in relation to the constructs and variables of this study. The research examined, indicated that relatively few journal articles have investigated the social dimension of sustainability in the public sector context, and Seuring and Muller (2008) demonstrated that environmental concerns are much more prevalent than social ones, representing 75% of articles. The literature review also revealed that the law as it stands in this specific area in the EU and other countries is inconsistent; therefore, revision of these social policies and practices is urgently required. This research study is addressing this gap in the literature.

CHAPTER 3: REGULATION OF PUBLIC PROCUREMENT IN CANADA

3.1. Introduction

The objective of this chapter is to examine the relevant literature and discuss the impetus for the promotion of socioeconomic objectives through procurement processes. To accomplish this objective, this chapter presents the literature in two parts. In the first part, an overview of the Canadian context is provided. In the second part, the chapter focuses on the theoretical perspectives and presents the conceptual framework for the study.

In the first part, Section 3.2 describes the Canadian context and Section 3.3 discusses the existing procurement environment in Canada. Section 3.4 presents an overview of the socioeconomic objectives in Canada and discusses the existing socioeconomic policies in Canada, with particular reference to the policies selected for this study. Canada is a party to both domestic and international trade agreements. Therefore, Section 3.5 presents the domestic and international dimensions and the obligations they impose on the Canadian federal government when conducting procurement processes. Section 3.6 examines the tensions arising from the pursuit of socioeconomic objectives in industrially developed countries such as Canada. In the second part, in Section 3.7 the chapter examines the theoretical perspectives and builds the conceptual framework that guides this study, followed by the conclusion in Section 3.8.

3.2. Canadian Context: Case Description

Canada has a large terrain covering almost 9.985 million kilometres (Irving & Seager 1996). It is sparsely populated, consisting of only one-tenth of the OECD average, and contains a varied topography (OECD Economic Surveys Canada 2016). A huge percentage of the population live within the large urban centres, with people from diverse backgrounds (OECD Economic Surveys Canada 2016). Canada has the world's largest percentage of immigrants (almost 20%) and a rapidly growing percentage (4%) of Aboriginal peoples, including the Inuit, Metis and First Nations peoples (OECD Economic Surveys Canada 2016). The Aboriginal population in Canada numbers around 4.3 million, with 16.7% of the Aboriginal population living in Manitoba and a higher proportion living in the territories. On average, the Aboriginal population are much younger than the Canadians and are also rapidly increasing in numbers (OECD Economic Surveys Canada 2016).

The political system in Canada constitutes a constitutional monarchy, a democracy and a federation (Irving & Seager 1996). At the federal level, the executive, judiciary and

legislative branches share governing (Department of Justice 2016; Irving & Seager 1996; Read 2007). The legislature consists of the Queen and the two Houses of Parliament—House of Senate and House of Commons (Read 2007). The executive branch consists of the Prime Minister, Cabinet and Public Service. The judiciary leads to a court system and the establishment of the Supreme Court (Read 2007). The legislative and executive branches mould the laws of the country, while the ministers are responsible for the legislation. Legislation undergoes a process of examination, debate and review through both chambers of the house (Department of Justice 2016; Read 2007). The executive branch comprises the Prime Minister and Cabinet, and is responsible for proposing relevant bills and policies (Department of Justice 2016). The Prime Minister is the head of the federal government and is responsible for providing overall direction to the government (Read 2007). It is the responsibility of the Prime Minister to appoint Cabinet members from the elected members of the respective political party (Irving & Seager 1996). Eventually, the public service is responsible for translating public policy into action (Department of Justice 2016). This results in supporting the aims and objectives of the government in power. Public servants are responsible for formulating options and actioning them, while ministers are responsible for deciding on a course of action from the options, and public servants eventually implement these decisions (Read 2007).

In accordance with the Department of Justice (2016, p. 1), there are three levels of government in Canada—the federal, provincial and municipal governments:

- The federal government in Ottawa deals with the areas of law that generally affect the whole country.
- The provincial government is accountable for areas listed in the *Constitution Act 1867*, such as taxation, healthcare, education, natural resources, energy, environment and labour market regulation. Occasionally, it shares responsibility with the federal government. The three territories of Yukon, Northwest Territories and Nunavut have their own governments, with responsibilities given to them by the federal government (Vertes, Connelly, & Knott, 1999)
- Municipal governments of cities, towns and villages, and thousands more local schools, university/college and hospital boards and other agencies (Department of Justice 2016, p. 1).

It is noteworthy that the public sector operates across all these three levels (Keehley, Medlin, Macbride, & Longmire, 1997) and includes any organisation (corporation or unincorporated board, commission, council or authority) that has 50% or more of its board members appointed by an Act of government (Department of Justice 2016). Given

that this research study focuses on the federal/public sector in Canada, it is important to understand how the public sector works in Canada. In Canada, there are 10 provinces and three territory governments that make up the federation (Irving & Seager 1996). Public responsibilities are divided and devolved among these provinces and territories (Irving & Seager 1996). The Department of Public Works and Government Services is the procurement arm of Canada (Read 2007). The government under Justin Trudeau gave this department a new name, and it is now known as PSPC (2017). PSPC (2017) is the common service provider and is responsible for conducting procurement on behalf of federal government departments and agencies. Some federal government departments and agencies can directly purchase goods and services to the value of CA\$25,000, instead of purchasing through PSPC (2017).

3.3. Government Procurement System in Canada

PWGSC was formerly known as the Department of Supply Services and Public Works Canada. The legal and administrative framework of PWGSC was initially established by the *Department of Public Works and Government Services Act* (Knight et al. 2007). PWGSC acts in accordance with the *Financial Administration Act*, *Defence Production Act*, government contracts regulations and the instructions issued by the Treasury Board (PWGSC 2016). PWGSC has the authority to formulate policies and procedures while respecting the implemented procurement processes. PWGSC has undertaken this task by referring to a series of guidance documents—the Supply Manual, Standard Acquisition Clauses and Conditions Manual (SACC) (PWGSC 2016). In this study, the policies implemented by PWGSC—especially the PSAB—are examined in depth in relation to the promotion of employment for vulnerable groups, such as the Aboriginal community, through the procurement process.

The procurement statutes of the Canadian Government provide the basis and foundation of the government's procurement strategy (Lamarche 2005). The main procurement operative provisions are written and implemented as policies, procedures and practices (Read 2007). The Treasury Board of Canada sets the contracting policy of the Canadian federal government. In accordance with the Treasury Board of Canada Secretariat (2016, p. 1), this contracting policy provides the government departments and agencies of Canada with a broad range of services in support of their programs, including:

- procurement
- facilities and office accommodation services
- architectural and engineering services

- construction, maintenance and repair of public works and federal real property
- pay and pension services
- Receiver General, Treasury of Canada administration and maintenance of the accounts of Canada
- linguistic services
- industrial security services
- specialised programs, including government-wide applications and greening of government operations (Treasury Board of Canada Secretariat 2016, p. 1).

Although more than 50 different policies have a direct or indirect bearing on federal procurement, the most accepted is the above-mentioned contracting policy that sets out the guidelines for government contracting.

Table 3.1: Canadian Public Procurement Market

Strategic outcome	Program	Spending area	Government of Canada	2014–2015 actual spending
To deliver high-quality central programs and services that ensure sound stewardship on behalf of Canadians and meet the program needs of federal institutions	1.1 Acquisitions	Government affairs	Well managed and efficient government operations	\$144,689,522
	1.2 Accommodation and real property services	Government affairs		\$2,032,720,120
	1.3 Receiver General for Canada	Government affairs		\$116,448,841
	1.4 Integrity programs and services	Government affairs		\$22,035,911
	1.5 Federal pay and pension administration	Government affairs		\$115,698,499
	1.6 Linguistic management and services	Government affairs		\$57,727,344
	1.7 Specialised programs and services	Government affairs		\$47,133,036
	1.8 Procurement Ombudsman	Government affairs		\$3,889,948

Source: PWGSC (2016).

The above table 3.1 explains that the total government spend for acquisitions between the years 2014-2015 was CA\$144,689,522 (PWGSC, 2016). The spending area 'government affairs' far exceeds other areas like accommodation and real property services, procurement ombudsman etc. PSPC injected approximately CA\$346.2 billion in the year 2018 to the Canadian economy through government procurement (Government of Canada, 2018). It was injected to 140 federal government departments and agencies, and some of these funds were directed to non-military equipment, and small and medium-sized enterprises (SMEs) (Government of Canada, 2018). Overall, all forms of federal procurement account for approximately 20% of Canada's total public sector procurement (PSPC 2019). This includes acquisitions for departments and agencies and a number of Crown corporations (PSPC, 2019). Provincial and territory governments account for another 45% and the remaining 35% originates from social service organisations, municipalities, academic institutions, healthcare and school boards (PSPC 2019). While PWGSC/PSPC is the government's common service procurement organisation and the largest contracting organisation in the federal government, all other government departments have the authority to contract on their own behalf (PSPC, 2019).

3.4. Overview of Socioeconomic Objectives in Canada

The longstanding practice of using procurement to promote socioeconomic objectives currently manifests itself through the application of the Canadian Employment Equity Model. This study examines two particular policies in great depth: the FCP and PSAB.

3.4.1. Employment Equity Model (Federal Contractors Program)

Justice Rosalie Silberman Abella (1984) was the sole commissioner of the Royal Commission into employment equity in Canada. Her report was released in 1984, titled *Equality in Employment: A Royal Commission Report* (Abella 1984)—also known as the Abella Report. The report was a milestone that influenced the field of employment equity and human rights law (Agocs 2014). It initiated the concept of employment equity to address issues in inequality in employment for vulnerable groups (visible minorities, people with disabilities, women and Aboriginal people) in Canada. Agocs (2014) and Abu-Laban and Gabriel (2002) demonstrated that the recommendations and analysis of the Abella Report have shaped current understandings of the effect of inequality and discrimination both in Canada and internationally.

The Abella Report (Abella 1984) was the basis of Canada's *Employment Equity Act 1986* (amended in 1995) and also influenced legislation adopted in countries such as South

Africa, Northern Ireland, New Zealand and Australia. In Canada, it influenced legislation in provinces such as Quebec and Ontario (Agocs 2014). The aim of the Abella (1984) Royal Commission was to increase the employment of women, Aboriginal people, people with disabilities and visible minorities and promote the most efficient and effective means of achieving equity and social justice. Two programs emerged from the Abella Report—the FCP and LEEP. The LEEP covers the federal public service; federally regulated industries, such as banking, communication and transportation; and other federal agencies, such as the Canadian Forces (Agocs 2014; McCrudden 2004). The FCP covers federal contractors and suppliers who undertake business with the federal government. The federal *Employment Equity Act* covers all employers under the LEEP, while employers under the FCP are covered by provincial legislation and agree to implement employment equity when bidding for a contract from the federal government (Antecol & Kuhn 1999; McCrudden 2004). Both programs cover businesses with 100 or more employees (McCrudden 2004).

In 2009, the FCP covered approximately 936 federal contractors, representing 1,121,965 employees or approximately 6.9% of the workforce in Canada (Human Resources Development Canada 2002). The FCP requires participating organisations to develop, implement and maintain employment equity programs and policies that reflect compliance with the *Employment Equity Act* and employment equity regulations (Antecol & Kuhn 1999; Dua & Bhanji 2012; Mentzer 2002). The FCP requires employers to gather and report data on the representativeness of their workforce (Dua & Bhanji 2012). Employers are also required to plan for targets in hiring and promoting to remove discriminatory practices in employment policies and practices, with the ultimate objective of accommodating diversity within the workforce (Dua & Bhanji 2012). In accordance with the Evaluation Directorate, Strategic Policy and Research Branch (2012, p. 1), all organisations implementing the FCP are also required to sign a certificate of commitment and meet the following requirements:

- communicate information about employment equity to employees
- adopt accountability measures and assign responsibility for employment equity to a senior official
- collect information related to workforce equity within the organisation
- conduct workforce analyses
- conduct employment systems reviews
- consult and collaborate with bargaining agents and employee representatives
- establish short-term and long-term employment equity goals

- develop an employment equity plan
- adopt special measures and reasonable accommodations to remove barriers
- establish a favourable work environment
- adopt monitoring procedures
- make reasonable efforts and achieve reasonable progress (Evaluation Directorate, Strategic Policy and Research Branch 2012, p. 1).

Until 2013, federal contractors with a contract worth at least CA\$200,000 were covered by the FCP; however, the Stephen Harper Government increased the threshold to CA\$1 million (Evaluation Directorate, Strategic Policy and Research Branch 2012; Johnston 1991). The Harper Government argued that this was done to increase the threshold to reduce the regulatory red tape burden for small to medium-sized employers (Evaluation Directorate, Strategic Policy and Research Branch 2012). By increasing the threshold, the Harper Government reduced the coverage of the FCP.

3.4.1.1. Academic Research

Previous studies by academics can provide insight into the FCP's effectiveness. It is noteworthy that, with regard to the FCP, even before the implementation of the program, there was criticism (Erridge & Fee 2001). Most of the criticism was aimed at the suitability of firms to be a contractor to the federal government, and depended on their employment equity performance in the past (Agocs 2014). Contractors conform out of self-interest, even if the program includes requirements for auditing and sanctions (Glastra, Schedler & Kats 1998, p. 166). The outcome of businesses that are subject to the FCP is different from that of businesses subject to the LEEP (Lamarche 2005). Under the LEEP, the contractor's/supplier's goal must be to conduct a definitive audit and a follow-up by the Canadian Human Rights Commission CHRC (Evaluation Directorate, Strategic Policy and Research Branch 2012). However, under the FCP, the supplier's goal is simply to commit to employment equity, and this will initially assist them to be issued with a certificate from Human Resources and Skills Development Canada (HRSDC) (Evaluation Directorate, Strategic Policy and Research Branch 2012). Suppliers subject to the FCP do not have a requirement to submit an annual report (Lamarche 2005). An audit and follow-up program for supplier compliance is essential to measure the progress made by members of the four vulnerable groups (the Aboriginal community, women, people with disabilities and visible minorities) (Agocs 2014). According to Lamarche (2005) and Agocs (2002), it is exactly this follow-up that is missing from the FCP. Some of the suppliers/businesses interviewed by Lamarche (2005) during the evaluation have

a contract from HRSDC to this end. Agocs (2014) noted that this situation has not changed since 1995, when the administrative decline of the FCP began.

When HRSDC evaluated the FCP in 2002, it concluded that even though attempts had been made to increase the representation of the designated groups (visible minorities and women), the improvements were not evident because of a problem in the reduction of resources to administer the program (Evaluation Directorate, Strategic Policy and Research Branch 2002). Thus, the results of the HRSDC evaluation report in 2002 is obvious: FCP is declining despite its goals and objectives to promote employment equity to the designated categories.

Antecol and Kuhn (1999) suggested in the results of their study that employment equity is deteriorating in Canada. They found that employment equity increased unemployed women's re-employment rates, yet women were unwilling to acknowledge this gain; thus, no change in women's perceptions of discrimination was apparent (Antecol & Kuhn 1999). According to their study, employment equity also reduced men's re-employment rates and increased sensitivity regarding reverse discrimination among men. Antecol and Kuhn (1999) found that unless both of these perceptions about re-employment change, public support for employment equity programs, such as the LEEP and FCP, will not increase in the future.

Stewart and Drakich (1995) examined the recruitment of women from 17 universities in Canada and their findings revealed that being a contractor for the Government of Canada was not related with any gains in the hiring of these women. Instead, universities with the most arduous employment equity measures had attracted the highest level of women into entry-level faculty positions in the 17 universities examined. Stewart and Drakich (1995) described the situation of women faculty members in Ontario universities between 1980 and 1990, and examined the variation in organisational change across these universities. They also explored the role played by various organisational factors in promoting and enacting change for women academics, and discussed the social policy implications of their findings.

Fee and Erridge (2001) noted that there was controversy with regard to employment equity legislation in Canada, with some feeling that the legislation did not improve the employment situation of the designated disadvantaged category at all, while some employers felt that the 'Employment Equity legislation was bureaucratic and difficult because of the strict measures it imposed' (Fee & Erridge 2001). The designated category of 'persons with disabilities' also revealed that progress had not been made in relation to improving employment prospects (Fee & Erridge 2001; Johnston 1991).

Southerst (1991) and Fee and Erridge (2001) argued that, from a business standpoint, employers felt that the regulatory measures imposed on them—such as regular reporting and filing of their plans—were time-consuming and arduous. They argued that a huge expenditure was required for the administration of employment practices, rather than paying attention to training staff, workplace adaptation and developing innovative programs in the workplace (Southerst 1991). The employers indicated that it was becoming increasingly difficult to find qualified workers from the designated categories (women, visible minorities, people with disabilities and the Aboriginal community) due to a dearth of skills, training and education (Fee & Erridge 2001).

In yet another study, Leck, St Onge and Lalancette (1995) stated that if Canada's *Employment Equity Act 1986* directly affected the way suppliers and employers managed their recruitment and hiring practices, then women and other disadvantaged group members should be able to access higher paid occupations and obtain the same privileges as native Canadians. They argued that, if the *Employment Equity Act 1986* was succeeding, then it should have a bearing in closing the wage gap, as more members from the designated group should be employed in higher paid occupations and fewer in lower paid occupations (Leck, St Onge & Lalancette 1995). However, this question remains unanswered (Leck, St Onge & Lalancette 1995).

3.4.2. Procurement Strategy for Aboriginal Business

The Canadian Government commenced the PSAB in 1996 to assist the Aboriginal community to obtain access to federal procurement. This decision was made by the Canadian Government to increase the number of Aboriginal employers/suppliers to compete for and win federal contracts with federal government departments and agencies. The program is managed by Indigenous and Northern Affairs Canada (INAC) in partnership with PSPC, Innovation Science and Economic Development Canada, and the Treasury Board Secretariat, as well as all federal government departments and agencies that have a contracting budget in excess of CA\$1 million (INAC 2017).

PSAB uses two key essentials to influence program objectives: mandatory set-asides and voluntary set-asides (Bates & Williams 1996; Mah 2014; McCrudden 2004). Set-asides are mandatory when the net worth of federal contracts (goods and services) is valued at more than CA\$5,000 and are supplied by the Aboriginal community (INAC 2017). Federal government departments and agencies also voluntarily set aside procurement opportunities for the Aboriginal community who own businesses (Mah 2014). This occurs when factors such as value for money, integrity and sound contracting management procedures can be assured of, especially where Aboriginal capacity exists

(INAC 2013). INAC (2013) has developed integrated partnerships, contracts and policies to encourage the participation of the Aboriginal community and business in contracting with the Federal Government of Canada. In 2013, INAC joined forces with the other provinces in Canada to enhance Aboriginal procurement for the benefit of the Aboriginal community across Canada (INAC 2013). The negotiation of a five-year memorandum of understanding with the Manitoba Department of Infrastructure and Transportation was an important milestone, signed in 2013 (INAC 2013). The five-year memorandum strengthened the working relationship that already existed and obligated both parties to share data, plans, best practices and policies to assist the Aboriginal community in obtaining provincial and federal procurement opportunities (INAC 2017). In January 2011, a memorandum of understanding was signed between INAC and the province of Ontario Ministry of Aboriginal Affairs, leading to the inauguration of a two-year provincial Aboriginal procurement pilot project in March 2012 (INAC 2017).

The launch of the PSAB was guided by market trends and the needs of the Aboriginal community, and was consistent with the Government of Canada's contracting policy (INAC 2017). The PSAB functions with economy, efficiency and effectiveness (INAC 2017). The PSAB supports the development of businesses by assisting the Aboriginal community to compete and become sustainable, at a minimal cost to taxpayers (INAC 2017). The PSAB encourages dynamic measures by using existing government resources, procedures and networks, and supports qualifying Aboriginal businesses to improve their business potential by competing for federal government contracts (INAC 2013). This initiative has resulted in the increase of Aboriginal procurement by more than tenfold since 1996 (INAC 2014).

Aboriginal Affairs and Northern Development Canada (AANDC), in association with the PSAB coordinators in each contributing department, has also engaged in increasing departmental awareness of the PSAB requirements and benefits, and developed performance objective setting and reporting (INAC 2017). A more personalised relationship with the departments, as well as increased outreach activities with PSAB training, has led to a greater departmental validation of the PSAB (INAC 2014). In addition, AANDC works closely with PWGSC (INAC 2017). PWGSC is responsible for providing Aboriginal business procurement data results annually from federal government departments and agencies (INAC 2017).

The Canadian Government reinstated its pledge to encourage Aboriginal participation in the Canadian economy through the Federal Framework for Aboriginal Economic Development (INAC 2007). To support the framework's obligations, AANDC has worked

diligently with federal departments and agencies to create awareness about the PSAB and to increase procurement opportunities for the Aboriginal community and businesses (INAC 2017). Each year, AANDC provides direction to government departments and agencies through the PSAB coordinators network (INAC 2014). The PSAB coordinators are expected to work closely with the procurement officials in their respective departments and through the PSAB national coordinators network (INAC 2014). AANDC continues to work towards the Canadian Government's contracting policy to ensure the PSAB considers the capacity of the Aboriginal population and addresses the changing context of federal government and agencies (INAC 2017).

However, the PSAB needs to be viewed with other objectives in mind. There is a significant constraining factor—procurements leading to offsets being defined as local or regional economic advantage (INAC 2017). These are a no-no subject here, to the jurisdiction of the Canadian International Trade Tribunal (CITT) (INAC 2010). PSAB set-asides work within the North American Free Trade Agreement (NAFTA) and WTO's small and minority businesses exemption, as all Aboriginal businesses reasonably fall under this category (INAC 2014). The PSAB is based on a national list of Aboriginal firms, who can all bid. Therefore, the PSAB is legally durable, but its national list does not mesh with regional objectives (INAC 2017). Indeed, it clashes with the beneficiary firm lists created under a number of comprehensive land claim agreements, which Canada must use as the starting point in leveraging benefits through procurements (INAC 2017).

There is no academic research conducted on the PSAB, and only two student papers focusing on the PSAB policy. As such, the researcher had to rely more on the literature from the respective government departments. Moreover, in general very little academic research has been conducted on Aboriginal peoples and persons with disabilities. Given that these two designated groups have made the least progress, a case could be made that they require the most research. In the only research focusing on persons with disabilities (England 2003), men and women employees with and without disabilities were compared within six large banks, and the results indicated that occupational segregation was based on gender, rather than disability status (England 2003).

3.5. Domestic and International Dimensions

Both internal and international trade agreements affect day-to-day work in public procurement (Industry Canada 2016). Procurement related to trade obligations requires procurement processes that are transparent, are accountable, are fair and do not discriminate between potential employers (Trepte 2004). Trade agreements, whether

domestic or international, establish the conditions and rules for trade. They include commitments to lower or remove tariffs and other barriers and keep markets open to foreign suppliers (Trepte 2004). Trade agreements also create many opportunities for businesses by guaranteeing fair and open access to domestic and overseas markets (Industry Canada 2016). The question that needs to be raised for this particular study is whether these trade agreements enhance or inhibit the promotion of socioeconomic objectives for the four designated groups (the Aboriginal community, people with disabilities, visible minorities and women).

3.5.1. Domestic Dimensions

International economic groups, such as the European Commission and WTO, have adapted their own procurement systems to regulate procurement within their membership and aim to promote these systems to a wider membership (Trepte 2004). For example, on 1 January 1996, the WTO replaced the General Agreement on Tariffs and Trade (GATT) code on government procurement signatories, including many of Canada's trading partners in North America, Asia and Europe (Emanuelli 2002). Many policy reasons underpinning Canadian public sector procurement practices are outlined in the opening paragraph of Chapter 5 of the *Agreement on Internal Trade* (Industry Canada 2016). Canada has an open public tendering system ensuring equal access to procurement for all contractors and suppliers to reduce purchasing costs and contribute to the development of a strong economy (Industry Canada 2016).

3.5.2. Internal Trade Agreements

On 18 July 1994, first ministers signed the *Agreement on Internal Trade* to remove any obstacles to trade investment and mobility in Canada, and the agreement came into force on 1 July 1995 (Industry Canada 2016). The agreement deals with ongoing adjustments and negotiations to liberalise trade throughout the Canadian economy (Industry Canada 2016). Accordingly, as outlined by Industry Canada (2016, p. 1), the agreement provides the following:

- six general rules that prevent governments from erecting new trade barriers and require the reduction of existing rules in areas covered under the agreement
- sectoral chapters outlining specific obligations in 10 economic sectors, such as government purchasing labour mobility and investment, which cover most economic activity in Canada
- institutional provisions to establish a structure for the effective operation of the agreement

- dispute resolution procedures accessible to individuals and businesses, as well as governments
- a commitment to further liberalise trade through continuing negotiations and specified work programs.

Chapter 5 of the *Agreement on Internal Trade* (2016) covers the following on the subject of procurement. First, the chapter guarantees equal success to government procurement for all Canadian businesses in an accountable and transparent manner to reduce procuring costs and contribute to the growth of a resilient economy (PWGSC 2016). Second, eligible Canadian businesses and suppliers can bid on almost all contracts tendered by government departments and agencies that exceed CA\$25,000 (PWGSC 2016). Third, the agreement confirms equal access to government procurement for all Canadian businesses and suppliers in a transparent and accountable manner (PWGSC 2016). It also has an electronic tendering system that has been established to increase access to opportunities for businesses in Canada (PWGSC 2016). A few federal government departments, provincial agencies and Crown corporations, as well as some professional services, are presently omitted from the *Agreement on Internal Trade* (2016). There is some ongoing work being done to determine a solution to include the above categories as well (PWGSC, 2016).

The most important article of the *Agreement on Internal Trade* (2016), for this research, is Article 1802 with reference to Aboriginal peoples. Under Article 1802, titled 'Aboriginal Peoples', the agreement is not applicable to any measures implemented or upheld with respect to the Aboriginal community (PWGSC 2016). For a contract that is subject to the agreement, yet not to any international trade agreements, any measure for Aboriginal people—including comprehensive land claims agreements' appraisal criteria—is not subject to the CITT review (PWGSC 2016). The rest of the procurement proceedings must be undertaken in compliance with the *Agreement on Trade Provisions* and be reviewed by the CITT (PWGSC 2016). This scenario does not eliminate the need to conform to government contract regulations. When a contract or procurement has been set aside for Aboriginal business under the PSAB, this is definitely not subject to the *Agreement on Internal Trade* (2016) and this procurement does not fall under the purview of CITT (INAC 2017).

3.5.3. Internal Dimensions

The main reason for the recent wave of procurement legislation has been the growth of international agreements to regulate public procurement. This has resulted from the

general global movement towards international free trade, which is now reflected in many bilateral, regional and global trade agreements. In accordance with the Government of Canada (2017, p. 1), the following are some of the external trade agreements signed by Canada during the past few years:

- Canada–Korea: brought into force 1 January 2015
- Canada–Honduras: brought into force 1 October 2014
- Canada–Panama: brought into force 1 April 2013
- Canada–Jordan: brought into force 1 October 2012
- Canada–Columbia: brought into force 1 August 2009
- Canada–Peru: brought into force 1 August 2009
- Canada–European Free Trade Association: brought into force 1 July 2009
- Canada–Chile: brought into force 1 January 1994
- Canada–US Free-Trade Agreement (CUSFTA): brought into force 1 January 1989 (superseded by NAFTA, which includes Mexico) (Government of Canada 2017, p. 1).

The Government of Canada is also subject to international obligations under the *WTO Agreement on Government Procurement* (Government of Canada 2017). The current government procurement agreement was signed in Marrakesh on 15 April 1994, as part of the Uruguay Round of international trade negotiations held under the auspices of the GATT, which led to the creation of the WTO (Trepte 2004). The objective of the government procurement agreement, according to Trepte (2004), is to provide an efficient, multilateral framework of rights and obligations with regard to practices, regulations and laws relating to government procurement. This is done to attain greater liberalisation and expansion of world trade to improve the international framework for the conduct of world trade successfully (Trepte 2004).

Of the trade agreements listed above, the NAFTA is most important to Canada. The NAFTA includes a chapter on government procurement contracting. Muggenberg (1993) demonstrated that bidders view trade agreements as a chance to benefit from procurement contracts. These contracts are subject to accountable and transparent tendering procedures. Accountability, transparency and competition are important factors in easing restrictions on government procurement contracts (Muggenberg 1993). Liberalisation of government procurement in Canada does not mean that the country abandons the need to maintain a percentage of national contracts for social reasons (Lamarche 2005). Facilitation of restrictions on government procurement is proceeding

slowly because these contracts are required to build a nation's social strategy (Lamarche 2005).

No academic studies have been conducted since the NAFTA to determine the effect of exclusions on vulnerable segments, such as women, people with disabilities, visible minorities and the Aboriginal community. The NAFTA has quadrupled the worth of American government procurement contracts accessible to both Mexicans and Canadians (Government of Canada 2017). In 1994, when the agreement came into force, the total value of these contracts represented only 10% of the total value of government procurement (Hart 1997). No academic research or reviews have been conducted in relation to the effect of the NAFTA's government procurement provisions on the employment of the designated categories. As noted by Hart (1997) and Lamarche (2005), a conflict has arisen between the aim of liberalising government procurement contracts and promoting national regional and social policies. In this study, social policies are referred to as secondary policies. It must be remembered that, although social considerations are secondary to contract requirements, they are not in any way secondary to the merits of the strategies determined by the state (Lamarche 2005).

Although the NAFTA enhances the free movement of goods, capital and labour, it has tightened control on many other avenues. The NAFTA has focused on economic liberalisation with little or no interest in the development of complimentary civil, political or social rights. The NAFTA does not have a vision of social policy. Canadian businesses have consistently argued that, for Canada to be competitive in the NAFTA, its social programs must be superior to its US counterpart, whose levels are generally inferior (Lamarche 2005).

3.6. Trade Agreements versus Socioeconomic Objectives

There is an important role for government procurement in socioeconomic development throughout Canada. However, the existing free trade agreements could erode this role to a great extent. A country's average income is made up of spending on factors such as the purchase of goods of services, and expenditure on a range of projects, such as the construction of infrastructure (roads, schools, universities, aged care facilities, hospitals, parks, dams and other industrial complexes) (Khor 2008).

The expenditure of state and municipal governments, statutory bodies and state-run enterprises, and the total amount of money spent by the public sector, is enormous for many countries—sometimes much larger than their total imports or exports. For example, in some countries, public sector expenditure may comprise 30 to 50% of gross

national product, while imports may comprise 10 to 30% of gross national product (Khor 2008). Even if the salaries of government employees are excluded, government expenditure is often higher than imports. Thus far, governments have been able to decide for themselves how this money is to be spent, via the system of procuring goods and services, tendering, scrutiny of applications and award of projects—subject to each country's laws and procedures (Arrowsmith, Linarelli & Wallace 2002). The system of government procurement has been taken for granted and is a matter of national prerogative, often challenged in some countries by parliaments, opposition parties or public interest groups, yet seldom or never questioned as an issue that lies within the sovereign right of a country to determine (Khor 2008; Weiss, Thurbon & Mathews 2004).

As a result of its sensitive nature, government procurement has thus far been excluded from the rules of the WTO (such as national treatment and most favoured nation) (Trepte 2004). There is a plurilateral agreement on government procurement; however, members can choose whether or not to join, and most developing countries have chosen not to do so (Trepte 2004). Government procurement and policies governed by the plurilateral agreement have important economic, social and even political roles in some countries. According to Khor (2008, p. 14):

- The level of expenditure and the attempt to direct the expenditure to locally produced materials is a major macroeconomic instrument, especially during recessionary periods, to counter economic downturn. Governments often change the level of expenditure as the major tool of fiscal policy to steer the level of demand and growth in the economy.
- In many countries, there are national policies to give preference to local firms, suppliers and contractors to boost the domestic economy and participation of locals in economic development and benefits. In fact, government procurement is a major policy tool for putting into effect a policy of increasing the opportunities for local enterprises to increase their share of the economy.
- In several countries, there are policies aimed at providing preferences for certain groups or communities, especially those that are underrepresented in economic standing. While such policies can be abused, the fact remains that, when judiciously employed, procurement policy can be a major policy tool for attaining greater balance in the participation shares among various communities within a nation. Similarly, it can be used to redress regional imbalances, for instance by specifying that certain provinces be allocated a particular share of procurement business (Khor 2008, p. 14).

Similarly, the Canadian federal government is governed by the *Agreement on Internal Trade and International Obligations* under the *WTO Agreement on Government Procurement* and NAFTA. Canada does not have a mechanism for intergovernmental discussion to assess the effect (neutral, positive or negative) of international trade commitments on Canadian social policy (Lamarche 2005). Thus, HRSDC has not been approached in this regard, nor has it acted of its own accord to rectify the situation (Lamarche 2005). The same situation applies to the Canadian Human Rights Commission, and the Government of Canada's concern seems to be limited to considering the economic effects of these trade commitments (Lamarche 2005).

The FCP and its management in its current form do not meet the requirements of the NAFTA with regard to businesses subject to government procurement contracts and those that benefit from rights under these agreements (McCrudden 2007). It was evident from this study's literature review that the 'trade' and 'social' spheres did not receive sufficient attention when the FCP was reviewed in 2002 by the Evaluation Directorate, Strategic Policy and Research Branch, given that the 'trade' and 'social' spheres did not benefit from the dialogues that occurred and it was clear that a review of Canadian commitments was required (Lamarche 2005). This lack of interface leads to negative consequences for vulnerable groups, especially the Aboriginal community, women, visible minorities and people with disabilities.

The trade agreements examined do not directly affect the Government of Canada's ability to maintain, improve or develop the scope of employment equity measures, whether legislated (businesses subject directly to the *Employment Equity Act*) or non-legislated (FCP) (McCrudden 2007). These trade agreements require transparency and accountability from the Canadians managing these programs and, in their current state, present deficiencies in the standards that they establish (McCrudden 2007). Generally, state regulation is rarely subjected to a systematic analysis of the effect of trade commitments on such regulation (Lamarche 2005; McCrudden 2007). Thus, the question is whether trade agreements impair the government's ability to adopt and implement policies, mechanisms and standards that are intended to promote a legitimate social objective.

The literature reviewed by Lamarche (2005) indicates that some designated groups have not yet reaped the rewards of employment equity strategies, such as poor women immigrants or women with little education. Lamarche (2005) reiterated that these women are captive labourers in the new job market. At a time when more vulnerable women should be able to count on employment equity strategies to attain equality, there is every

reason to wonder whether the legitimacy and legality of regulations set out by trade agreements should be questioned (Lamarche 2005; McCrudden 2007).

Former President of the US, Donald Trump, after taking office on 20 January 2017, presented the opinion that the NAFTA should be renegotiated. The Trump administration notified American Congress that it planned to renegotiate the NAFTA—the three-member deal with Mexico and Canada. The Trump administration stated that the NAFTA was renegotiated 25 years ago and that economy and businesses have changed considerably, yet the NAFTA has not responded to many of these changes. The Trump administration argued that many chapters of the trade agreement are flawed, are outdated and do not reflect modern standards. For example, digital trade was in its infancy when NAFTA trade commenced 25 years ago. As discussed earlier in the literature review, trade agreements should not prevent the government's ability to adopt and implement policies, mechanisms and standards that are intended to promote a purely legitimate social objective. What implications will these changes and uncertainty have for the Canadian economy and the designated groups, such as Aboriginal people, people with disabilities, visible minorities and women? The above discussion leads to the following questions: Do the existing internal and international trade agreements in Canada challenge the FCP and PSAB? Do they require changes to accommodate socioeconomic policies, such as the FCP or PSAB?

In summary, this section has examined the regulation of public procurement in Canada. In doing so, it has acknowledged the government procurement system currently in operation. The procurement arm of the Canadian Government is PSPC/PWGSC (Read 2007). PSPC is recognised as the common service provider and conducts most procurements on behalf of federal government departments and agencies, with a small number of primarily low dollar value contracts being handled directly by the individual purchasing departments (PWGSC 2016).

This section then critically reviewed the socioeconomic policies currently implemented through the procurement process in Canada, and examined in great depth the two socioeconomic policies relevant to this study—the FCP and PSAB. The literature review has provided a strong foundation for the Canadian model of employment equity (FCP) by identifying the flaws in the policy framework, and it is clear that the FCP project remains incomplete. An obvious way to improve the results of the employment equity program (FCP) is to address this unfinished business, and this study addresses this gap in the literature. There is minimal academic literature covering the PSAB and this is one of the first studies to explore the flaws in the policy framework. The objectives of the

FCP and PSAB are not fully understood by those managing the system, and those in authority cannot undertake tasks in relation to the above programs because there are insufficient resources to do so.

This section has also addressed the tensions arising from the pursuit of these socioeconomic policies. The major obstacles are the requirements of the NAFTA. As such, this section especially reviewed the NAFTA and the associated problems arising from the regulations of this trade agreement. Canada is also unique in having mandated a quasi-judicial organisation, the CITT, to conduct enquiries into complaints by potential suppliers concerning procurement by the federal government that is covered by the NAFTA, *Agreement on Internal Trade* and *WTO Agreement on Government Procurement*. It appears that the requirements of the NAFTA are in need of simplification and revision to promote socioeconomic policies through the procurement process.

3.7. Conceptual Framework

3.7.1. Introduction

Having reviewed the interrelationships between this study's main conceptual ideas and formulated pertinent research questions, this section graphically maps these relationships. Figure 3.1 introduces the conceptual framework used in this study. This framework represents an integrative approach that draws upon several theories—the tender theory of procurement (Hulme 1997; Raymond 2008), social equity theory (Giddens 1983; Halpern & Mikosz 2009), agency theory (Ekanayake 2004; Jensen & Meckling 1976; Prier & McCue 2008; Ross 1973) and institutional theory (DiMaggio & Powell 1983; Greening & Gray 1994; Meyer & Rowan 1977; Oliver 1991), and also borrows from the values (Tolbert & Zucker 1999) and social justice literature (Johnson 1990; Miliband 2009; Temple 2000). This conceptual framework attempts to shed light on how the main conceptual ideas advanced thus far in this study promote social justice and equality through the concept of procurement.

Using the literature on the topics examined to this point, a conceptual framework was developed. This proposed framework was adapted from Prier and McCue (2008, p. 13), who used agency theory to model cooperative public purchasing, which reduces political risk and minimises red tape. However, as agency theory does not address social objectives, there is a need to apply social equity and institutional theory to address this gap. In the public sector, in some cases, cooperative public purchasing can avoid all social goals that are reported to increase costs (Prier & McCue 2008). While the current study adapted the framework proposed by Prier and McCue (2008), it extended the

framework to explain the indirect use of public procurement as a tool of social policy by attaching conditions to public contracts. This conceptual framework considers how the government can incorporate the concept of employment equity in the award of contracts to suppliers. This framework can not only be used as a best-practice model to promote employment equity, but can also be used to study stakeholder behaviour, supplier behaviour, purchasing process outcomes and accountability problems.

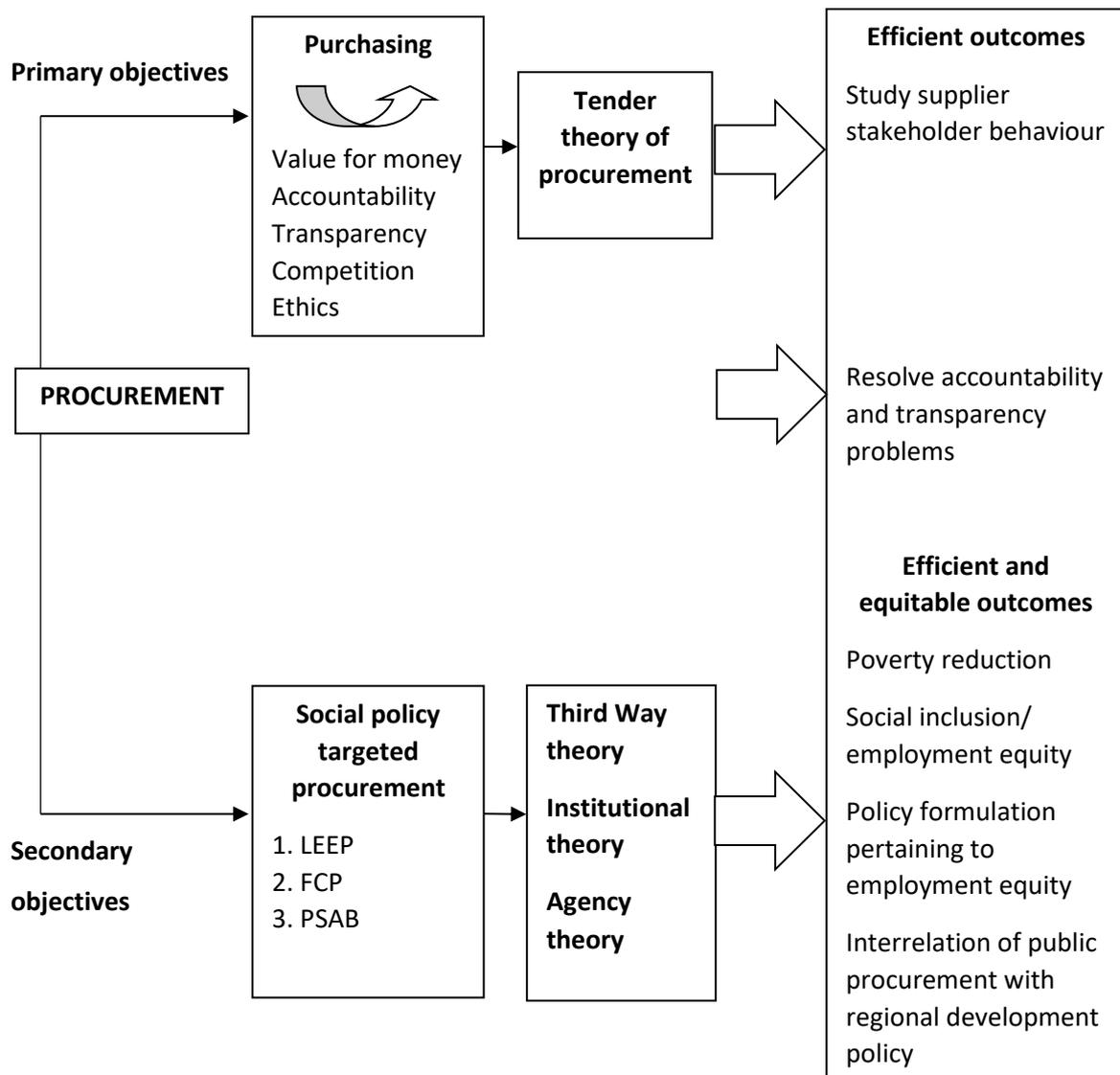


Figure 3.1: Conceptual Framework (Source: Adapted from Prier & McCue 2008)

3.7.2. Development of Study Conceptual Framework

In addition to critically reviewing the literature, this study also identified the specific theoretical propositions behind this research. A study of the conceptual framework (Figure 3.1) indicated there are two alternative theoretical propositions—one delivering efficient outcomes and the other delivering efficient and equitable outcomes. The first theoretical proposition of delivering efficient outcomes explains how the primary objective of procurement is purchasing and the five fundamental principles of procurement are value for money, accountability, transparency, competition and ethics. This is explained by the tender theory of procurement. The tender theory of procurement was proposed in this study for two specific reasons. First, the tender theory of procurement provides an effective framework for government departments and agencies to benchmark and overcome weaknesses in the public procurement process (Raymond

2008; Rege 2001). Second, the theory attempts to address the complexities involved in addressing the five principles of public procurement: (1) value for money, (2) competition, (3) professional workforce, (4) accountability and transparency and (5) ethics (Hulme 1997; Raymond 2008). Under the tender theory of procurement, the purchasing organisation first develops a specification concerning its requirement (Hulme 1997) and then calls for tenders to address the specification at a firm price, with the bids submitted evaluated for compliance to the specification (Friedman 1956; Gates 1967; King & Mercer 1985; Runeson & Skitmore 1999; Skitmore, Pettitt & McVinish 2007; Stark & Rothkopf 1979)). A contract is awarded to the supplier that meets the specification with the lowest price bid (Pettitt & McVinish 2007). There are many variations to this method; however, they all involve specifications and a subsequent bid evaluation process. The outcome of the first theoretical proposition resulting in efficient economic outcomes will lead to the study of stakeholder and supplier behaviour. It will also result in delivering efficient outcomes and resolving accountability and transparency problems.

The conceptual framework in Figure 3.1 further indicates that the second theoretical proposition is to deliver efficient and equitable outcomes. Thus, the secondary objective of procurement is to use the purchasing power of governments to exert pressure on the supplier to adopt a particular social policy that the contractor might not otherwise adopt under normal circumstances. The second theoretical proposition of delivering efficient equity incomes considers how the government can incorporate the concept of socioeconomic objectives through the public procurement process in the award of contracts to suppliers. This is also known as targeted procurement. In Canada, this targeting of procurement focuses on social policies, such as the LEEP, FCP and PSAB. Under the LEEP, all federally regulated industries and Crown corporations with 100 or more employees are required to develop employment equity plans, set goals and timetables for hiring, and identify and eliminate discriminatory measures.

Private companies bidding on federal contracts worth CA\$1 million or more and with 100 or more employees are also required to undertake employment equity initiatives under the FCP. As contractors and suppliers improve their employment rights and labour standards, their employees take this into society and societal expectations about employment rights and labour standards increase, thereby leading to continuous improvement and economic efficiency. The PSAB (or the 'set-aside program') is a strategy that was launched by the federal government to increase the number of Aboriginal suppliers bidding for and winning federal contracts. Essentially, the PSAB makes it easier for the government and Aboriginal firms to do business with each other. This is achieved in a variety of ways. For example, certain contracts are set aside for

competition among Aboriginal businesses. The strategy promotes subcontracting to Aboriginal firms and encourages Aboriginal firms to form joint ventures with other Aboriginal and non-Aboriginal businesses. The PSAB applies to all federal government departments and agencies (INAC, 2017).

Inequalities threaten social cohesion and can have socially undesirable consequences. A democratic society that generates large-scale inequality is likely to produce conflicts and problems. The analysis of the second approach of delivering efficient equity outcomes is based on the arguments derived from the Third Way theory proposed by Anthony Giddens's (1983) promoting values, such as equity and protection of the vulnerable. Anthony Giddens's Third Way theory addresses the universal concern in society about the loss of social cohesion and values. This theory is in favour of growth entrepreneurship, enterprise and wealth creation, but is also in favour of greater social justice and views the state as playing a major role in bringing this about (Giddens 1983).

The above analysis was also based on arguments derived from institutional theory (DiMaggio & Powell 1991; Meyer & Rowan 1977), which has come to be known as 'new institutionalism' or 'neo-institutionalism'. The neo-institutionalism framework focuses on the role that external social forces play in shaping organisational actions (Meyer & Rowan 1977 Grob, & Benn, 2014). A prime assumption of neo-institutional theory is that organisations seek legitimacy from the external world (DiMaggio & Powell 1991, Grob, & Benn, 2014). Scot (1987) identified the three primary mechanisms that might affect a firm's actions. First, regulative forces are those associated with specific laws and governmental rules (DiMaggio & Powell 1991). Firms are responsive to regulative forces because failure to do so places organisations or their managers at risk of legal sanctions (Jain, Horwitz & Wilkin 2012. In the context of this study, employment equity represents a significant regulative force and firms risk sanctions by not complying with the law. For this reason, regulation plays an especially important role in shaping how organisations respond to employment equity. Evidence in the economic literature suggests that, when organisations treat their workers fairly, such as by providing them with a decent living wage and engaging in forms of social justice, national economic growth and development improve (Kapstein 1999; Zak & Knack 2001). This is evident in the conceptual framework—see Figure 3.1.

Normative forces are a second mechanism that mainly arises from professional standards, and human resource managers are expected to respond to the norms and expectations of their profession regarding appropriate actions on employment equity initiatives (Meehan, Ludbrook, & Mason 2016, Jain, Horwitz & Wilkin 2012). Moreover,

mimetic forces suggest that an organisation may imitate similar organisations as a matter of dealing with uncertainty (Oliver 1991). The effect of these forces is important because these forces institutionalise certain ways of doing things. Organisations respond to institutionalised rules, norms and beliefs so that they emulate one another, leading to isomorphism (Meehan, et al 2016, Jain, Horwitz & Wilkin 2012). Isomorphism refers to similarity in the processes of one organisation with those of another. Isomorphism is an institutional theory that has been used in a wide range of studies of organisational action and can lead to an understanding of the propensity of firms to discriminate in employment equity decisions (Meehan, et al. 2016, Jain, Horwitz & Wilkin 2012).

This study extends the framework proposed by Prier and McCue (2008), who used agency theory to model cooperative public purchasing to explain the indirect use of public procurement as a tool of social policy by attaching conditions to public contracts. Agency theory is concerned with the agency problem, which occurs because the agent (purchaser) has goals that differ from those of the principal (government entity) (Jensen & Meckling 1976; Ross 1973). The agency problem exists when there is an agency relationship (Ekanayake 2004). In Figure 3.1, agency problems are confronted by both approaches—the approach delivering efficient outcomes and the approach resulting in efficient and equitable outcomes. An agency relationship is a contract under which one or more persons (principals) engage another person (the agent) to undertake certain services on their behalf, which involves delegating some decision-making authority to the agent (Jensen & Meckling 1976). When these tasks are executed within the principal–agent relationship, the agent chooses actions that have consequences for both the principal and agent, and these outcomes can be either negative or positive for each of the actors, since the chosen action of the agent affects the welfare of both (Prier & McCue 2008). The premise of agency theory is that agents are self-interested, risk-averse, rational actors who always tend to exert less effort and project higher capabilities and skills than they actually have (i.e., adverse selection) (Ekanayake 2004).

3.8. Conclusion

The main objective of this section was to construct the study's conceptual framework. The conceptual framework provides two alternative theoretical propositions—one delivering efficient outcomes and the other delivering efficient and equitable outcomes. The first theoretical proposition of delivering efficient outcomes explains the primary objectives of procurement. The conceptual framework also postulates that the second theoretical proposition is to deliver efficient and equitable outcomes, and indicates how the government can incorporate the concept of socioeconomic objectives through the

public procurement process in the award of contracts to suppliers. This conceptual framework explains how the Government of Canada can incorporate the concept of employment equity in the award of contracts to its suppliers. In Canada, the targeting of procurement has focused on social policies, such as the LEEP, FCP and PSAB.

Although the current study adapted the framework proposed by Prier and McCue (2008), who used agency theory to model cooperative public purchasing, it extended this framework to explain the use of public procurement as a tool of social policy. This framework will also be of significance to academics, as it will be a valuable research tool to assess the conceptual understanding needed for policy formulation pertinent to improving employment through the public procurement process.

To conclude, the above-mentioned research concepts have been refined into the following research questions, which thus far have not been highlighted in the literature:

- RQ 1: How do the existing public procurement policies of the Federal Government of Canada promote and enhance the achievement of social development objectives, particularly for disadvantaged and minority groups?
- RQ 2: What are the internal (to Canada) factors that inhibit or prevent the achievement of these social development objectives?
- RQ 3: What are the external (relating to Canada's external trade and investment) tensions arising from the pursuit of these socioeconomic goals in industrially developed countries such as Canada?
- RQ 4: Which additional policy reforms are necessary in the procurement policies and processes to more effectively promote socioeconomic objectives through the procurement programs of public sector agencies?

CHAPTER 4: RESEARCH METHODOLOGY

4.1. Introduction

This chapter discusses the research design and methods employed in this study. Given that the aim of this study was to examine the factors that encourage or inhibit the promotion of social policy objectives through procurement policies in Canada, the research design was based on prior research and work undertaken by researchers in this field. This chapter also discusses the reasons for using a case study approach and for examining Canadian federal government agencies and PWGSC (now known as PSPC). The chapter also identifies the various data collection methods, outlines the data analysis procedures, and discusses the challenges associated with data collection in foreign countries.

This chapter is structured as follows. Section 4.2 presents the research methodology of qualitative versus quantitative methods, and identifies the epistemological approach underpinning this study. Section 4.3 presents the paradigms of social procurement, while Section 4.4 examines the overarching research strategy and the limitations of the case study method. Section 4.5 discusses the challenges associated with data collection procedures in foreign countries, and Section 4.6 discusses the case site selection and participants. Section 4.7 discusses the sampling strategy and Section 4.8 discusses the methods and sources of primary data collection. Section 4.9 presents triangulation and Section 4.10 discusses the semi-structured interviews with the key informants. Section 4.11 presents the secondary sources of data collection, while Section 4.12 presents the data analysis procedures. Finally, Section 4.13 outlines the ethical considerations for this study and Section 4.14 presents the summary and conclusion for this chapter.

4.2. Research Methodology

The objective of qualitative research is to obtain a thorough understanding of an event or situation (Cooper & Schindler 2014). This particularly relates to the researcher's immersion in the subject matter being investigated (Cooper & Schindler 2014). It is noteworthy that qualitative research is more about words than focusing on numbers (Bryman & Bell 2011). Qualitative research is called 'interpretive' research mainly because it aims to build theory and provides an in-depth description, yet eventually does not end up testing this theory (Veal 2005). The sources from which qualitative research is drawn are happenings and events, environments and settings, media products and artefacts, published and virtual texts, private sector organisations, people (either single or in groups) and policies formulated by government agencies and the private sector

(Miles, 1979; Cooper & Schindler 2014; Gubrium & Holstein 1997). Qualitative research focuses on providing, in great detail and depth, a comprehensive study of situations, events and interactions between things and people. The inductive approach is a systematic procedure for analysing qualitative data, in which the analysis is likely to be guided by specific evaluation objectives (Creswell 2009). Two further features are noteworthy. First, an inductive view of the relationship between theory and research involves the former being generated by the latter (Creswell & Plano Clark 2007). Second, inductive analysis refers to approaches that primarily use detailed readings of raw data to derive concepts, themes or a model through interpretations made from raw data by an evaluator or researcher (Creswell & Plano Clark 2007).

In contrast, the positivist paradigm prefers quantitative methods, such as structured questionnaires, large-scale surveys and official statistics, as these have great reliability and representativeness. Ghauri, Gronhaug and Kristianslund (1995) demonstrated that, in quantitative research, there is an emphasis on testing and verification, and the researcher must distance himself or herself from the research, mainly to prevent bias. Deductive analysis refers to data analyses that seek to test whether data are consistent with prior assumptions, theories or hypotheses identified or constructed by an investigator (Veal 2005). In practice, many evaluations use both inductive and deductive analysis. An ontological position described as constructionist implies that social properties are the outcomes of the interactions between individuals, rather than phenomena, and separate from those involved in their construction (Bryman & Bell 2011). Positivists are more interested in trends and patterns, and some scholars, such as Walker et al. (2012), highlight that there is a need for testing and theory building, especially in relation to sustainable procurement. Thus, on the macro level, the two examples of methodologies in social research are qualitative (inductive theory building), which is often associated with inducing hypotheses from field research using qualitative techniques, and the quantitative research approach (deductive theory testing), which seeks to discover relationships and laws using primary techniques (Easterby-Smith, Thorpe & Lowe 1991; Perry & Zuber-Skerritt 1994; Silverman 1993).

4.3. Paradigms of Social Procurement

Thus far, the majority of scholars engaged in researching social procurement have used the interpretative paradigm. Examples of researchers using the interpretative paradigm are Barraket (2020); Denny-Smith, et al. (2020); and Troje and Gluch (2020). Wilkinson and Kirkup (2009) demonstrated that suppliers did not have a valid approach to measuring and demonstrating social benefit. Halloran (2017) noted the lack of empirical

evidence in the field of social procurement, and that academic case studies have a tendency to focus on generalisations, rather than what constitutes social value. Some of the older studies include that by Erridge, Maxwell and Fee (1998), focusing on the UK and Europe. Their study drew upon secondary research and case law regarding the social and employment effects of contracting out. Hawkins and Wells (2007) used three major avenues of enquiry for data collection—case studies, in-depth interviews and round table discussions—in four countries: India, Indonesia, Nigeria and Kenya. Other scholars who have acknowledged the interpretative paradigm are Howe and Landau (2005), who used documentary evidence and semi-structured interviews to explore the use of public procurement to promote enhanced labour standards. Further, Erridge and Fee (2001) contributed to the interpretive approach and used semi-structured interviews to allow participants to respond to and expand on predefined questions.

The knowledge from previous studies offered a point of reference for this study. The interpretive paradigm has been used by numerous researchers to understand and examine a diversity of social and public policy issues. Therefore, this study used the interpretative paradigm and the researcher chose a qualitative methodology. The research method used (qualitative) was the best fit to answer the research questions of this study and meet its schedule, including the speed with which insights were needed, the issues and topics examined, and the types of participants needed. Thus, this study used qualitative research methods and relied on participants' explanations of social policy in Canada to determine and establish meaning. Policy research requires an understanding of the context in which the problem exists, and having a theory of how and why the problem has occurred would be extremely helpful. As such, the researcher examined the political processes and players in Canada relevant to this area of research, including policy development timelines and cycles. The researcher was also responsible for fitting the research focus and activities as closely as possible to the people, processes and timelines, and staying alert to opportunities for influencing change.

The researcher's skill, personality and preferences also came into play during the conduct of this research. Thus, it was important to consider whether the skills, personality and background of the researcher affected the collection and interpretation of the data. For example, when the researcher visited Canada to conduct the interviews, she found it extremely difficult to understand the Canadian accent. There is a probability that the researcher misunderstood some of the Canadian norms, body language or spoken language, or that the researcher did not use the most spontaneous and relevant probes during the interview sessions due to difficulty in understanding Canadian norms. To

minimise this bias, the researcher implemented several strategies to enhance the rigour of this study (see Section 4.7).

4.4. Overview of Research Design

This section discusses the methodological approach and design of the empirical research undertaken in this study. The case study was the predominant research method used in this study. This is the preferred approach when 'how', 'why' or 'what' questions are to be answered; when the researcher has little control over events; and when the focus is on a current phenomenon in a real-life context (Yin 1994). The term 'case study' is often associated with a geographical location, such as a particular country, event or organisation. For example, in this study, the case study is associated with the geographical location of Canada. According to Bryman and Bell (2011), what distinguishes a case study from other research designs is the focus on a situation or system, and this emphasis tends to be an intensive examination of this particular situation or system. The exponents of the case study design also favour qualitative methods, such as unstructured interviewing, because these methods are viewed as particularly helpful in generating an intensive, detailed examination of a case (Bryman & Bell 2011). Yin (2003) suggested that the case study provides a vehicle through which several qualitative methods can be combined, thus avoiding too great a reliance on a single approach. This is called triangulation and will be discussed in more detail in Section 4.9.

As discussed in the preceding paragraphs, the approach and methodology also depend on the type of research questions, type of information required and how this information can be obtained (Yin 2003). When research questions concern only 'what' questions, as in this particular study, an exploratory study may be justified (Depoy & Gitlin 1998). The focus is on seeking insight, rather than on testing (Yin 1994). The second feature is the intensity of the study of the incident or situation. Sufficient information is required to characterise and explain the unique features of the case, as well as point out the characteristics that are common in several cases (Yin 2003). Finally, this approach relies on integrative powers of research and the ability to study an object with many dimensions and reach an integrative interpretation (Ghauri & Grønhaug 2005). Case studies are often descriptive in nature and are both explanatory and exploratory (Ghauri & Grønhaug 2005). Case study research is particularly useful when the phenomenon under investigation is difficult to study outside its natural settings and when the variables and concepts examined are difficult to quantify (Depoy & Gitlin 1998). In this situation, there

are numerous variables to be considered, which renders an experiment or survey method inappropriate (Depoy & Gitlin 1998; Ghauri & Grønhaug 2005).

Case studies enable the researcher to examine social processes as they emerge within an organisation or country. These situations or scenarios can be explored in depth to comprehend and understand the situation as it unfolds within an organisation or country. An example is how the public sector in Canada attempts to promote socioeconomic objectives in government departments and agencies. To understand this phenomenon as it unfolds, it would be appropriate to undertake a single case analysis. Thus, the single case study research method was used in this study to examine whether the public procurement policies of the Government of Canada have enhanced the achievement of social development objectives, particularly for the disadvantaged minority groups, through procurement procedures. Yin (1989) also stated that an exemplary case study occurs when the individual case is of general interest to the public and/or the underlying issues are nationally important in policy terms. These both apply to this case study. The inclusion of social services through the concept of public procurement is a very current issue and will have strong policy implications for both the public sector/industry and marginalised groups (the Aboriginal community, women, people with disabilities and visible minorities) in Canada. As Gerring (2006) noted, a case study should be the study of a single unit, such as a nation state. Thus, the current study selected the nation state of Canada to examine the inclusion of social services through the concept of public procurement.

While Gerring (2006) referred to a single unit of analysis, attention is now being given to sub-units. This indicates the difference between what Yin (2003) referred to as a 'holistic' case design, with a single unit of analysis, and an 'embedded' case design, with multiple units of analysis. For example, the former would only study the overall nature of a particular government department or agency, whereas the latter would study the specific policies of these government departments. The unit of analysis is considered an important element in case study research. Tellis (1997) and Creswell (2009) demonstrated that this unit of analysis is a method of action and does not specifically refer to a particular individual or group of individuals. This study used the 'embedded' single case design with two subsets. For example, in this study, the unit of analysis was the government departments based in Canada (Ontario and Quebec), while the subsets were the two specific policies implemented by the federal government departments with regard to the inclusion of social services through the concept of public procurement.

4.4.1. Limitations of Case Study Method

It is generally understood that writing a case study research project is a much more difficult and tedious task than working with other research methods (Yin 1994). The main reason is because the data collection procedures for case study research are not rigid and routinised (Yin 1994). Sometimes, a researcher is called upon not only to undertake case study research, but also to constantly manage the smooth flow between the theoretical issues being addressed in the study and the data being collected (Hurrell, Hussain-Khaliq & Tennyson 2005). This practice ensures that the researcher can take advantage of any unexpected opportunities and ensure sufficient care is exercised against potential biases (Hurrell, Hussain-Khaliq & Tennyson 2005). It would be challenging for the researcher to engage in data collection procedures if mechanisms and processes were not in place and it would be a difficult task to try and capture this data at a subsequent stage (Hurrell, Hussain-Khaliq & Tennyson 2005). Sometimes, staff members in an organisation can move on and it becomes difficult to obtain information that occurred during their time in office (Hurrell, Hussain-Khaliq & Tennyson 2005). This situation can be a major challenge for a researcher, as it is difficult to rebuild history. This situation can arise if key staff members within an organisation have moved on and cannot give an account of their knowledge and information prior to leaving the organisation.

The second challenge faced by the researcher was the test of time limitations. Primary data collection for this study commenced in 2014 (September) and continued until the end of 2015. The researcher found it difficult to complete the data collection within the given timeframe. For example, the researcher could not complete the data collection during the given timeframe and had to continue the process after returning back to base in Australia. The researcher had to wake at 4.00 am in the morning (Australian time) to account for time zone differences to conduct telephone interviews with the Canadian officials from the relevant government departments and agencies. When the given timeframe is restricted, it can affect how much information the researcher can obtain from the key stakeholders (Yin 1994). This is applicable to case study researchers who have little knowledge about partnerships, missions and activities of key stakeholders/respondents. In other words it is applicable to case study writers who have little knowledge about the role of key stakeholders (Yin 1994). This scenario will place restrictions on time for the case study researcher, who will have to gather more data to capture the partnering process (Hurrell, Hussain-Khaliq & Tennyson 2005). Meanwhile, the partners and stakeholders may not perceive the data collection process as a matter of urgency, as they may have other work commitments and cannot offer their time (Hurrell, Hussain-Khaliq & Tennyson 2005).

4.5. Potential Challenges in Collecting Data

Given the challenges associated with collecting data in the public sector in a foreign country, the researcher initially conducted pre-interviews with the respondents from federal government departments in Ontario and Quebec, before travelling to Canada. In this manner, the researcher established rapport with the respondents before the real interviews were conducted. To do so, the researcher first identified the publicly listed telephone numbers and email addresses of officials, whose positions were then identified through government agencies and websites. The researcher then communicated with the respondents and explained the objectives of the research study. The interview questions were forwarded to the interviewees, giving them an opportunity to view and comment on the interview script if they were interested. The researcher also informed them that their responses to the interview questions would be confidential. The researcher scheduled prior appointments before travelling to Canada, and face-to-face meetings were arranged.

4.6. Case Site Selection and Participants

The function of procurement is centrally handled by the department of PSPC based in the province of Quebec. The objective of PSPC is to meet the government's goal to manage public funds efficiently and effectively and enhance value for money for the goods and services bought by the government. The accredited purchasing units and policy planning units of PSPC were considered important for this study. Likewise, the researcher targeted the accredited purchasing units and policy planning units of the government departments listed in Figure 4.1, based in Ontario/Ottawa and Quebec, Canada. Initially, the candidature proposal of the researcher catered for examination of the social policies implemented through the concept of public procurement by PSPC and the federal government departments and agencies based in Ontario/Ottawa and Quebec.

1. Employment and Social Development Canada
2. Infrastructure Canada
3. Industry Canada
4. INAC
5. Environment Canada

Figure 4.1: Sample of Government Departments and Agencies

Apart from PSPC, the other government departments and agencies were purposefully selected from a list of government departments because of strategic moves made by these agencies to promote social objectives through the public procurement process.

4.7. Sampling Strategy

Non-probability sampling techniques—such as purposeful, snowball and convenience sampling—have been widely used in qualitative studies over the last two decades (Veal 2005). This study employed both purposeful and snowball sampling to adapt to the circumstances of the selected government organisations, such as PSPC. Before proceeding any further, it is best to understand the definitions of both purposeful and snowball sampling. A non-probability sample that conforms to certain criteria is called purposive sampling (Cooper & Schindler 2014). There are two major types: judgement and quota sampling (Veal 2005). Judgement sampling occurs when a researcher selects sample members to conform to some criterion (Cooper & Schindler 2014). ‘Many qualitative research scholars also question the viability of holistically synthesizing a large number of qualitative reports (Suri 2011, p. 66). ‘These qualitative scholars recommend that an in-depth synthesis of purposefully selected studies is more desirable than a superficial synthesis of a large number of studies’ (Bondas & Hall 2007; Booth 2001; Jones 2004; Noblit & Hare 1988; Pawson et al. 2005; Suri 2011).

When using purposeful sampling, the researcher purposefully selects a group of subjects according to one or more key variables of the research study. While a variety of subjects may be necessary to explore the effects of the key variables, it may also be used to support a claim for a degree of representativeness (Veal 2005). For example, the researcher purposefully selected the accredited purchasing unit and policy planning unit of PSPC/PWGSC as a sample for this research study. Quota sampling is the second type of purposive sampling, which is mainly used to improve representativeness, but was not used in this study (Cooper & Schindler 2014).

The researcher also used snowball sampling in this study. As stated by Cooper and Schindler (2014), snowball sampling involves seeking information from key informants about details of other information rich-cases in the field. The chain of recommended informants would typically diverge initially, as many possible sources are recommended, and then converge as a few key names are mentioned over and over (Patton 2002, p.

237). Through snowball sampling, participants are recruited by asking individuals to refer those they know, and these individuals in turn refer those they know. The sampling continues until the target sample size is obtained. This method has been widely used. With this approach, the researcher makes initial contact with a small group of people who are relevant to the research topic, and then uses these to establish contacts with others (Patton 2002). In this study, the researcher used snowball sampling after the initial contact with PSPC was established. A snowball sample is in no sense random because there is no way of knowing the precise extent of the population from which the sample is to be taken (Cooper & Schindler 2014).

Snowball sampling was necessary to gain access to the senior advisors from the respective ministries based in Toronto, and was also used to gain access to the relevant directors and director generals based in Ontario and Gatineau Quebec. The senior advisors based in Gatineau, Quebec, were responsible for policy implementation, while the director generals based in Ottawa were responsible for various aspects of procurement, such as services and specialised acquisitions management.

4.8. Methods and Sources of Primary Data Collection

This study used the triangular method of data collection. The use of the multiple method or triangulation reflects a good understanding of the phenomena in question. Denzin and Lincoln (2005) and Tharenou, Donohue and Cooper (2007) demonstrated that triangulation increases the reliability and validity of the construct measured, irrespective of whether it is a qualitative or quantitative methodology. The triangular method studies a single phenomenon from different perspectives, complementing each individual method. This research study connected the secondary sources of data, such as documentation, with the in-depth primary sources of data obtained from the interviews conducted with key officials from the Canadian Government departments.

4.9. Triangulation

Case study is also known as a triangulated research strategy. Snow and Anderson (1991) asserted that triangulation can occur with data, investigation theories and even methodologies. Richards (2005), Yin (2009) and Stake (1995) noted that the protocols used to ensure accuracy and alternative explanations are called triangulation. As aforementioned, the need for triangulation arises from the ethical need to confirm the validity of the processes (Richards 2005). The main purpose of the case study is to establish meaning, and this research study endeavoured to achieve this. A combination

of multiple methods and empirical materials is best understood as a strategy that adds rigour, breadth and richness to any research problem.

All data collection methods have biases associated with them; therefore, collecting data from multiple sources lends rigour to the research study (Cavana, Delahaye & Sekeran 2001). For example, if the responses obtained through the primary sources (interviews) with the government departments in Canada, and the study of the secondary sources of data (such as the information obtained from documentation) strongly correlate with each other, there is a good chance of obtaining valid and reliable information. The researcher endeavoured to fulfil this objective in this research study. High correlations of data obtained on the same variable from different data collection methods lend more credibility to the research problem (Cavana, Delahaye & Sekeran 2001).

However, there are limitations associated with the multiple method of data collection. First, it is very time consuming (Kumar 1999) and the researcher must spend considerable time becoming acquainted with different methods. Second, these multiple methods can be costly (Kumar 1999), as proved the case in this study, as the researcher had to travel to Canada to conduct the interviews and gain access to the secondary documentation.

Having observed some of the potential limitations of the multiple method of data collection, this chapter will now consider the data collection methods, outlining the benefits and weaknesses associated with them, and examining how this study overcame the issues relating to these methods.

4.10. Semi-structured Interviews with Key Informants

Qualitative data are not numerical in nature and focus more on reasoning and gaining insights about a particular circumstance or situation (Cooper & Schindler 2014). Qualitative data go deeper in terms of research and cannot be measured (Hesse-Biber & Leavy 2003). Qualitative data are obtained by using a variety of methods, such as unstructured and semi-structured interviews (Cooper & Schindler 2014). Other methods—such as document analysis, archival analysis, participant observation and focus groups (Hesse-Biber & Leavy 2003)—can also be used. This study used both primary and secondary methods of data collection. For the primary methods of data

collection, in-depth semi-structured interviews were used, while document analysis was used for secondary data collection.

Tharenou, Donohue and Cooper (2007) stated that interviews study perceptions of processes and try to gain historical accounts; however, in this study, interview was used as the primary method of data collection, since very little is known about the topic. Thus, the interview in itself is a means of data collection (Tharenou, Donohue & Cooper 2007). The overall aim of the research interviews is to elicit the interviewees' information (such as their thoughts and feelings) about a topic, and the researcher seeks to see the topic from the perspective of the interviewee and understand "how and why he r she came to have this particular perspective" (King 1994, p. 14).

Given that this study used semi-structured interviews with key informants from PSPC and other government departments and agencies, it is necessary to understand what exactly is meant by semi-structured interviews. Crabtree and Miller (1992) and Creswell (2009) defined semi-structured interviews as focused or in-depth interviews that explore a particular topic. There are three major advantages associated with the use of semi-structured interviews. First, it is possible for the researcher to establish a close and harmonious relationship with the respondents, leading to creation of interest in the particular research topic (Patton 2002). Second, if the respondents experience any measure of discomfort, it is easy for the interviewee to detect it rapidly and take measures to rectify the situation (Cavana, Delahaye & Sekeran 2001). Third, during a face-to-face interview, it is possible for the researcher to discuss any doubts the respondents may have with regard to the research project to ensure respondents understand and answer the questions properly (Cavana, Delahaye & Sekeran 2001).

Table 4.1: In-depth Interviews with Key Informants of Canadian Government Departments

Government department	Division	Officials interviewed
1. Employment and Social Development Canada	Labour Program, Quebec	One acting director, Labour Program
2. Infrastructure Canada	Procurement Division, Toronto	One material manager
3. Industry Canada	Procurement Division, Toronto	One material manager
4. INAC	Policy and Promotion Implementation Branch, Gatineau, Quebec	1. Senior advisor of Implementation Planning, Policy and Promotion, Implementation Branch 2. Advisor to INAC

		3. Research officer/project coordinator
5. Environment Canada	Procurement Division, Toronto	One material manager
6. PSPC (formerly known as PWGSC)	Acquisitions Branch, Quebec	1. Senior director of Policy Risk Integrity and Strategic Management Sector 2. Senior policy analyst
PSPC	Policy Advice and Aboriginal Considerations/Acquisition Program Policy Directorate, Quebec	1. Senior policy analyst, Policy Risk Integrity and Strategic Management Sector 2. Senior policy analyst
PSPC	Acquisitions Branch, Gatineau	1. Director of business analytics 2. Manager of business analytics
PSPC	Office of Small and Medium Enterprises, Toronto	1. Director
PSPC	Strategy Policy Management and Interpretation Division, Quebec	1. Associate director

Table 4.1 provides information on the study respondents and their designations, roles and demographics. In-depth semi-structured interviews were conducted with the officials handling procurement practices in PSPC and other government departments. The researcher conducted a total of 15 interviews from PSPC and other government departments, until saturation was reached. The 15 in-depth interviews conducted were across both cases (subsets). The discussion evolved around the inclusion of social policy in the procurement process. The interview process was conducted with two groups—one set of interview questions for the PSPC officials, and another set of interview questions for the other government agency officials. The interview questions for the first group consisted of 13 questions, while the interview questions for the second group consisted of 10 questions (see Appendices 1 and 2). The officials from PSPC were interviewed mainly because this group has ultimate responsibility for the inclusion of social policy in Canada. The in-depth interviews lasted for approximately two hours. The questions were open-ended and established a vast territory to be explored. Research goals were explained at the start of each session and ground rules about respect and confidentiality were established. There was a period of unstructured time at the end of each session that provided opportunity for participants to talk freely, ask questions and debrief. Although there were many material managers and procurement officers working within these government departments, their knowledge about the inclusion of social policy through the procurement process was very limited. It seems to be an initiative that is promoted only through government initiatives, with nothing done to educate the

officials handling the procurement process. This is discussed in more detail in the findings section in Chapter 5.

There are some weaknesses that may be associated with the use of the semi-structured interview method of data collection. This method is very time consuming and costly when a vast geographic region or country, such as Canada, is covered (Patton 2002). This limitation was overcome in this study by narrowing the study to the provinces of Ontario and Quebec. Moreover, the respondents may be concerned about the confidentiality of information given to the interviewee (Kumar 1999). This problem was addressed in the study specifically by outlining in the explanatory statement that the responses to the interview questions would be treated as confidential (this study was conducted with Victoria University ethics approval, as explained in Section 4.13 on ethical considerations). The transcripts had a code and the names of the respondents were not written on the transcript, so they could not be identified by name.

Further, this method may be limited by bias. According to Tharenou, Donohue and Cooper (2007), bias may come from the interviewer or interviewee. Bias refers to errors or inaccuracies in the data collected (Sekaran 1992). However, it is unlikely that this would be a problem, since this study used the multiple method of data collection (both primary and secondary data collection sources). The multiple method of data collection increases reliability because it uses a number of ways to measure the same construct. An example of interviewer bias is differences in questioning methods and the interpretation of responses (Cavana, Delahaye & Sekaran 2001). This limitation was overcome because there were three researchers involved in this study (the student and two supervisors).

4.11. Secondary Data Collection

Case studies usually involve documentation as part of their overall research design. When the information required is already available, such as government databases, publications, reports and previous research, this can be categorised as secondary sources of data. Secondary data are already collected, so they do not involve active intervention, such as interviews or questionnaires (Tharenou, Donohue & Cooper 2007). Secondary data in this study were used for the triangulation of data and, according to Forster (1994), this helps counteract the biases of other methods and supplement existing sources of information.

4.11.1. Documentation

To answer RQ 1, secondary data were collected to complement the interviews conducted with the procurement officers. The two social policies examined in this study were the FCP and PSAB in Canada, which address the consequences of past discriminatory policies and practices. Both the FCP and PSAB promote, support and enhance employment equity for four designated groups (women, Aboriginal peoples, persons with disabilities and members of the visible minority). Secondary data were initially obtained from administrative databases, such as the Statistics Canada Research database (Survey Studies) and Labour Program database (Labour Force Survey and Survey of Labour and Income Dynamics). Data were also obtained from the 2016 Census database, as this provides information about the demographic, social and economic characteristics and is the most reliable data source for the four designated groups (women, Aboriginal peoples, people with disabilities and members of the visible minority). Groups were designated under the FCP because they were disadvantaged in the labour market. Disadvantage was characterised and analysed by:

- levels of employment
- lower wage levels
- underrepresentation in a given workforce
- concentration in lower levels of occupational groups.

The descriptive data analysis focused on data captured from 2007 to 2019, and examined changes in representation rates for the four designated groups (women, Aboriginal peoples, persons with disabilities and members of visible minorities) and the consequences they will have for targeted procurement in Ontario and Quebec.

Secondary data were collected and used to evaluate the second social policy—the PSAB. The PSAB's main objective is 'to assist Aboriginal business development by increasing Aboriginal business participation in the award of contracts by federal departments and agencies' (INAC 2017). The PSAB applies to all federal departments and agencies under the *Financial Administration Act* (INAC 2017). The researcher accessed the PSPC/PWGSC database to examine and evaluate registered Aboriginal contractors and suppliers, and identified the percentage of contracts awarded under the PSAB to Aboriginal firms and non-PSAB firms from 2007 to 2019. Successful contracts awarded under the PSAB were extracted from this database from 2007 to 2019. PSPC (2019) has a database generated by their Acquisition Information System of all contracts (both set-asides and open competition) awarded by the department to Aboriginal firms since the inception of the PSAB in 1996. This database includes the names, locations, industry sectors and sizes (number of employees) of the firms awarded these contracts;

the dates and dollar values of the contracts; and the department on whose behalf each contract was awarded (PSPC 2019).

The documentation collected by the researcher provided an inside look at a given situation or circumstance that generally cannot be observed directly (Patton 2002). Getting an inside look at a given situation could be beneficial to the researcher (Patton 2002). The main disadvantage of this method of data collection is that the researcher cannot consider this the only method of data collection, as the reliability and validity could vary from source to source (Kumar 1999). This limitation was overcome by the researcher, as more than one method of data collection was used in the study.

4.12. Data Analysis Procedures

Subsequent to the collection of primary data, the researcher was required to make sense of the data. In the analysis of qualitative data (primary data derived from the interviews), the data must be condensed and conclusions drawn from the content (Lee 1999). Once the data were collected, the researcher used the software package QSR NVivo 10 to find meaning in the unstructured data. QSR NVivo 10 helped the researcher manage, query, visualise and obtain reports from the data. There is also a widely held perception that the use of a computer helps ensure rigour in the analysis process, and helps organise and keep track of the many messy records that go into making a qualitative project (Richards 2005). These data might include not only raw data files from interviews and secondary sources, but also published research, such as literature reviews. For the analysis of primary data, the researcher developed a thorough understanding of the data collected from interviews by using descriptive, topic and analytical coding, as explained in the following paragraphs.

All qualitative scholars code to get past the data record to a theme (Tharenou, Donohue & Cooper 2007). Thus, to interpret and obtain a thorough understanding of the data collected from PWGSC/PSPC and the government departments/agencies, the researcher used 'descriptive, topic and analytical' coding. Most studies use all three approaches, two of which are qualitative, in the sense that they are interpretative processes, and researchers are helped by seeing them as very different tasks using different tools for different purposes (Richards 2005). Descriptive coding involves storage of information that describes a case, and every qualitative project requires this kind of information (Richards 2005). Topic coding allocates passages to topics. Topic coding proved useful for this study, as this study examined the implications of the two policies of FCP and PSAB, which support and enhance employment equity for four designated groups (women, Aboriginal peoples, persons with disabilities and members

of visible minorities) through the procurement process. Topic coding usually involves very little interpretation and simply placing the data where they belong as 'a sort of data disposal' (Richards 2005, p. 92). Analytical coding here refers to coding that comes from interpretation and, of the three types of coding, it is the most difficult and most rewarding (Richards 2005). Analytical coding proved very useful for this study, as it helped identify themes and frequencies in the data.

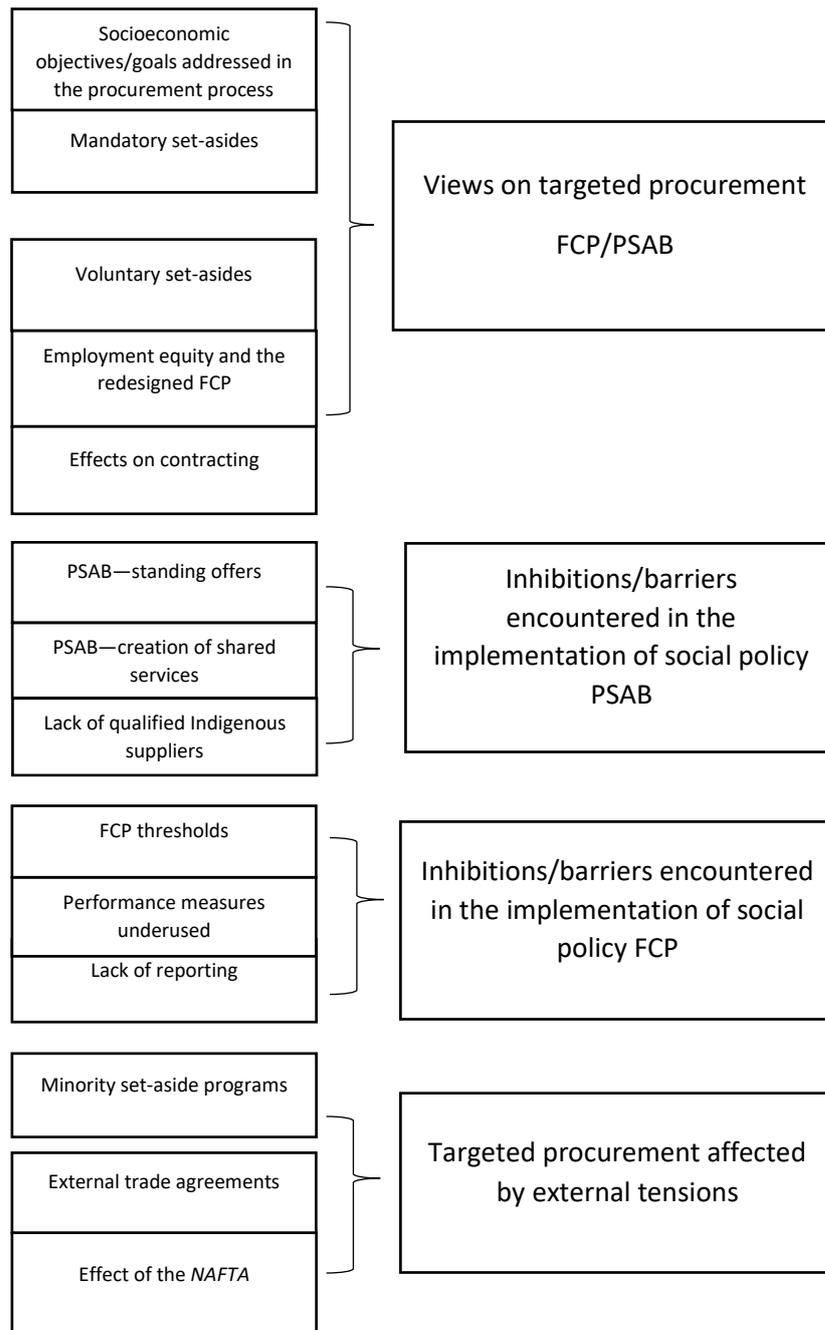


Figure 4.2: Structure of Coding

Figure 4.2 indicates the structure of coding used for this study. The deductive codes were linked to the research questions and to the study's conceptual framework. After two rounds of coding, 14 categories were established, and four main themes emerged from these codes, as follows:

- views on targeted procurement (FCP/PSAB)
- inhibitions/barriers encountered in the implementation of PSAB social policy
- inhibitions/barriers encountered in the implementation of FCP social policy

- targeted procurement affected by external tensions.

Each of the above emerging themes from the coding will be analysed and discussed in detail in the next chapter (Chapter 5).

4.13. Ethical Considerations

Kumar (1999) demonstrated that ethical issues in research can be examined as they relate to participants, researchers and sponsoring organisations. With regard to participants, ethical considerations are concerned with collecting information, seeking consent, providing incentives, seeking sensitive information, maintaining confidentiality and the possibility of causing harm to participants (Kumar 1999, p. 196). Ethics are norms or standards of behaviour that guide moral choices about our behaviour and our relationship with others.

In accordance with Victoria University guidelines and regulations, the researcher sought clearance from the Victoria University Human Research Ethics Committee. Given that data collection for this study was undertaken in Canada, the Victoria University Human Research Ethics Committee, after reviewing the research proposal, advised the researcher to obtain approval from a person or agency authorised to approve the proposed interviews, together with the undertaking that the names of the persons interviewed would not be made public. The researcher, in collaboration with her supervisor, then sent a letter to the relevant authorities (see Appendix 3).

The ethics application was approved by the Victoria University Human Research Ethics Committee (ethics application number HRE14-104) before data collection commenced. The participants were then initially provided with an explanatory statement that briefly described the objective and purpose of the research study. If they consented to participate in the research, they were required to issue a letter of permission to be interviewed and were informed that the meeting would be audiotaped. According to Cooper and Schindler (2014), research must be designed in such a way that a participant does not suffer physical harm, pain, discomfort, loss of privacy or embarrassment. In this study, participants were assured there were no foreseeable risks of harm or side-effects for them. Participants were also informed that there was no financial payment, reward or otherwise offered for participation, and they were free to withdraw from the study at any time.

Appointments were set up with the participants whenever mutually convenient, and lasted approximately one hour. The interview questions were forwarded to the

participants before the interview, so they could view and comment on the interview script if interested. The participants were also assured that the responses to the interview questions would be treated as confidential. They were given the assurance that the interview script would have a code and that their names would not be written on the interview script, so they could not be identified by name. The issues of anonymity and confidentiality raise particular difficulties for many forms of qualitative research, where particular care must be taken with regard to the possible identification of participants' organisations (Ryman & Bell 2011). The researcher could not complete the data collection during the given timeframe, and had to return to Australia and continue with telephone interviews. This proved extremely difficult because of the time difference between Canada and Australia.

The participants were also informed that the information would be stored in a secure and locked cabinet at the College of Business, Victoria University, and only the researcher and her supervisors would have access to this information. The participants were informed that the results of this study would be coded, aggregated and written as a thesis, and that they were free to request any information collected about this research study. They were also informed that access to the audio recording would only be available to the researcher and her supervisors. The participants were informed that, when the project was written, the information would be stored for at least five years, as prescribed by the university regulations. They were also informed that the results of this study could be presented at a conference or published in a journal.

4.14. Conclusion

This chapter has presented the research design and justification for the use of the methodology. The exploratory case study was initially examined as the predominant research method, along with its significance to the study. The reasons for the case site selection and sampling strategy were also discussed. The method of data collection was examined, along with its benefits and weaknesses. Each individual method of data collection was explored in depth. The limitations of these methods of data collection in relation to the study were addressed. The use of triangulation as a technique that increases the accuracy of information was also discussed. Data analysis procedures were presented and the structure of coding used for this study was discussed. The themes emerging from the coding were presented in the research methodology and will be discussed in more detail and depth in the next chapter. Finally, the study's ethical considerations and procedures followed were described.

CHAPTER 5: FINDINGS

5.1. Introduction

The previous chapter outlined the research design and explained the methods used in this study. Chapter 4 explained the chosen research paradigm and provided the rationale for selecting the federal government departments based in Canada. This chapter discusses the findings for the two policies/programs implemented by the federal government departments. Importantly, this chapter focuses on the themes that emerged from the coding. The emerging themes relate to the following: the views held by the senior officials in relation to promoting socioeconomic objectives in their respective government departments, the inhibitions and barriers encountered by the officials in the implementation of the FCP and PSAB, and the way targeted procurement is affected by external tensions.

The interviews were semi-structured and allowed government officials to develop on predefined questions. The respondents were selected from a sample of government departments and PWGSC. The material managers interviewed from the respective ministries were based in Toronto, while the directors, senior advisors and director generals were based in Ottawa and Gatineau in Quebec. The senior advisors based in Gatineau were responsible for policy implementation, while the director generals based in Toronto and Ottawa were responsible for various aspects of procurement, such as services and specialised acquisitions management.

The structure of this chapter is as follows. Section 5.2 discusses the first theme in relation to the views held by the senior officials of the government departments on targeted procurement for both the FCP and PSAB. The first theme addresses RQ 1. Section 5.3 discusses the second and third theme in relation to the prevalent enablers and constraints in the promotion of socioeconomic objectives for both policies. Section 5.4 then presents the fourth theme in relation to the external tensions arising from the pursuit of socioeconomic objectives in Canada. Themes 2 and 3 address RQ 2, and Theme 4 addresses RQ 3. Section 5.5 presents the conclusion to this chapter.

5.2. Views on Targeted Public Procurement in Promoting Socioeconomic Objectives

The PSAB targets Indigenous suppliers and businesses and is overseen by the department of INAC (2017). The PSAB was a policy initiated by the Canadian

Government to assist Aboriginal businesses to tender for and win federal contracts (INAC 2017). This was confirmed by the director general of PSPC:

Yes, we, unlike the United States of America, have some socioeconomic programs. In Canada, we have only a few of them, and one of them was approved by the Cabinet and the Parliament. This is a program for Aboriginal businesses and is called the set-aside program. And what this program does is that it segregates procurement and opens up competition strictly to Aboriginal firms.

The PSAB is straightforward and makes it easier for the Canadian Government and Aboriginal suppliers to undertake business transactions with each other. For example, some contracts are set apart for Aboriginal businesses. In bidding for these contracts, opportunities may arise for Aboriginal suppliers and businesses to compete with each other. There are two ways of tendering and winning federal contracts. The senior advisor of Implementation Policy Planning and Promotion from the Indigenous and Northern Affairs Ministry outlined the two ways of tendering and winning contracts:

there is what you call the mandatory set-aside and voluntary set-aside program, so where does the mandatory set-aside come in? Any government department that is procuring a product or service that goes into Aboriginal communities has to procure goods from Aboriginal businesses. So that is to promote economic development for Aboriginal business communities.

Mandatory set-asides are compulsory when government contracts for goods, services and construction are valued at more than CA\$5,000 and delivered to a territory or neighbourhood in which the Aboriginal community constitute at least 80% of the populace (INAC 2017). Senior advisor of INAC outlined that in contrast

The set-aside is voluntary when departments choose to set aside the procurement if the budget calls for one. Or say, for example, Human Resources and Skills Development Canada say that their procurement for a year is about \$5 million (just an estimate), they can set aside \$1 million as a voluntary set-aside or even \$2 million. So it depends on what the department wants or its requirements in order to promote Aboriginal businesses, so that is one of the key programs that we have within federal government as a set-aside program geared towards socioeconomic development.

Voluntary set-asides are when government departments and agencies can voluntarily set aside procurement openings or opportunities for Aboriginal suppliers and businesses if and when they satisfy the public procurement principles of value for money, transparency, accountability, probity and so forth. The Aboriginal community, when bidding for federal contracts, will need to provide assurance about their capability to implement and manage these contracts (INAC, 2017).

As posited in the literature review, the PSAB promotes subcontracting to Aboriginal suppliers and encourages them to establish joint ventures with either Aboriginal or non-Aboriginal businesses. The PSAB coordinators network was created in 2009 by AANDC. The main reason for establishing the coordinators network was to promote practical and concrete relationships with federal departments and agencies (INAC 2017). The PSAB coordinators network is required to work with officials handling procurement processes within their departments and agencies (INAC 2017). At the beginning of every year, government departments and agencies add PSAB targets as a percentage to their budgets (INAC 2010). To promote economic prosperity to the Aboriginal community, AANDC set the PSAB targets at 2% of total governmental spending. For example, in 2015, it was mandatory that at least 2% of all procurement expenditure was spent purchasing goods or services from Aboriginal suppliers or businesses (INAC 2017). The PSAB is applicable to all federal government departments and agencies. The federal Crown corporations are also encouraged to adopt similar strategies to build up the sum total of contracting they undertake with Aboriginal firms. The PSAB is required because the government acknowledges that Aboriginal businesses are underrepresented and struggle to pursue and win contracts from the federal government. The federal government hopes that the PSAB will address this problem by encouraging Aboriginal businesses to actively participate in the centralised procurement process. This would result in Aboriginal businesses creating more jobs not only for Aboriginal communities, but also for non-Aboriginal people, thereby eventually strengthening Canadian local economies (INAC, 2014).

Set-asides reserving a fraction of government procurement spending for a limited group of contenders could be an important mechanism to boost Aboriginal, minority and SME involvement in bidding for government procurement contracts (INAC 2017). The benefit of this decision is that it provides the quickest possible way of gaining entry into federal procurement (INAC 2017). However, this decision could also result in compromising on the price, quality and delivery targets, as Aboriginal suppliers may be less resourceful than larger companies. Minority involvement and participation in central government procurement has improved in Canada under the set-aside program (INAC 2017). The

set-aside program has been responsible for the increase in central government procurement. Thus, the program is recognised widely, even by its opponents, for achieving part of its policy objectives (INAC 2017). However, the Canadian Government must be watchful of how these minority set-aside programs can sometimes be designed to meet political ends, and thus become increasingly politicised. The dispute surrounding the PSAB, including how to transform it, could be centred more on political and not economic issues, as discussed in greater depth towards the end of this chapter. The set-aside program then grows beyond the control of its creators. This is a powerful lesson for Canadian governments to consider when dealing with set-aside programs (McCrudden, 2007).

5.2.1. Views on Targeted Public Procurement in Promoting Socioeconomic Objectives in Federal Contractors Program

The second vehicle for achieving social justice through the concept of public procurement is the FCP. The *Canadian Human Rights Act 1978* permitted the federal government to enact a regulation necessitating that any contract or grant should contain regulations prohibiting discrimination (McCrudden 2007). Employers conducting business (procurement) with the national government were obligated to implement employment equity measures to ensure that the disadvantaged categories attained employment representation in the workforce (Fee & Erridge 2001).

In 1985, the Parliament of Canada asked the Standing Committee on Justice and Legal Affairs to report on equality rights in the *Charter of Rights and Freedom* (Boyer 1985). The committee recommended the legislation and called for contract compliance at the national/federal level to be acknowledged (Boyer 1985). The *Employment Equity Act* was enacted in 1998 (McCrudden 2007). The main objective of the Act was to establish employment equality workplaces, so that no person was deprived of employment opportunities for reasons not related to ability (McCrudden 2007). The *Employment Equity Act of 1986* illustrated the Brian Mulroney government's answer to rising political pressure to consider issues of employment discrimination in the federally regulated sector (McCrudden 2007). The Act committed resources to the growth of an administrative mechanism for the analysis, collection and distribution of statistical data on the representation of four designated categories—women, Aboriginal peoples, visible minorities and people with disabilities (McCrudden 2007). To accompany the legislation, the Canadian Government introduced the FCP, which came into effect on 1 September 1986. Although the two FCP and the PSAB programs operate separately, they share

similar objectives of securing fair representation throughout the Canadian labour market (Fee & Erridge 2001).

The FCP is applicable to provincially regulated employers or organisations that undertake business with the federal government, but are not under federal jurisdiction (Fee & Erridge 2001; McCrudden 2007). The FCP initially applied to provincially regulated employers with a nationwide resident labour force in Canada of 100 or more permanent full- or part-time employees that received federal government contracts of CA\$200,000 or more (Evaluation and Data Development 2002). As a condition for bidding on contracts, such contractors (domestic or foreign) were required to certify in writing their commitment to employment equity. According to the material manager of Infrastructure Canada:

The goal of the Employment Equity Act (EEA) is to attain equality so that no one is deprived of employment openings or benefits for reasons not related to their ability, and to identify situations or circumstances of disadvantage experienced by the four designated groups: women, Aboriginal peoples, persons with disabilities and members of the visible minorities.

Employment equity adds to economic prosperity by facilitating employers to take full advantage of Canada's increasingly diverse human capital through outreach and integration efforts.

Contractors who withdraw from the program or who fail to comply with the requirements might be unable to bid on future government contracts. The Labour Program is responsible for assessing compliance and for providing support and assistance to facilitate compliance and long-term results.

The objective of the FCP program was to ensure that suppliers of goods and services to the federal government achieved a fair and representative workforce for women, visible minorities, Aboriginal peoples and people with disabilities. This obligation extended beyond the end of the contract date (McCrudden 2007).

5.2.2. Redesigned Federal Contractors Program

On 27 June 2013, a new redesigned FCP was introduced, which included a rise in the contract threshold from CA\$200,000 to CA\$1 million to assist the government's commitment to curtail regulatory and red tape encumbrances for small to medium-sized employers (Agocs 2014). According to the acting director from Employment and Social Development Canada:

In June 2013, the Canadian Government confirmed its pledge to initiate employment equity as a socioeconomic objective by introducing a streamlined Federal Contractors Program (FCP). The redesigned model supports the government's promise of reducing regulatory red tape problems for small to medium-sized employers, as outlined in the Jobs, Growth and Long-term Prosperity Act (2012).

The increase in the threshold for the FCP does not affect the program in its structure, governance or accountability. The overarching objective of the program remains unchanged—i.e., to attain equality so that no person is deprived of employment openings for reasons that are not related to their abilities. The program seeks to ensure that contractors who receive large contracts with the government attain and maintain a workforce that represents the four designated categories in the Canadian workforce: women, Aboriginal peoples, persons with disabilities and members of the visible minorities. This requirement is ongoing and is not only subject to the duration of the contract, but forthcoming contracts in the future, as well.

The fact that the FCP threshold was increased to CA\$1 million could have negative consequences for the disadvantaged groups. Is social justice and inequality rapidly disappearing, indicating that the government is more sympathetic to big businesses, rather than focused on increasing the representation of the four selected groups (the visible minorities, people with disabilities, women and the Aboriginal community)? The government also indicates that the FCP program includes an assessment that concentrates on the attainment of results for small to medium-sized employers. The argument presented by the Canadian Government is that the FCP program enables suppliers to determine initiatives that best suit their organisations to attain employment equity objectives.

An organisation's arrangement to implement employment equity can be annulled without penalty, if the organisation refers a request to the Labour Department to withdraw because the number of employees has reduced to fewer than 100 and is unlikely to increase to 100 or more in the near future, the contractor has ceased to function because of insolvency or liquidation, or the contractor has concluded its operation (Government of Canada 2017, p. 1). The contractor or supplier is also accountable for custody of the workforce survey and for keeping it up to date (Government of Canada 2017). The contractor is also required to establish short-term and long-term numerical goals (Evaluation and Data Development 2002). Short-term numerical goals stretch for a

period of one to three years (Evaluation and Data Development 2002). When launching these objectives, the supplier or contractor needs to consider the degree of underrepresentation and the accessibility of suitably qualified group members within their organisation (Government of Canada 2017).

In launching long-term objectives, the contractor will need to consider the same factors as those deliberated when launching short-term numerical goals, as well as the consequences of the short-term goals (Government of Canada 2017). If a contractor withdraws from the FCP, this contractor cannot tender for federal government goods, services, construction contracts, standing offers or supply arrangements of any value (Evaluation Directorate, Strategic Policy and Research Branch 2012). To withdraw, the organisation sends a written appeal to the Labour Department (Agocs 2014). After receiving the request, the department directs an endorsement letter to the organisation and the organisation's name is included in the FCP 'Limited Eligibility to Bid List' (Evaluation Directorate, Strategic Policy and Research Branch 2012). Further, the contractor is given an employment equity number, which will be annulled, and all federal government departments will be instructed that the supplier is not qualified to tender or receive any federal goods, services, contracts, standing offers or supply arrangements of any value (Evaluation Directorate, Strategic Policy and Research Branch 2012). If a contractor is not compliant, they will be included in the 'Limited Eligibility to Bid List'. However, presently, there are no names on this list (Evaluation Directorate, Strategic Policy and Research Branch 2012).

If employment equity is implemented successfully, the major outcomes will be that equitable employment systems are developed, with systemic barriers removed for all employees, and equitable representation achieved in all occupations, including positions of authority. As outlined by the manager business analytics from Employment and Social Development Canada, based at the Quebec office:

The Labour Program is working with both federally regulated employers and provincially regulated businesses to remove barriers to employment experienced by the designated category—i.e., women, Aboriginal peoples, persons with disabilities and members of the visible minorities. The latest employment equity annual report shows that progress is being made, but more work needs to be done to improve representation.

If employment equity is implemented successfully within an organisation, it can lead to the creation of a positive, constructive and encouraging workplace culture for all employees of that organisation. Although this is not a formal objective of the FCP, this

can be considered one of the key outcomes resulting from the implementation of the FCP. It is noteworthy that such changes to the workplace culture are difficult to implement within a short timeframe and may take a number of years to implement, mainly because imposing workplace changes is sometimes very challenging (Evaluation Directorate, Strategic Policy and Research Branch 2012).

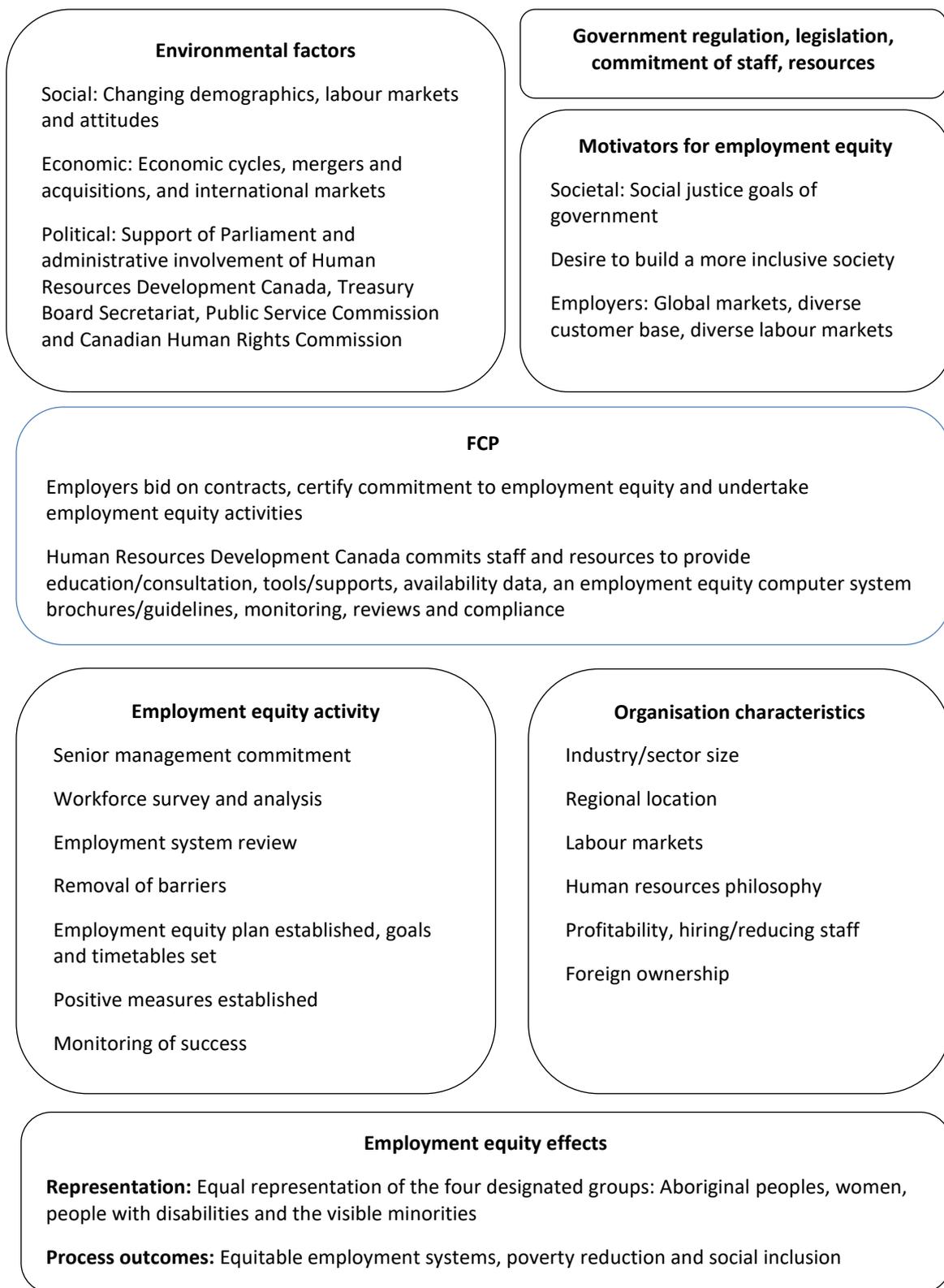


Figure 5.1: Conceptual Model of the FCP—Environments and Effects (Source: Adapted from Human Resources Development Canada, FCP Evaluation Report 2012)

The above figure 5.1 is a conceptual model of the FCP program including its environments and its effects. The environmental factors include the social elements like the changing demographics and labour markets. This conceptual model explains examples of employment equity activity such as senior management commitment, monitoring of success, employment systems review and workforce survey and analysis (Human Resources Development Canada, FCP Evaluation Report 2012). This is an example of how the current findings are aligning with existing knowledge with regard to employment equity and the FCP program.

5.2.3. Effects on Contracting

The findings from the primary data (interviews) indicated that FCP requirements were found to have no substantial effect on the tendering or bidding status of the federal government. It was also revealed that approximately 5% of FCP employers indicated that they never avoided bidding on federal contracts because of employment equity issues or other requirements. According to one interviewee: 'There are only 34 out of 800 businesses covered by FCP program that are said to have retreated from the program'. This indicates that this is not a serious problem, as previously envisaged.

Most of the firms that had withdrawn did not have any contracts with the central government and had indicated that the costs of a compliance assessment or review could not be justified. In accordance with Evaluation and Data Development (2002), employers who did not participate in the FCP were asked why they were not interested in bidding for federal government contracts. Approximately 63% indicated that they could not bid because they were unable to cater to the requirements of the federal government. Approximately 3.2% contractors indicated they did not want to bid because of regulations and red tape, while another 3% indicated that adherence to employment equity measures could be a hindrance (Evaluation and Data Development 2002).

These results suggest that the FCP could continue without adversely affecting government business undertakings in any way. Employment equity legislation in Canada has triggered much debate, and some interviewees felt that it did not improve the employment situation of the designated categories, while others felt that the Act was too bureaucratic and rigid, and that the procedures and mechanisms it imposed would prove onerous to employers. No material managers or director generals interviewed had much experience with the FCP.

5.3. Inhibitions in Achieving Social Development Objectives

PWGSC (2016, Section 3.40, p. 1) defines a standing offer as:

an offer from a supplier to Canada that allows the purchase of goods or services or a combination of goods and services, as and when requested during a specific period, through the use of a call-up process which incorporates the conditions and pricing of the standard offer ... This method of supply is used to satisfy requirements of departments and agencies for a specific period of time when precise details on expected quantities for the period are not known in advance.

Thus, many federal government departments and purchasing entities require that potential contractors bidding on contracts be prequalified.

5.3.1. Inhibitions for Public Services and Procurement Canada: Standing Offers

Government departments and agencies purchasing goods and services assess and evaluate the capability of firms to undertake and complete the tasks required, and only those contractors already prequalified can bid for tenders (Government of Canada 2017). As explained by the material manager of Infrastructure Canada

Standing offers are a procurement instrument. They are put in place when government departments think that there are too many clients that could buy the same good or service. This procedure is also known as “call up the client”.

When prequalification's are used for certain procurements by government departments and agencies, contractors are first required to submit an expression of interest outlining the details of their management, technical and financial capabilities (Government of Canada 2017). Only businesses that can meet these prequalification standards are able to submit a bid for the procurement for which the prequalification is being performed (Agocs 2014). Prequalification is so arduous and time consuming that many Aboriginal SMEs may be discouraged from participating in the procurement process. According to the director general (office of small and medium enterprises) PSPC

when you set up what you call standing offers or if a supplier is prequalified, this has a kind of negative impact on small and medium enterprises because these standing offers are set up for two or three years and they have a life of their own, so what happens within those two or three years is that small and medium enterprises cannot take part in the procurement process. And if they

did not succeed in being identified as a supplier in that standing offer, then they cannot participate in the interim—they have to wait until the standing offers are refreshed.

To encourage SMEs, it may be beneficial to abolish prequalification processes where they are not required, and use slightly different prequalification procedures at different levels of government or for different types of contracts. Larger and more complicated procurements require more extensive prequalification procedures, but smaller or less significant procurements may not require them at all (Evaluation and Data Development Canada 2002). Having similar qualification procedures for all sizes of contracts needlessly inflicts high transaction costs on all parties (Government of Canada 2017). When contracts have a low dollar value, few companies would be willing to bid, especially if there is an extensive prequalification process.

5.3.2. Creation of Shared Services Canada

The findings from the primary data revealed that the establishment of Shared Services Canada in 2011 had major consequences for the government’s PSAB, especially in the information technology (IT) sector. Since 2016, many government departments and agencies have observed major decreases in their annual budgets as Shared Services Canada has centralised and accepted responsibility for many of their tasks as well (Shared Services Canada 2017). According to the director analytics from PSPC

This is a new problem that we are facing, since there has been a drastic decline in our department’s annual budget. Though the creation of Shared Services Canada has attained economies of scale, Aboriginal IT companies have been affected.

Small and medium-sized Aboriginal IT companies have been more severely affected by the creation of Shared Services Canada. Prior to this scenario, Aboriginal IT companies supported departments’ technology requirements and, in doing so, indirectly supported their PSAB objectives as well. With the amalgamation of technology services, federal IT contracts have improved to allow Shared Services Canada to attain economies of scale. Most small Aboriginal IT companies do not have the skills and ability to qualify for most of these opportunities (INAC 2017).

Table 5.1: Departmental PSAB Spend

Department	2011 PSAB spend	2012 PSAB spend	% change
Department A	\$1,976,793	\$103,455	-95%

Department B	\$1,934,639	\$441,706	-77%
Department C	\$28,073	\$6,470	-77%
Department D	\$1,102,747	\$260,411	-76%
Department E	\$3,400,000	\$1,137,513	-67%
Department F	\$586,904	\$271,741	-54%
Department G	\$233,960	\$145,464	-38%
Department H	\$3,261,933	\$2,449,477	-25%
Department I	\$12,400,000	\$11,000,000	-11%
Total	\$24,925,049	\$15, 816,237	-37%

Source: Adapted from Statistics Canada (2011) (data released only in 2014).

In Table 5.1, the federal government departments have been listed as A, B, C and so on to conceal their identity. It is apparent from this table that government departments have been affected by this adjustment and decreased their PSAB spend. Departments missed their targets both in real dollar values and percentage of target from 2011 to 2012. The PSAB targets of six federal government departments decreased by more than 50%, including four whose spend decreased by more than 75%. When PSAB targets decrease, so does the actual spending of that particular government department. It is apparent that many government departments are now struggling to reach their PSAB targets. The Government of Canada has undergone a period of change and transformation. For example, there has been a change of direction with regard to some of the policies and practices implemented by outgoing governments. It is important for both outgoing and reigning governments to recognise the critical importance of achieving the PSAB targets for the benefit of all Aboriginal communities. A study piloted by the Senate Standing Committee on Aboriginal Peoples (2013) identified and recognised the PSAB's usefulness in creating worthwhile Aboriginal businesses and in assisting these Aboriginal firms to grow and diversify into other activities and markets (Standing Committee on Aboriginal Peoples 2013).

5.3.3. Lack of Qualified Aboriginal Suppliers

There was unanimous agreement among all those interviewed that the most important obstacle to the successful implementation of the PSAB was a dearth of competent Aboriginal contractors and suppliers. According to the INAC senior adviser of implementation planning, (policy and planning, implementation branch)

the other is the lack of credentials. So often the Aboriginal businesses have a very well-intentioned staff who sometimes do not meet the level of certification,

accreditation, licensing that we sometimes require for some services and, you know, I think there is a lot of frustration on their part because they do have staff that have well-developed mental propositions and just need to be able to work on a practicum to get the qualifications.

The interviewees also indicated that some contracts were being allocated to Aboriginal businesses who in reality did not meet the criteria. They reported inadequate management of the process used to certify suitably qualified Aboriginal contractors. Some of the challenges faced by Aboriginal businesses included language hurdles and the inability to write and submit bids capable of winning. Other barriers included the lack of experience in handling and managing government bids and meeting administrative and bid requirements. The senior advisor to the Indigenous Northern Affairs Canada reiterated

Well, on the Aboriginal side, the difficulty or the challenge that the Aboriginal businesses have is that they come from a very traditional background and their literacy skills are not as well developed as mainstream companies. So they often find themselves at a disadvantage in terms of responding to solicitations that have been written by officials in government departments, who often write with a lot of jargon. The smaller start-up businesses have to develop the skills of interpreting what it is that the bureaucrats are trying to say in our documents and at the same time develop the skills of answering in a way that will maximise their score, so that's a challenge.

Other obstacles to implementing the PSAB include that most Aboriginal firms do not have access to the current technology required to compete for tenders or bids issued by the federal government (INAC 2017). There is a lack of awareness of the current procurement practices in federal government departments (INAC 2017). MERX (the Canadian public tendering system) is the main channel for federal bidding, and most Aboriginal businesses operating in rural areas do not have suitable access to the internet; thus, larger Aboriginal businesses located near major towns or urban areas will reap most of the benefits of the PSAB (INAC 2017). Some Aboriginal businesses view the PSAB as a scheme that is favouring firms that are already well established, especially those in urban centres, and particularly those located in or near Ottawa (INAC 2010). Thus, the success of the PSAB cannot be measured only in terms of growing numbers and the value of tenders awarded to Aboriginal businesses. Increasing both the numbers and competencies of Aboriginal firms is essential if the main aims and purposes of the strategy are to be reached (INAC 2010). There is also a lack of a comprehensive

database of qualified Aboriginal contractors, which is another major weakness of the PSAB.

5.3.4. Inhibitions for Federal Contracts Program: Thresholds

The main problem considered with regard to implementing the FCP model was whether this model was consistent with its original intentions and efficient in its delivery. This question was considered carefully in terms of a range of issues, comprising the basic employment equity model and program parameters, such as the thresholds for coverage. An appraisal of the FCP model in April 2002 by Human Resources and Development Canada indicated that a modification in the thresholds particularly aimed at smaller businesses and bids/contracts was recommended by many stakeholders to better meet the employment equity needs of designated categories in less developed regions (Human Resources Development Canada 2002). The Associate Director, Strategy Policy Management and Interpretation Division/Quebec stated

the size of the FCP threshold could be decreased from 100 to 50 employees. Arguments for varying the size of the FCP threshold included the fact that many representatives of designated groups (Aboriginal community) attested that they were likely to be employed in small firms. They felt that smaller firms were more representative of the regions where they reside in, so that the 100 plus employees cut-off limited the reach of the program for them. For example, with the US platform, the original model for the FCP necessitates an affirmative action plan from employers with over 50 employees.

It is clear from the above discussion that the criteria for inclusion are very high from both perspectives—the perspective of the number of employees in a firm and the perspective of the value of the contract. This evaluation considered whether the FCP should continue to focus on smaller firms and employers with contracts worth at least CA\$200,000. In the US, for example, contractors with a single contract of US\$25,000 are included in their equity program (Evaluation and Data Development 2002). According to Weiner (2014), lowering either of the two Canadian criteria would mean that medium-sized and smaller employers would be included. Stakeholders, such as the designated categories, have debated whether the contract size cut-off should be lower to embrace more employers, with CA\$50,000 or CA\$100,000 levels being recommended (Government of Canada 2017). The argument of the designated categories is that these contracts would extend the FCP to reach more employers and provide more assistance to the designated categories. Additionally, the designated categories debated whether these

recommended changes to the number of employee's threshold would expand the regional coverage of the FCP (Evaluation and Data Development 2002).

In 2013, the new FCP threshold was increased to CA\$1 million, despite the recommendations provided in the April 2002 federal contractors evaluation report. This report recommended that the contract cut-off size should be lower to include more employers, with CA\$50,000 or CA\$100,000. The increase in the FCP threshold to CA\$1 million could perhaps be due to the fact that Canada was slipping into recession in 2013. Recent anaemic growth achieved around the world, including the US and Canada, rests on a precarious foundation and the forces undermining it are so numerous that it led Canada into a mild recession in 2013, as the economic imbalances that sparked the 2008 financial crisis remain largely unaddressed in both the US and Canada. Another factor is that, while renewed American optimism has not yet trickled northward, the anxiety that has resulted south of the border from prolonged economic turmoil is a major influence on Canada. In one of his last speeches as governor of the Bank of Canada, Mark Carney pointed out that goods, capital and ideas flow across borders as never before'. He suggested that the uncertainty surrounding the recovery of the US private and public sectors, and related financial challenges, inevitably influence decisions in Canada, given the interconnectedness of the two economies.

Therefore, the recession in Canada could have been one of the reasons for the Government of Canada to increase the FCP threshold from CA\$200,000 to \$1 million. The question is whether social policy is really promoted through the concept of procurement, or if it only favours big businesses. The fact that the FCP threshold was increased to CA\$1 million could also be an indicator that the government is more sympathetic to big businesses, rather than focusing on increasing the representation of the four designated groups (the visible minorities, people with disabilities, women and the Aboriginal community). Is the FCP really promoting employment equity or has it wavered from its original purpose and objectives?

5.3.5. Underused Performance Measures of Federal Contractors Program

Rather than imposing processes that would directly restrict employer practices, the only measure outlined in the *Employment Equity Act 1988* is a CA\$50,000 fine that can be imposed on employers who avoided the submission of annual statistical reports on the representativeness of their labour force to the central government (PWGSC 2016). The federal government called for compulsory statistical reporting from employers with regard to the composition of their workforce. They believed that this would improve federally regulated employers' awareness of workplace inequality and in turn such

awareness would result in more impartial employer practices (Evaluation Directorate, Strategic Policy and Research Branch 2012).

5.3.6. Lack of Reporting

Given the absence of reporting, there has been little evaluation of the FCP model. In its own report evaluating the FCP, HRSDC (2002) established that, although progress had been made in the representation of women and visible minorities (as a result of the revised *Employment Equity Act* in 1995), these developments have largely disappeared because of a decrease in resources for managing the FCP (Evaluation Directorate, Strategic Policy and Research Branch 2012). According to the director of analytics from PSPC:

‘We need to streamline the reporting process and put in place practices and procedures to monitor the FCP program’.

As outlined by the Evaluation Directorate, Strategic Policy and Research Branch (2012), there is no organisation answerable for appraising the components of an employer’s proposal to evaluate whether it satisfactorily addresses discrimination within the organisation. The *Employment Equity Act* seems to establish a correlation between data and the probability that businesses will be geared towards organisational change, if these organisations do not make an effort to monitor whether these procedures are actually occurring (Evaluation Directorate, Strategic Policy and Research Branch 2012). The legislation is also further affected by the nature of the reported statistics and data (Evaluation Directorate, Strategic Policy and Research Branch 2012). According to the director of analytics from the PSPC

Contractors subject to the Federal Contractors Program (FCP) do not report annually to the Labour Program. As such, there is insufficient data reported by contractors to perform the year-over-year aggregated analysis that is published in the Employment Equity Act Annual Report.

In general, the absence of reporting, together with a lack of monitoring of the FCP, could lead FCP employers to give less consideration to employment equity, resulting in the non-application of diversity procedures and practices within the organisation.

5.4. External Tensions from Pursuit of Socioeconomic Issues

Adherence to the NAFTA was a hindrance to the promotion of socioeconomic objectives. The 1994 to 1996 report of the NAFTA Government Procurement Working Group reported dissimilarities among parties with regard to affirmative action rules and policies

(Thorne, Ladly & Clarkson 2002). In Annex 10027 to the NAFTA, Canada and the US both acknowledged that Chapter 10 of the agreement is not applicable to procurement in relation to set-asides for small and minority business (NAFTA 2017). Concern was voiced at US programs and policies dealing with set-asides, and Mexico and the US indicated that they were apprehensive about an inadequate Canadian program for evolving Aboriginal contractors/businesses through government procurement (NAFTA 2017).

The NAFTA fosters increased trade among Mexico, Canada and the US. Chapter 10 of the NAFTA addresses government procurement policy and requires purchasing agencies to uphold fair, accountable, transparent and competitive techniques with regard to the qualification and selection of contractors, closing dates, documentation and award of contracts (NAFTA 2017). Procedures for the submission of bids need to be clear and well publicised, the bidding documentation needs to be direct and manageable, and the time restrictions for bidding need to be satisfactory (NAFTA 2017). The NAFTA also requires technical specifications to be based on performance criteria and cannot refer to explicit trademarks, patents, producers or service providers. Guidance cannot be accepted or obtained in the lead up to the planning of technical specifications from any person or contractor who may have a commercial interest in a particular procurement (NAFTA 2017; Thorne, Ladly & Clarkson 2002).

The NAFTA was required to increase the competitiveness and attractiveness of businesses in international markets; enhance trade in goods, services and construction; generate new employment openings; enhance the working and living conditions in specific territories; safeguard public wellbeing; enhance sustainable growth; and enforce and defend basic workers' rights (NAFTA 2017; Thorne, Ladly & Clarkson 2002). The NAFTA excludes the use of 'offsets' in procurements covered by Chapter 10. These offsets are contract stipulations that promote domestic growth within a country. As stated by the senior advisor to the Indigenous Northern Affairs Canada

For example though the NAFTA is narrow in focus it does allow set asides for small and minority businesses. So in other words, Chapter 10 of the NAFTA does not apply to set asides on behalf of small and minority businesses. If you take the PSAB program for instance, this is exempt from the NAFTA. If a procurement has been set aside under the PSAB it is not subject to the obligations of the trade agreement

The Government of Canada promotes offsets and mandatory set-asides. It has set-aside contracts for Aboriginal firms and implemented the PSAB in 1996 to assist

Aboriginal businesses to undertake more contracting with all federal departments and agencies (McCrudden 2004). The government set-asides reserve all procurements that serve the Aboriginal population and are valued at more than CA\$5,000 for competition among eligible Aboriginal businesses (PWGSC 2016). The government also encourages federal government purchasers to set aside other procurements for completion among Aboriginal businesses whenever practical (PWGSC 2016). These social policies enforce substantial costs on the procurement system, irrespective of whether they accomplish their planned purposes.

The 1994 to 1996 report on the NAFTA Government Procurement Working Group also declared that there were dissimilarities among parties as to affirmation policies (Fee & Erridge 2001). An affirmation policy aims to address past discrimination through several active measures to guarantee equal opportunity. It has been almost 27 years since the NAFTA was signed in 1994, yet the procurement set-asides for the Aboriginal community remain excluded from coverage under this international trade agreement. Thus, the question is whether procurement is contributing to broader policy objectives, including those of the environment, social inclusion and poverty reduction (Bolton 2006; Marron 2003; Van Calster 2002). The assumptions in the literature are that there are both internal and outward tensions arising from the pursuit of socioeconomic goals, which raises questions regarding what a best-practice model of targeted public procurement may look like. It is also evident that another challenge for governments in developed countries, such as Canada—particularly in the context of procurement for socioeconomic purposes—is that conflicts have arisen in the search for the goals identified (Hawkins & Wells 2007). These conflicts result from existing policies, legislation and directives raising confusion and concerns about the clarity of social policy that is currently being implemented at both national and international levels.

The NAFTA treaty policies may need to be reviewed in relation to the PSAB and FCP. Canada could perhaps implement programs to encourage Canadian regional industrial benefits in procurement, and institute procurement preference programs for minorities and native Canadians. Canada has thus far been unsuccessful in opening access to US set-aside opportunities. The Government of Canada should be aware of the barriers arising from the NAFTA for minority set-aside programs and the FCP. Small business set-asides should be high on Canada's list of priorities in international government procurement discussions. The NAFTA renegotiation process may need to consider and review policies in relation to procurement preference programs for minorities and the Aboriginal community in Canada.

5.5. Conclusion

The purposes of this chapter was threefold. First this chapter discussed the first theme in relation to targeted procurement and outlined the responses of the senior officials of Canadian government departments. The FCP program and the PSAB program were listed as the two main vehicles for promoting targeted procurement. Second the chapter outlined the views of the respondents in relation to the constraints in the promotion of socio-economic objectives through the procurement process. This covered both the FCP and the PSAB programs. Third this chapter outlined the views of the respondents in relation to the external tensions arising from the pursuit of socioeconomic objectives in Canada.

The conceptual model (5.1) outlines examples of employment equity such as senior management commitment, monitoring of success, and employment systems review. This aligns with the findings of the FCP program from the primary data which indicated that there has been little assessment of the FCP due to lack of reporting. Secondly the findings from the primary data also indicated that performance measures of the FCP program appear to be underused to improve program effectiveness. This is an example of how the current findings are aligning with existing knowledge with regard to employment equity and the FCP program.

The answers given by the respondents to the above research questions for both the FCP and PSAB have revealed that there is a continuing need for both programs in the current context. Both programs have fundamental social goals that can be promoted through the concept of public procurement. The above evaluation (primary data) has confirmed that, given the inequities confronted by the designated groups (Aboriginal peoples, women, visible minorities and people with disabilities), the PSAB and FCP are a necessity. Moreover, the findings from the primary data are also revealing that the staff handling the procurement practices should be further educated about the PSAB and FCP (employment equity scheme) to further develop socioeconomic benefits through the concept of procurement.

CHAPTER 6: FINDINGS AND ANALYSIS—SECONDARY DATA

6.1. Introduction

This chapter presents the results of an analysis of the secondary data of the two social policies of the FCP and PSAB. Secondary data analysis was conducted to complement the interviews with procurement officers in government departments. HRSDC collects data and publishes reports annually for employers who are covered by the LEEP (Human Resources Development Canada, 2012) but unfortunately does not cover the FCP. The results of the FCP are not provided annually or made public. As such, the researcher had immense difficulty in collecting current data.

Descriptive data analysis was conducted with the available data and aided by graphs (bar graphs), histograms, pie charts, scatter plots and frequency polygons with the available data. The descriptive data analysis focused on data captured from 2007 to 2019, and examined changes in representation rates for the four designated groups (women, Aboriginal peoples, persons with disabilities and members of the visible minorities) and the consequences they will have for targeted procurement in Canada.

The first part of this chapter is structured as follows. Section 6.2 presents an integrated analysis of the FCP, while Section 6.3 reports on what the data show about the effectiveness of the FCP equity model. Section 6.4 presents a summary for this section. In the second part of the chapter, Section 6.5 presents the analysis of the PSAB model, while Section 6.6 examines and explores what the data show about the effectiveness of the PSAB model. Section 6.7 presents the triangulation of data sources, while Section 6.8 discusses the cross-case analysis. Finally, Section 6.9 presents the conclusion.

6.2. Analysis of Federal Contractors Program

The available secondary data were obtained from the Statistics Canada Research database (survey studies) and Labour Program database (Labour Force Survey and Survey of Labour and Income Dynamics). Data were also obtained from the census database, as it provides information about demographic, social and economic characteristics and is the most reliable data source for the four designated groups (women, Aboriginal peoples, people with disabilities and members of the visible minority).

Human Resources Development Canada administers the FCP equity model nationally through the Workplace Equity Program of the Labour Standards and Workplace Equity Directorate and through HRDC Regional Offices. Some 845 contractors, employing over

800,000 individuals, were reported to be covered by the FCP at the start of 2000 (Evaluation and Data Development 2002), but this decreased considerably over time. Nearly half of all these FCP employers were found in six industries: business services, machinery and equipment supplies, electrical services, chemical services, educational services and transportation equipment (Evaluation Directorate, Strategic Policy and Research Branch 2012). Geographically, FCP contractors are concentrated in Central Canada, with over half of all firms located in Ontario and some located in Quebec (Evaluation Directorate, Strategic Policy and Research Branch 2012).

Table 6.1: Employers and Employees Covered by Federal Equity Efforts in 2018

Number covered	Regulated organisations	LEEP	FCP	Total
Employers	500	536	328	1,364
Employees	1,150,000	756,414	500,982	2,407,396

Source; Evaluation Directorate, Strategic Policy and Research Branch 2019, Employment Equity Report.

Table 6.1 shows the number of contractors and employees covered by the FCP in 2018. The total number of employers/contractors decreased from 845 in 2000 to 328 in 2018. The number of FCP employees also decreased from 800,000 to 500,982 employees by 2018. In accordance with the *Employment Equity Act Annual Report (2019)*, the most recent data (31 December 2018) indicate that the FCP comprises 328 contractors/employers, and a total of 36 contractors were added during 2018. From 2001 to 2007, there was an increase in the number of contractors and employees; however, between 2007 and 2018, this number considerably decreased. The next question is what the data indicate about the effectiveness of the FCP model.

6.3. Effectiveness of Federal Contractors Program Model

The ultimate goal of the FCP is to achieve representation for members of each of the four designated groups—women, Aboriginal peoples, visible minorities and people with disabilities—throughout organisations and to have employment systems that meet the needs of all employees. This study examined the effectiveness of the FCP equity model by examining changes in representation for each of the above four designated groups in the following manner.

Before exploring the changes in representation, it is necessary to understand the availability in the workforce of the four designated groups. The 2011 National Household Survey was only released in 2014 and has been used as a comparator for national

representation of designated groups. The following tables and figures explain the labour market workforce availability. The researcher sought to provide a breakdown of the national, regional and occupational categories of the four designated groups.

Table 6.2: Total Population and Workforce for Women

Population	Total	Men	Women
Population	32,852,325	16,163,110	16,689,210
Population representation	100%	49.2%	50.8%
Population 15 years and over	27,259,520	13 295,355	13,964,170
Population representation	100%	48.8%	51.2%
Workforce			
Workforce	19,133,310	9,920,580	9212,730
Workforce availability	100%	51.8%	48.2%

Source: Adapted from Statistics Canada (2011) (only released in 2014).

A recent criticism of the *Employment Equity Act* with regard to women is that it is very narrow in scope and many women are left out of the legislation altogether (Al-Waqfi & Jain 2008). For example, women have a tendency to work for smaller firms, and private sector employers with fewer than 100 employees are not covered by the *Employment Equity Act* at all (Al-Waqfi & Jain 2008). The statistics from the above table indicate that women form more than half of Canada's population, yet their participation in the labour force is much lower than that of men. Nationally, women's workforce availability is 48%. (Statistics Canada, 2017). Even if the designated group (women) were hired, the climate and working culture is such that women cannot continue for long in the role that they have been given (Fortier, 2020). Further, if they do remain in their jobs, they may not be promoted (Bakan & Kobayashi 2000). These practices can be very damaging and make it extremely difficult to achieve employment equity in the workplace.

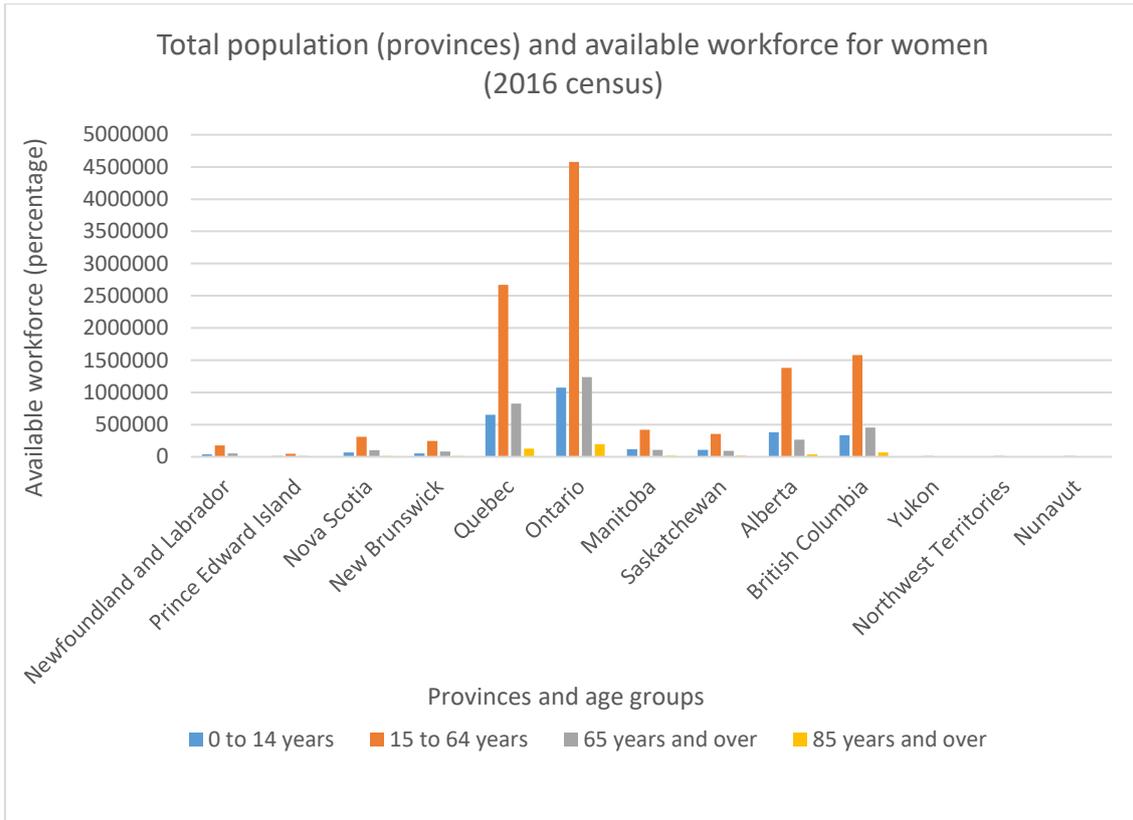


Figure 6.1: Geographic Distribution of Women in the Workforce (Source: Statistics Canada; Census Survey 2016).

Figure 6.1 displays the geographic distribution of women in the workplace in the provinces of Canada. There is a marked concentration of women in the workforce in the provinces of Quebec and Ontario, with lower levels in Alberta and British Columbia. The distribution of women in the workforce is much higher in the province of Ontario, compared with the distribution of men in the workforce. In 1995, a report from Treasury Board Canada noted that, although the number of women in the workforce had increased, there was little or no change in the attitudinal and cultural barriers faced by women (Agocs 2002). Some of the concerns of the women in this report included issues such as sexual harassment while at work and limited recognition for on-the-job training (Agocs 2002). A recent study by Al-Waqfi and Jain (2008) examined legal cases with regard to workplace discrimination for a span of 19 years and emphasised the role of racial harassment as more emotionally damaging than racial discrimination, mainly because it affects self-esteem and dignity.

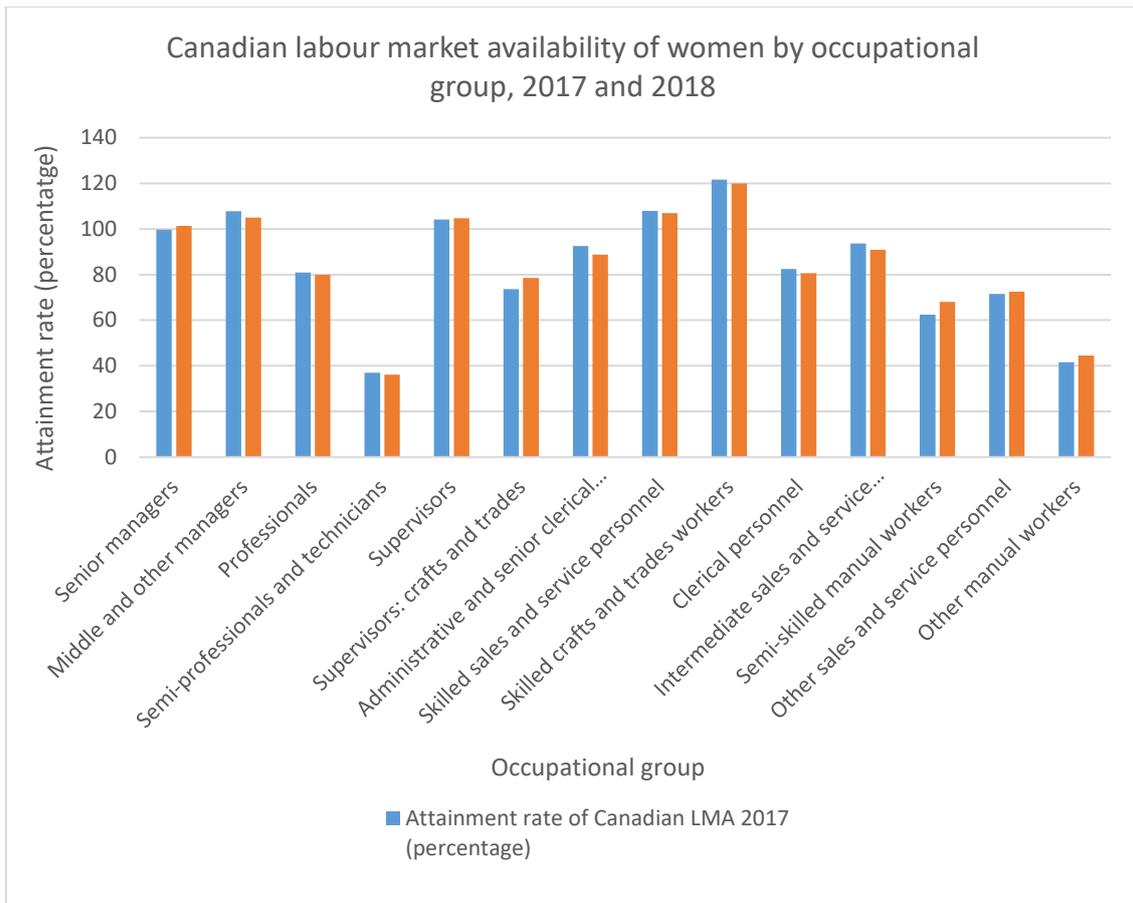


Figure 6.2: Canadian Labour Market Availability of Women by Occupational Group, 2017 and 2018 (Source: Employment Equity Report 2019)

Figure 6.2 indicates a decline in clerical work, which may be because of the introduction of online banking and teller machines. When more customers use electronic banking, fewer workers are needed for these jobs. The data from Figure 6.2 indicate that there has been considerable progress for women in moving into managerial and professional employment (Agocs 2002; England & Gad 2003; Leck 2002; Leck & Saunders 1992). Gender gaps are closing around education, hours worked and number of days worked. Stories continue to be published in newspapers about the gender bias faced by professional women workers, such as lawyers, doctors and architects. There is also discussion about the unrelenting work pressures for women in the workplace and how this affects their family life, which raises questions about other social policies, such as work–family life balance, family leave and childcare.

Many academic studies demonstrate that occupation by segregation of gender persists in Canada. Examples of such studies are those by Fortin and Huberman (2002); Brooks, Jarman and Blackburn (2003); and Baker and Fortin (2001). In 1981, 36% of women employed were clerical workers and by 2006 around 75% of clerical workers were

women (England & Boyer 2009). This was a period during which legislation was enacted to address some issues that women confronted when entering the labour market (England & Gad 2003). During this time, women insisted that the Government of Canada take their struggles and demands seriously, and it was around this time that public policy about women shifted (England & Gad 2002).

Table 6.3: Total Population and Workforce for Aboriginal People

Population	Total population			Aboriginal peoples		
	Total	Male	Female	Total	Male	Female
Population	32,852,325	16,163,110	16,689,210	1,400,685	682,190	718,500
Population representation	100%	49.2%	50.8%	4.3%	2.1%	2.2%
Population 15 years and over	27,259,520	13,295,355	13,964,170	1,008,580	481,440	527,140
Population representation	100%	48.8%	51.2%	3.7%	1.8%	1.9%
Workforce						
Workforce	19,133,310	9,920,580	9,212,730	663,755	331,325	332,425
Workforce availability	100%	51.8%	48.2%	3.5%	1.7%	1.7%

Source: Adapted from Statistics Canada (2011) (data only released in 2014).

Table 6.3 indicates that the Aboriginal population reached 1.4 million in 2011 (Statistics Canada 2017)—a growth of 19.4% from 2006, in comparison with 5.2% growth in the total population (Statistics Canada 2018). The national Aboriginal population alone increased by 4.33% in 2011, and by 3.8% in 2006 and 2.8% in 1996 (Statistics Canada 2018). In 2011, the total Aboriginal workforce population availability was 3.5%, increasing from 3.1% in 2006 (Statistics Canada 2018).

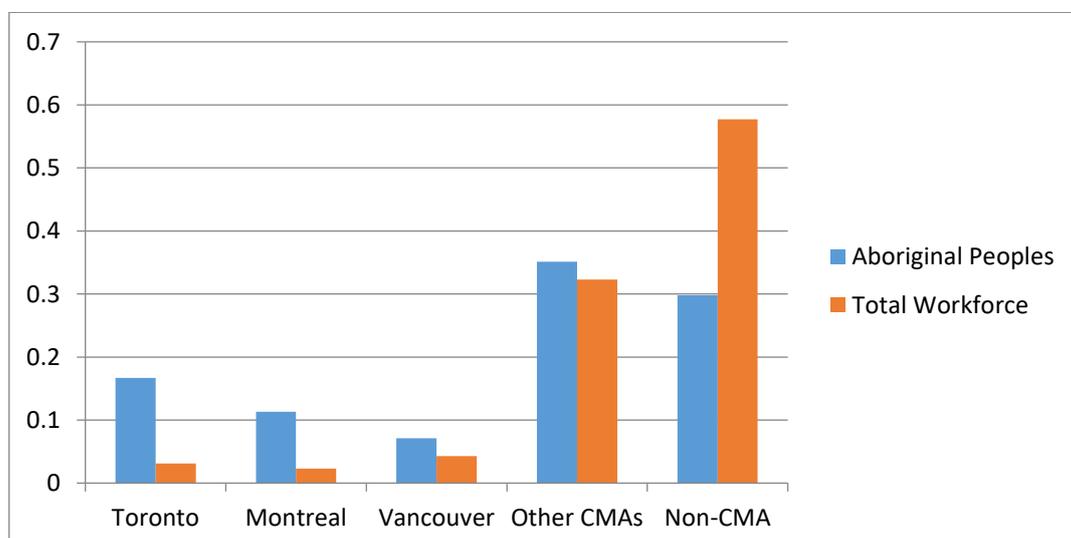


Figure 6.3: Workforce Representation of Aboriginal People by Location (Source: Adapted from Statistics Canada 2011; data only released in 2014)

There are approximately 615 First Nation communities across Canada, consisting of more than 50 nations and speaking around 60 Aboriginal languages (Agocs 2002). The size of Canada’s Aboriginal population is twice that of the Aboriginal population in the US and Australia, yet much smaller than the Maori population in New Zealand (Lynk 2002). The geographic distribution of the Aboriginal people’s workforce has a very important dimension. It can be seen from Figure 6.3 that most people live outside Canada’s metro areas. For example, a total of 9.7% live in Toronto, Montreal and Vancouver, and one-third live in other metro areas (Statistics Canada 2017). Meanwhile, one-third of the total workforce lives in the three largest cities, one-third in other metro areas, and the other third in non-metro centres (Statistics Canada 2017).

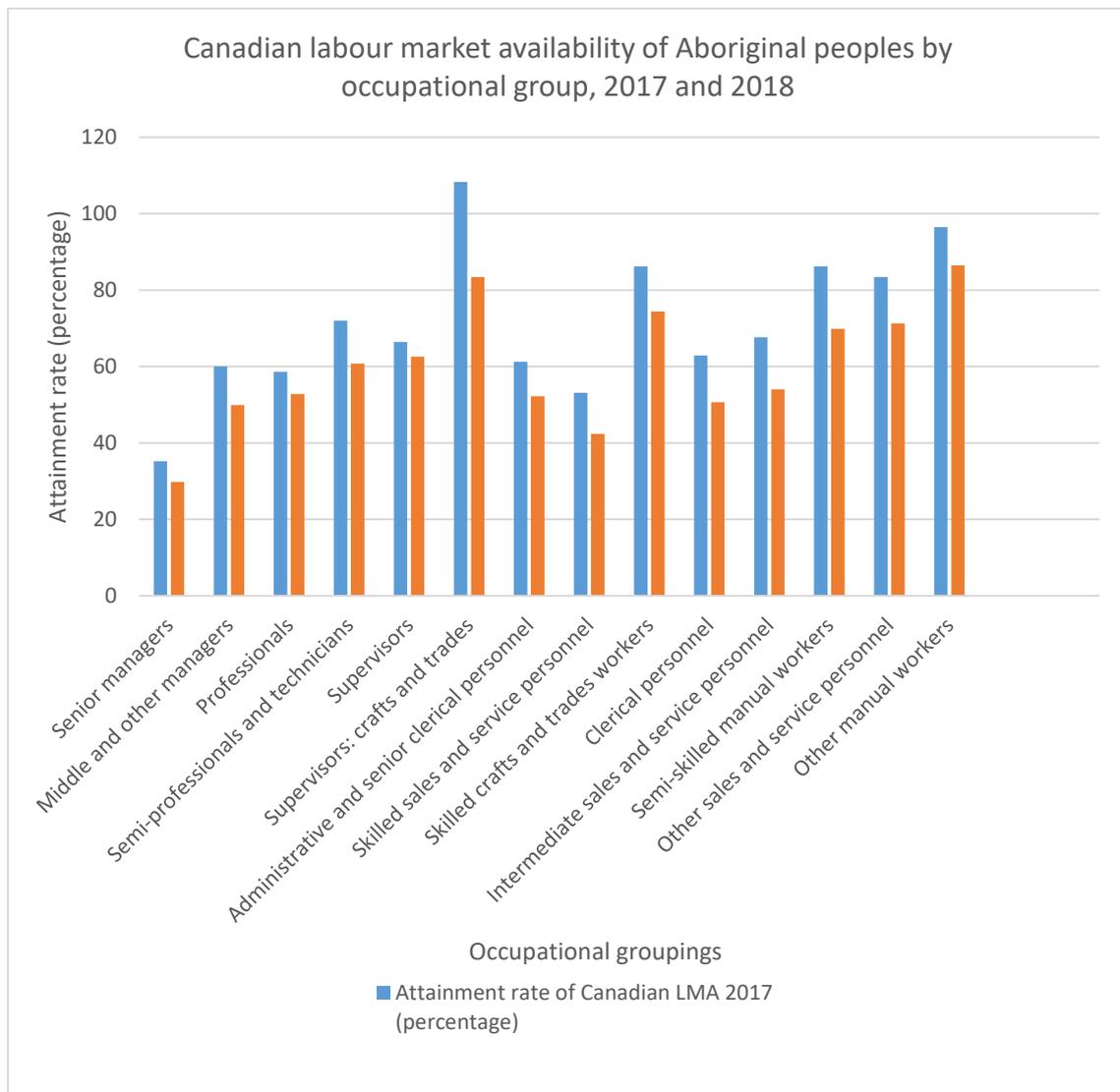


Figure 6.4: Occupational Distribution of Aboriginal People (Source: Employment Equity Report 2019)

The data from Figure 6.4 indicate a disturbing trend, with the labour market availability of Aboriginal peoples from 2017 to 2018 declining in almost all occupational groupings. The data from the Employment Equity Report (2019) indicate that overall representation of Aboriginal peoples did not reach full representation in the senior managers group from 1987 to 2018. Indigenous peoples' representation in the other supervisory and management areas was also below labour market availability (Employment Equity Report 2019). The occupational group of crafts and trade was fully represented in 2017, yet declined to 83.4% in 2018.

Overall, the unemployment rate and labour market participation of the Aboriginal population was significantly lower than that of non-native Canadians. Moreover, even if the Aboriginal population did hold jobs, these were generally very low paid jobs and did not offer much advancement (Auditor-General of Canada 2011; Employment Equity Report 2019). For example, these jobs did not offer many opportunities for education and training, and the average annual earnings of the Aboriginal population were two-thirds that of the average non-native Canadians' earnings (Auditor-General of Canada 2011; Employment Equity Report 2017). All labour market indicators showed that the Aboriginal community faced the greatest employment disparities and confronted the worst job market outcomes of the groups that were surveyed (Agocs 2002). These patterns in employment are disturbing and indicate a prejudice that Canadians and their institutions are reluctant to face. Not only do the Aboriginal community experience dire working conditions, but they also experience issues such as poverty, leading to crowded homes, lack of housing, lack of sanitation facilities, high alcoholism, high infant mortality rates, children in the care of institutions and high suicide rates (Lynk 2002). The concept of employment equity could tackle the discriminatory practices and job barriers confronted by the Aboriginal community and boost the participation of the Aboriginal community in the Canadian workplace.

6.3.1. Members of the Visible Minorities

Table 6.4: Total Population and Workforce for Visible Minorities

Total population			Visible minorities			
Population	Total	Male	Female	Total	Male	Female
Population	32,852,325	16,163,110	16,689,210	6,264,750	3,043,010	3,221,745

Population representation	100%	49.2%	50.8%	19.1%	9.3%	9.8%
Population 15 years and over	27,259,520	13,295,355	13,964,170	4,917,185	2,355,760	2,561,425
Population representation	100%	48.8%	51.2%	18.0%	8.6%	9.4%
Workforce						
Workforce	19,133,310	9,920,580	9,212,730	3,414,550	1,749,570	1,664,980
Workforce availability	100%	51.8%	48.2%	17.8%	9.1%	8.7%

Source: Adapted from Statistics Canada (2011) (data only released in 2014).

Table 6.4 is indicating that the visible minorities in Canada formed nearly 20% of Canada's population in 2011, which was an increase from 16% in 2006, and their workforce availability was 17.8% (Statistics Canada 2011). This rise in population in Canada has occurred mainly due to immigration. Although workers from the US constituted the greatest number of foreign nationals entering Canada in 2008, their numbers declined from 1999 (Picot, Hou & Coulombe 2007). Temporary workers from countries such as India, the Philippines and Mexico have increased over the years (Immigration & Citizenship Canada 2017). A previous study found that immigrants belonging to the educated and skilled class constitute a category of the 'chronically poor' (Picot, Hou & Coulombe 2007). There is a discrepancy in employment rates between Canadian-born workers and immigrants (born overseas) who have lived in Canada for more than 10 years, with very high unemployment rates, especially for women (Debeljak 2002; Statistics Canada 2011). With the recent recession in Canada, when unemployment rates increased even for Canadians, it is likely that native Canadians replaced immigrants in low-paying jobs, with the result that immigrants were likely to become unemployed (Agocs 2002).

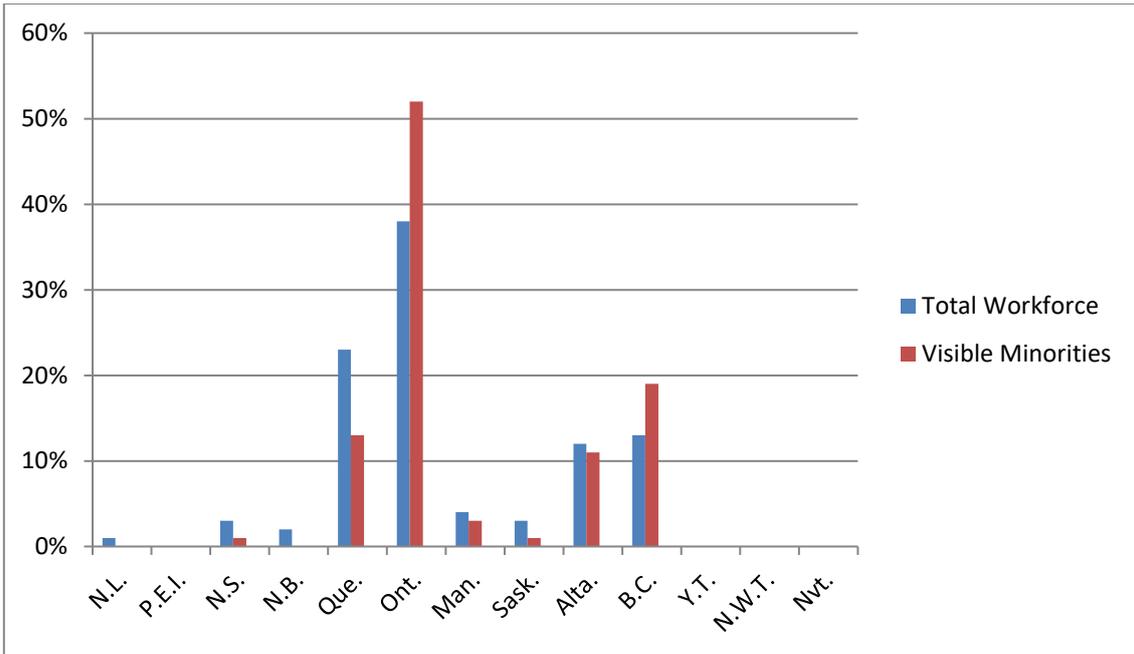


Figure 6.5: Geographic Distribution of Visible Minorities in Workforce (Source: Adapted from Statistics Canada 2011; data only released in 2014)

Figure 6.5 indicates that more than half of Canada’s visible minority workforce reside in Ontario, with British Columbia accounting for another 19%. The other two provinces with a significant concentration are Quebec and Alberta. Altogether, these four provinces have 95% of the entire country’s visible minority workforce; thus, this workforce is concentrated in the major cities in Canada. Almost 70% of the visible minorities live in Toronto, Montreal or Vancouver, and account for more than one-third of Canada’s population. It is also apparent from Figure 6.5 that less than 5% of the visible minority workforce lives outside metropolitan areas.

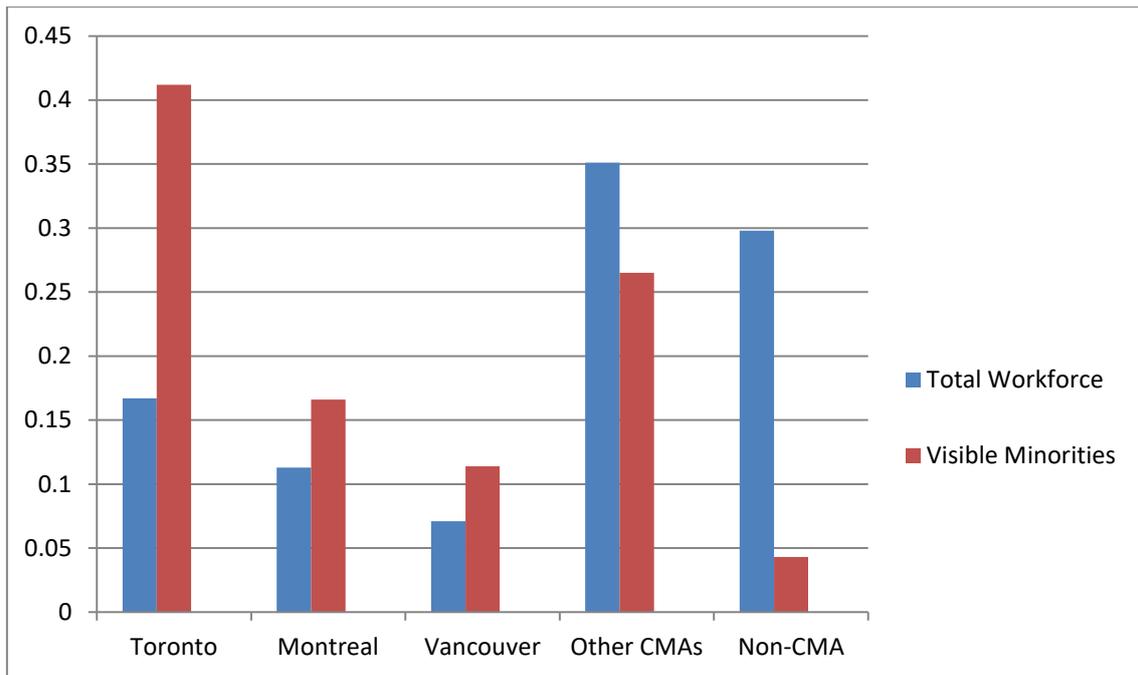


Figure 6.6: Workforce Distributions of Visible Minorities by Location (Source: Adapted from Statistics Canada 2011; data only released in 2014)

The visible minorities or immigrants consist of a large number of vulnerable workers, especially in the Toronto area. Many migrants arrive in large numbers and struggle to find jobs and livelihood opportunities. Figure 6.6 indicates that the visible minorities are largely underrepresented in the workforce. Those with the highest rates of poverty are migrants from Asia and those with lowest rates are from North America and Europe (Picot, Hou & Coulombe 2007).

In accordance with the Law Commission of Ontario (2010), visible minorities in Canada are subject to 'precarious work' conditions. The Law Commission of Ontario (2010) defines 'precarious work' as a continuous lack of low wages, ill health, risk of injury and possibly a lack of benefits. Some major types of precarious work are part-time work (casual or temporary) and self-employment. Precarious work has also been called non-standard work and is short lived, ill paid and without any benefits (Economic Council of Canada 1990). The Law Commission Ontario's (2010) final report concluded that 22% of jobs in Ontario are precarious. Noack and Vosko (2011) stated that 33% of workers hold part-time positions and receive low wages, have no union memberships and are not entitled for pension benefits. They also found that proficiency in the English language and ability to integrate into Canadian Society affected people's ability to seek prospective jobs (Picot, Hou & Coulombe 2007).

There are also important social and personal consequences for immigrant workers who fall into the category of 'precarious workers' (Agocs 2002). They often work longer hours

than is considered healthy and undertake multiple jobs to sustain themselves and their immediate families (Law Commission of Ontario 2010). Some of these jobs are physically demanding and migrant workers may not have access to compensation or worker rehabilitation programs because their employment situation is outside the legal framework (Law Commission of Ontario 2010). They cannot take time off, even if sick, for fear of losing their jobs. The children of these immigrants may not face the same challenges; however, research indicates disagreement on this topic (Agocs 2002; Goldring & Landolt 2012).

6.3.2. Persons with Disabilities

Table 6.5: Total Population and Workforce for Persons with Disabilities

Population	Total population			Persons with disabilities		
	Total	Male	Female	Total	Male	Female
	32,852,325	16,163,110	16,689,210	n/a	n/a	n/a
Population representation	100%	49.2%	50.8%	n/a	n/a	n/a
Population 15–64 years	22,707,980	11,211,455	11,496,540	1,145,640	549,890	595,750
Population representation (15 to 64 years)	100%	49.4%	50.6%	5.0%	2.4%	2.6%
Workforce						
Workforce 15–64 years	18,335,220	9,428,045	8,907,170	904,190	434,090	470,110
Workforce availability	100%	51.4%	48.6%	4.9%	2.4%	2.6%

Source: Adapted from Statistics Canada (2011) (data only released in 2014).

It is apparent from Table 6.5 that persons with disabilities form 10.1% of the total Canadian population aged 15 to 64. Many do not work because of their disability, so their national workforce availability is 4.9%, which is almost the same as the level in the 2006 census (Statistics Canada 2011). The *Employment Equity Act* defines persons with disabilities as a group who believe that an employer would consider them disadvantaged by reason of impairment (*Employment Equity Act 1995*, Section 3). Bob Rae government's policies and legislation and the Abella Report of 1984 were some of the best advocates and promoters of the employment equity program in Canada. Despite the urgency identified by the Abella Report in 1984, supportive reports filed by the Canada Senate in 2007 and subsequent reports by the Standing Committee on Human Rights in December 2013, persons with disabilities only received minimal gains in employment and slightly better representation in the years that followed. The designated

categories of visible minorities saw improvement in representation rates, but persons with disabilities continued to be represented in the workforce at levels below availability (Agocs 2002; England 2003; England & Gad 2002; Standing Committee on Human Rights 2013).

Disabilities are more likely to occur as people age. The Standing Senate Committee on Human Rights (2013) noted that half of people with disabilities employed in the public sector were aged 50 years or older, while the representation of persons with disabilities under 35 was only 2.8%, compared with the workforce availability of 4.0% for this designated category. The Standing Senate Committee on Human Rights (2013) noted that more efforts and steps should be taken to address these issues. Shier, Graham and Jones (2009) demonstrated that, although the Canadian economy is doing quite well, the benefits of this have not translated to workers or persons with disabilities. The Employment Equity Report (2017) noted that, overall, more persons with disabilities left the workforce, rather than entering the workforce.

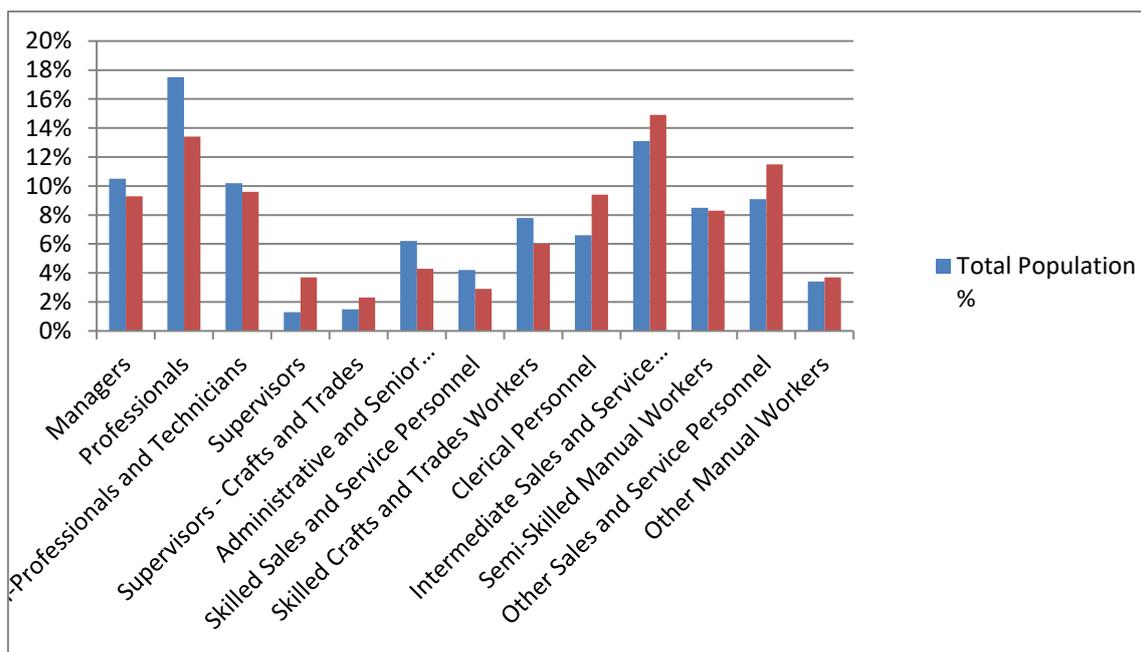


Figure 6.7: Occupational Group Distribution of Persons with Disabilities 15 to 64 Years (Source: Adapted from Statistics Canada 2011, 2012; data published 2014)

Figure 6.7 indicates that persons with disabilities are underrepresented in the professional, managerial and supervisory category. The category with equal representation is the 'semi-skilled and manual worker' category (Statistics Canada 2011). An interim report titled 'Employment Equity in the Federal Public Sector: Not There Yet', released by the Senate Committee in 2007, noted that the designated category of persons with disabilities continues to be underrepresented in management

and executive positions (Canada Senate 2007). Unfortunately, nothing much changed with regard to the representation of persons with disabilities in the 'management and professional' categories between 2007 and 2011. This interim report also identified other 'hidden barriers' that prevent equal representation. One of the barriers identified was that, even though legislative change is required, more important is an attitudinal change in the implementation of the law (Canada Senate 2007). What the committee saw was the effective implementation of these laws and the fostering of a true commitment to these issues. In other words, encouraging supportive attitudes beyond what currently exists at the Public Service Commission and Treasury Board Secretariat (Canada Senate 2007). Another hidden barrier is the requirement to filter through the levels of hidden bureaucracy in the federal public service.

A policy document signed in 2000 by the federal, provincial and territorial governments acknowledged the lack of access to full participation for persons with disabilities (Canada Federal, Provincial and Territorial Ministers 2000). This became a base policy within which other programs could be created and encouraged. Some provinces (Ontario) have linked disability issues into public policy to encourage persons with disabilities to participate fully in the workplace (Canada Federal, Provincial and Territorial Ministers 2000). For example, in Ontario, the *Accessibility for Ontarians with Disabilities Act* addresses some of the above issues and hopes to create a barrier-free Ontario by 2025 (Canada Federal, Provincial and Territorial Ministers 2000). Other provinces in Canada could follow the example of Ontario, despite having their own policies and support networks.

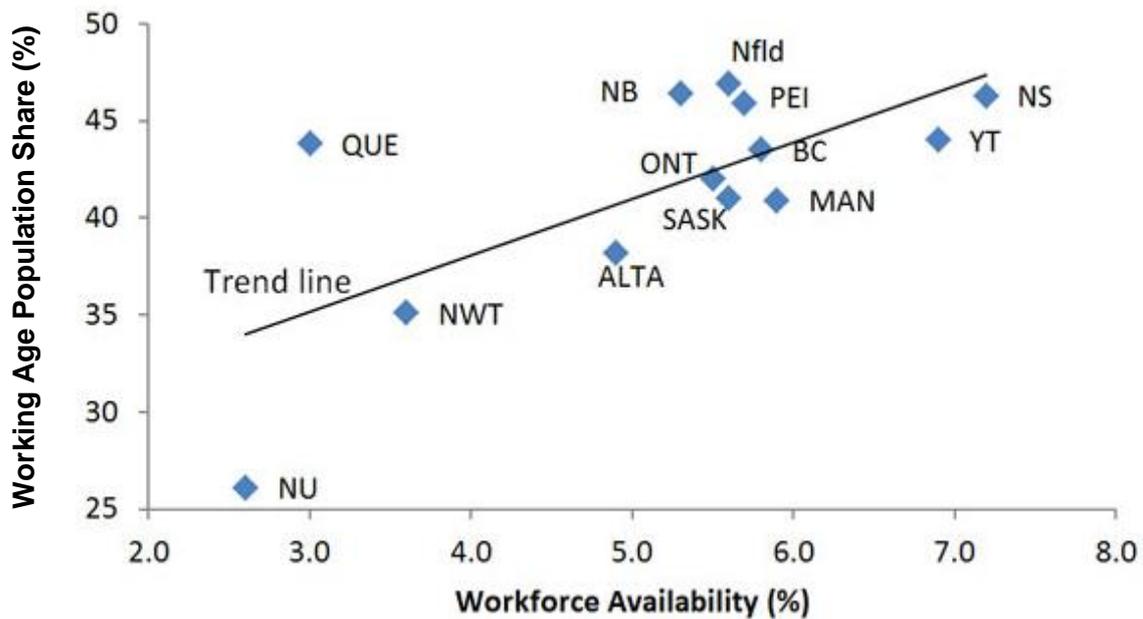


Figure 6.8: Geographic Representation of Persons with Disabilities by Age Group in the Workforce (Source: Adapted from Statistics Canada; 2012 Canadian Survey on Disability; data published 2014).

Figure 6.8 provides a representation of the direct link between the workforce and age of persons with disabilities in the Canadian provinces. There is a 10% point increase in the workforce of persons with disabilities aged 45 to 64, and this is linked to a 4% point increase in the availability of people within this designated category. Interprovincial migration has accelerated population growth in the Atlantic provinces and the representation of persons with disabilities is among the highest in this region. Alberta has among the lowest rates of representation of persons with disabilities, and Quebec and Nunavut are the notable outliers. Quebec and Nunavut lie outside the distribution area of persons with disabilities.

Table 6.6: Employment Equity Workforce Analysis

	Total			Women			Visible minorities			Aboriginal peoples			Persons with disabilities		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Senior managers	32	36	33	-4	-4	-4	-3	-2	-2	-1	-1	-1	2	0	1
Professionals	151	145	156	-4	1	4	-20	-12	-12	0	-2	0	3	2	4
Semi-professionals and technicians	1,469	1,517	1,549	41	40	59	-103	-87	-105	-14	-3	1	12	32	32
Supervisors	41	44	45	6	7	6	3	4	5	-1	0	0	1	0	0
Supervisors, crafts and trades	33	33	31	-2	-1	-1	0	1	1	0	1	1	0	2	2
Administrative and senior clerical personnel	446	464	460	7	7	10	4	6	10	1	2	5	23	27	26
Skilled sales and services personnel	3	3	2	0	0	0	0	0	0	0	0	0	1	0	0
Skilled crafts and trade workers	110	107	113	1	1	2	-1	1	1	-1	0	-1	-7	-7	-6
Clerical personnel	303	298	276	30	30	31	10	12	20	0	0	-1	-17	-21	-21
Intermediate sales and service personnel	77	78	78	5	5	6	-2	-3	-2	0	0	0	-4	-5	-4
Semi-skilled manual workers	15	14	15	-2	-2	-2	0	0	0	0	0	0	-2	-2	-2
Other sales personnel	185	185	176	39	40	38	5	17	25	-6	-3	-4	-10	-7	-5
Other manual workers	9	8	6	2	0	0	1	2	1	0	0	1	-1	-1	-1
Total	3,147	3,199	3,204	111	115	136	-98	-50	-45	-25	-10	-1	-1	19	29

Source: Dalhousie University (2017).

Table 6.6 provides the employment equity workforce analysis for the FCP for 2015, 2016 and 2017. This workforce analysis compares one particular organisation's (Dalhousie University's) internal representation of employees in the four designated categories to benchmarks of labour market availability by occupation and recruitment. The labour market availability was provided in the preceding sections for the four designated groups through the 2011 National Household Survey released in 2014. Given that there are no published data in relation to the FCP by PWGSC or other government departments and agencies, the researcher analysed the representation of the designated categories within one organisation (Dalhousie University) that is subject to the FCP.

6.3.3. Representation of Women

Of the four designated categories, women have continued to experience steady growth. It can be seen from the above table that the total workforce (women) increased from 111 to 136. Moreover, for 2015, 2016 and 2017, women were fully represented, though gaps still existed in certain occupational categories, such as senior management positions.

6.3.4. Visible Minorities

The visible minorities have experienced growth in Canada over the last few years, and this is evident by their large market availability. Statistics Canada (2017) reported that this group—especially the segment of the population that is younger—is growing at a faster rate and will grab a larger share of the labour market in comparison with the non-racially visible group in the coming years. Unfortunately, this group remained underrepresented for 2015, 2016 and 2017. The representation of the visible minorities declined from -98 in 2015 to -45 in 2017. Gaps in this category occur in the middle managers and professional category.

6.3.5. Aboriginal Peoples

The labour market for the Aboriginal community has experienced slight growth during the past few years in Canada (Statistics Canada 2017). The younger Aboriginal population is growing at a faster rate than the non-Aboriginal population (Statistics Canada 2017). However, the Aboriginal community remains underrepresented in comparison with their rate of growth and availability. In 2015, the total representation was -25, and it declined to -1 in 2017. Significant gaps are noted in the professional and semi-professional categories.

6.3.6. Persons with a Disability

Increases were reported for people with disabilities in 2015 (Statistics Canada 2015). In comparison with the labour market availability externally, the designated group of people with a disability was fully represented. However, significant gaps existed in the professional and other sales occupation categories. Further, the estimate for labour market availability for this group is less reliable than for the other designated groups, so caution should be exercised in the interpretation of data (Statistics Canada 2015).

6.4. Summary of Federal Contractors Program

The preceding sections investigated whether women, Aboriginal peoples, persons with disabilities and members of the visible minorities have experienced discrimination and underrepresentation in the workplace under the FCP. Monitoring employment equity in the workforce has become a challenge because of the absence of accurate data. Numbers are important and, without numbers and data, employment equity will be like a house without a foundation (Canada Standing Committee on Human Rights 2013).

First an interpretation of the available data in relation to the trends for the FCP program has revealed that the visible minorities and the Aboriginal community are underrepresented in the workforce. Gaps in the 'visible minority' occur in the middle managers and professional category (Dalhousie University 2017). Significant gaps for the Aboriginal community are noted in the professional and semi-professional categories (Dalhousie University 2017). Persons with disabilities are underrepresented in the professional, managerial and supervisory category (Dalhousie University 2017). In accordance with the employment equity analysis workforce analysis (2017) women are fully represented though gaps exist for certain occupational categories like senior management positions.

Given the underrepresentation of the disadvantaged groups in the Canadian workforce, effective employment equity is required through targeted procurement now more than ever. It has a very significant role to play as part of a suite of policy approaches designed to reduce inequality and disadvantage, thereby advancing social justice, as well as contributing solutions to Canada's productivity and human resource deficits.

6.5. Analysis of Procurement Strategy for Aboriginal Business Model

The PSAB is administered by the department of INAC in partnership with PSPC. PSPC provided the researcher access to the PSPC website, and this dataset provided contract history information about contracts awarded by PWGSC on behalf of government

departments and agencies since 2007. This informative database generated by their Acquisition Information System consisted of all contracts (both set-asides and open competition) awarded by the department to Aboriginal firms since the inception of the PSAB in 1996 (PWGSC 2016). This database also included names, locations, industry sectors and sizes (number of employees) of the firms awarded these contracts; the dates and dollar values of the contracts; and the department on whose behalf each contract was awarded (PWGSC 2016). Moreover, this database included all contracts awarded by PWGSC under both competitive and non-competitive processes coded against the trade agreements and associated with the set-aside program.

6.6. Effectiveness of Procurement Strategy for Aboriginal Business Model

The PSAB’s main objective is ‘to assist Aboriginal business development by increasing Aboriginal business participation in the awarding of contracts by federal departments and agencies (INAC 2017). It applies to all federal departments and agencies under the *Financial Administration Act*. The researcher accessed the PWGSC database to examine and evaluate registered Aboriginal contractors and suppliers. A proper evaluation of the entire PSAB impact was not possible because of a lack of data; however, the researcher noted the number and value of federal contracts awarded since the creation of this program in 1996.

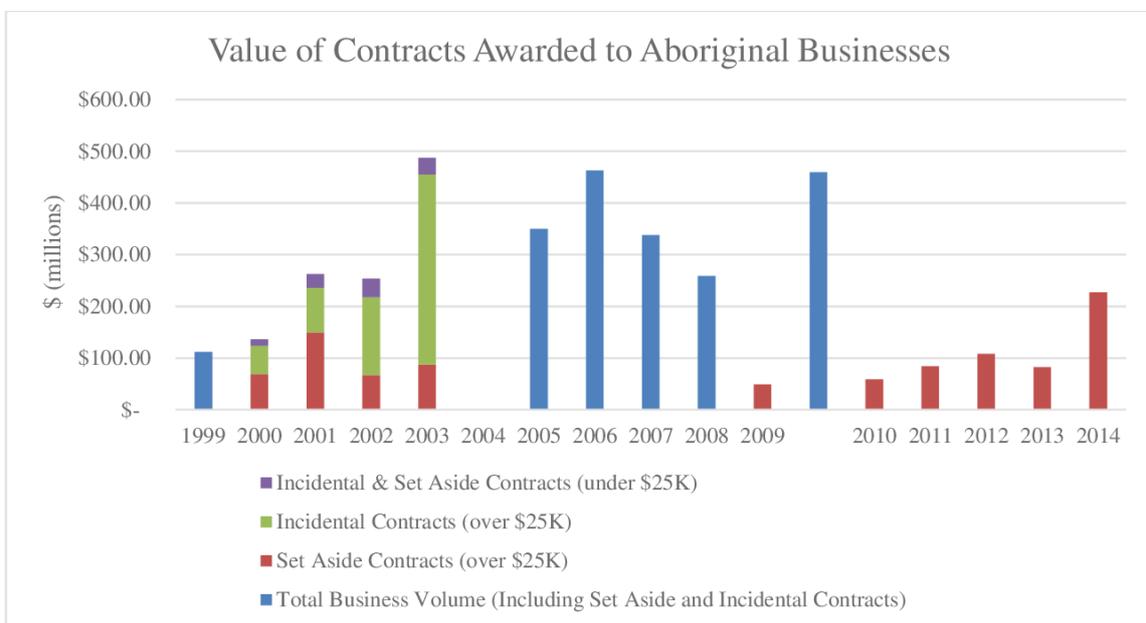


Figure 6.9: Value of Contracts Awarded by PWGSC to Aboriginal Businesses by Year (Source: Adapted from INAC, 2016)

During 2000 to 2003, INAC reported the number of Indigenous suppliers and gave a breakdown of the set-asides and contracts awarded that were over and under

CA\$25,000 (Figure 6.9). Approximately half of the contracts awarded were less than CA\$25,000 between 2000 to 2003 (Figure 6.9). It can be seen from Figure 6.9 that, from 2005, INAC ceased reporting the contract counts in their reports altogether.

The proportional value of contracts awarded by PWGSC to PSAB has decreased during the past few years. In 1998, the value of contracts awarded by PWGSC to Aboriginal businesses was CA\$42,144,783, compared with CA\$16,705,470 for non-PSAB contracts (INAC 2017). Between 1999 and 2000, there was a considerable increase in the value of contracts awarded to Aboriginal businesses, but the value of contracts awarded to non-PSAB was greater (INAC 2017). For example, the total value of non-PSAB contracts awarded between 1996 and 2006 was CA\$1,802,413,733, compared with the total value of PSAB contracts of CA\$498,311,782 awarded during this period (INAC 2017). The findings reveal that smaller Aboriginal businesses encounter issues when competing with non-Aboriginal firms for government contracts, and must compete with larger, more established Aboriginal businesses. These are some problems that have not been addressed by the PSAB.

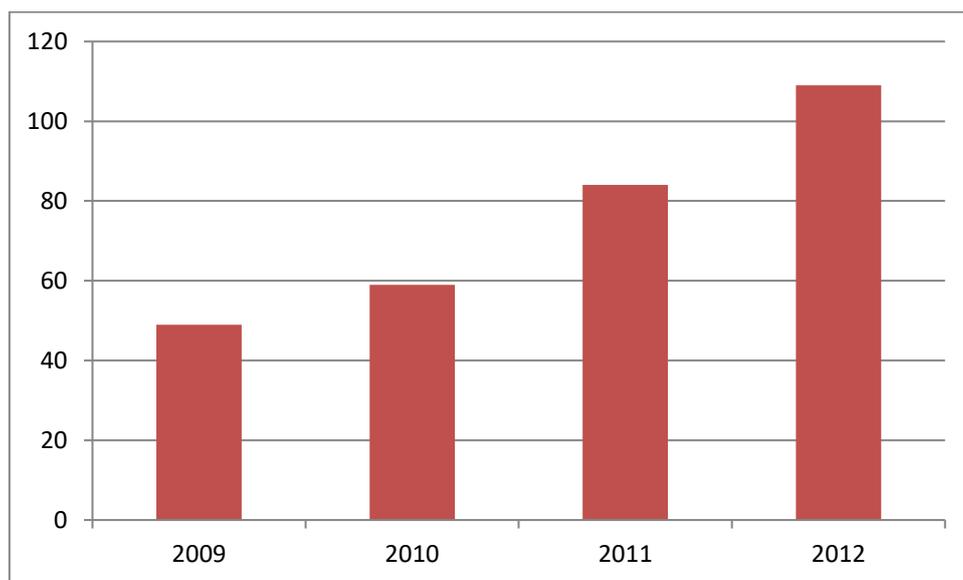


Figure 6.10: Value of PSAB Set-aside Contracts (Source: Adapted from INAC 2017)

More recent data show that the value of PSAB contracts increased from 2009 to 2012. The value of set-aside contracts in 2009 was CA\$49 million, while, in 2012, the value had increased to CA\$109 million. An analysis of secondary data showed that there has been a considerable improvement in the award of set-aside contracts (voluntary and mandatory) to Aboriginal peoples. It can be seen from Figure 6.10 that there has been a steady increase since 2009.

The PSAB report presented by the Business Development Directorate (25 April 2017) noted that 1,767 Aboriginal businesses had been registered in the Aboriginal Business Directory, and more than CA\$5.2 billion had been spent by government departments for Aboriginal set-aside projects since its inception in 1996. The report also noted that the value of PSAB set-aside contracts between 2009 and 2014 increased by over 295% (INAC 2017). Although positive trends have been recorded in the award of contracts to the Aboriginal community, when compared with the award of contracts to non-Aboriginal procurement, there has been considerable fluctuation and inconsistencies. Figure 6.11 documents these fluctuations and inconsistencies.

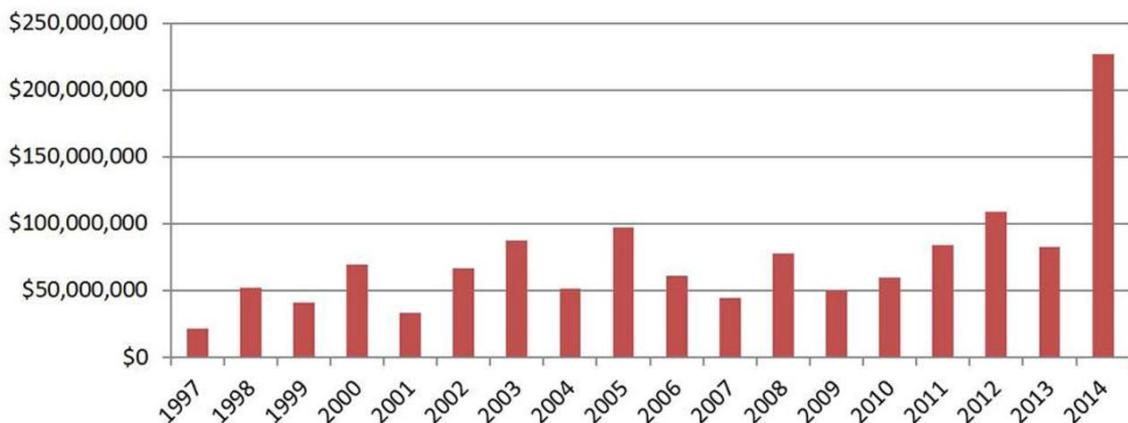


Figure 6.11: Incidental versus Set-Aside Contracts (Source: Adapted from INAC 2017)

The proportion of contracts awarded to Aboriginal firms was less than 1% in 1996, but increased by around 4% in 2003, and has remained at this position since then. Similarly, the proportion of contracting dollars to Aboriginal firms was zero in 1996 and 1997, yet increased to around 5% in 2006 (INAC 2017). Figure 6.11 tracks the value of contracts awarded through the PSAB since 1997 and shows the years that reported increases and decreases since the inception of the PSAB. There was a marked increase in the dollar value of contracts awarded in 2014 (INAC 2017). The increase in 2014 could be attributed to an increase in government spending from CA\$14 billion in 2013 to over CA\$28 billion in 2014 (INAC 2017). There was considerable fluctuation over the years and no consistency was recorded.

Table 6.7: PSAB Coordinators' Level of Agreement with Statements Regarding Rationale for PSAB and its Components (N = 28)

Statement regarding rationale for PSAB and its components	Level of agreement				
	Strongly agree	Somewhat agree	Somewhat disagree	Strongly disagree	Do not know/no response
The rationale for PSAB remains valid after a decade	39%	43%	11%	4%	4%
The program for setting aside contracts for Aboriginal firms under the PSAB remains a valid policy tool to support Aboriginal economic development	32%	46%	14%	4%	4%
Department performance objectives should still include level of procurement from Aboriginal business	43%	39%	4%	7%	7%
Supplier development activities are less important now than five years ago	14%	11%	36%	29%	11%
There remains a strong rationale for encouraging partnerships (joint ventures and subcontracting arrangements) between Aboriginal and non-Aboriginal firms	18%	54%	14%	–	14%
The set-aside program is a good way to increase full-time employment within the Aboriginal population	21%	46%	7%	4%	21%

Source: Adapted from INAC (2007).

Each federal government department or agency has a PSAB coordinator. The data in Table 6.7 indicate that more than three-quarters of the PSAB coordinators agreed that the rationale for the PSAB remains valid. The results also indicate that the departmental coordinators continue to see the PSAB and its components as a valid tool to stimulate Aboriginal economic development (Mah 2014). Set-asides are the means through which most Aboriginal businesses can gain experience and eventually develop the capacity to win federal contracts under open competition. Set-asides may be particularly important for new Aboriginal businesses, who can encounter difficulty in winning contracts under open competition. Government departments should continue to consider and include Aboriginal procurement and set-asides for promoting Aboriginal economic development. The data in Table 6.7 indicate that there is less support for subcontracting arrangements and joint ventures. Some PSAB coordinators also saw a rationale for supplier

development activities, given that two-thirds (64%) expressed disagreement about supplier development activities being less important now than five years ago (INAC 2007).

Table 6.8: PSAB Target Analysis

	2011	2012	2013	2011–2012	2012–2013	2011–2013
Department	PSAB target	PSAB target	PSAB target	% change	% change	% change
Department A	\$211,975	\$50,000	\$50,000	-76%	0%	-76%
Department B	\$920,000	\$240,000	\$175,000	-74%	-27%	-81%
Department C	\$3,000,000	\$1,500,000	\$1,500,000	-50%	0%	-50%
Department D	\$1,000,000	\$500,000	\$300,000	-50%	-40%	-70%
Department E	\$2,851,570	\$1,590,904	\$1,590,904	-44%	0%	-44%
Department F	\$450,000	\$260,000	\$450,000	-42%	73%	-0%
Department G	\$1,293,437	\$974,384	\$974,384	-25%	0%	-25%
Department H	\$189,000	\$142,500	\$65,000	-25%	-54%	-66%
Department I	\$19,690,000	\$15,520,000	\$15,500,000	-21%	0%	-21%
Department J	\$1,000,000	\$800,000	\$0	-20%	-100%	-100%
Department K	\$150,000	\$125,000	\$112,500	-17%	-10%	-25%
Department L	\$192,000	\$162,000	\$195,000	-16%	20%	2%
Department M	\$3,950,239	\$2,800,817	\$2,248,651	-3%	-20%	-25%
Total	\$33,950,239	\$24,665,605	\$23,161,439	-27%	-6%	-32%

Source: Canadian Public Sector Market Development Report (2015).

Table 6.8 provides a summary of PSAB targets related to departments, inclusive of data representing calendar years 2011, 2012 and 2013. PSAB targets for government departments have decreased year after year. In terms of aggregate numbers, government departments further reduced their PSAB targets in 2013. The year 2013 saw a 6% decrease, compared with the 27% decrease that occurred between 2011 and 2012, representing an overall total decrease of 32% between 2011 and 2013.

This signifies that some government departments continue to be challenged to meet their PSAB targets. Government departments will need to make the PSAB an integral part of their procurement initiative. As the Canadian Government continues to seek ways to consolidate and streamline operations, it is important to ensure each new large procurement initiative provides socioeconomic benefits. Government departments that drive procurement initiatives and PWGSC need to ensure that the PSAB plays a significant role. Government departments must give priority to the PSAB as they continue

down the transformation roadmap. It is important to ensure that PSAB targets comprise 2% of each department's budget, and to encourage those who meet their targets to raise the bar.

Table 6.9: PSAB Spend Analysis, Including Additional Departments

Department	2011	2012	2013	2011–2012	2012–2013	2011–2013
	Total spend	Total spend	Total spend	% change	% change	% change
Department A	\$1,196,793	\$103,455	\$618,868	-95%	498%	-69%
Department B	\$1,193,639	\$441,706	\$441,706	-77%	0%	-77%
Department C	\$28,073	\$6,470	\$40,873	-77%	532%	46%
Department D	\$1,102,747	\$260,411	\$1,073,301	-76%	312%	-3%
Department E	\$3,400,000	\$1,137,513	\$1,137,513	-67%	0%	-67%
Department F	\$586,904	\$271,741	\$565,685	-54%	108%	-4%
Department G	\$233,960	\$145,464	\$331,266	-38%	128%	42%
Department H	\$3,261,933	\$2,449,477	\$1,911,353	-25%	-22%	-41%
Department I	\$12,400,000	\$11,000,000	\$3,041,745	-11%	-72%	-75%
Department J	\$2,221,931	\$3,843,268	\$517,833	73%	-87%	-77%
Department K	\$961,184	\$1,348,588	\$258,327	40%	-81%	-73%
Department L	\$839,959	\$234,851	\$970,376	-72%	313%	16%
Department M	\$468,353,799	\$98,970,571	\$468,961,157	-79%	-30%	-85%
Department N	\$51,700,000	\$40,000,000	\$15,000,000	-23%	-63%	-71%
Department O	\$3,848,792	\$1,158,794	\$3,654,349	-70%	215%	-5%
Department P	\$3,860,110	\$1,920,000	\$3,510,000	-50%	83%	-9%
Department Q	\$557,568	\$201,830	\$533,770	-64%	164%	-4%
Total	\$557,268,392	\$163,494,139	\$102,568,122	-71%	-37%	-82%

Source: Canadian Public Sector Market Development Report (2015).

Table 6.9 shows the total spend for most Canadian Government departments and agencies for 2011, 2012 and 2013. As discussed in Chapter 5, the federal government departments have been listed as A, B, C and so on to conceal their identity. The total spend in 2011 was CA\$557,268,392. This figure decreased in 2012 to CA\$163,494,139 and further declined to CA\$102,568,122 in 2013. Thus, the percentage change from 2011 to 2013 was negative (-82%). It can also be seen that only three government departments in the above table recorded increases in their total spend—Departments C, G and L. Although some government departments—such as D, F, O and Q—recorded slightly negative figures, they were not very significant. For example, the total spent for Department C in 2011 was CA\$1,102,747. In 2012, this figure dropped drastically to CA\$260,411 and increased to CA\$1,073,301 in 2013. Thus, the percentage change for Department C between 2012 and 2013 was 312% and the percentage change for 2011 to 2013 was only -3%. Although the totals spent and expenditure for Department D dropped in 2012, it increased again in 2013.

Departments exceeding their targets and spend should be encouraged to consider undertaking more contracts with Aboriginal business. In doing so, these departments can help offset the overall decline in government PSAB spending and have a significant effect as other departments continue finding ways to achieve their objectives.

6.7. Triangulation: Convergence and Divergence of Data Sources

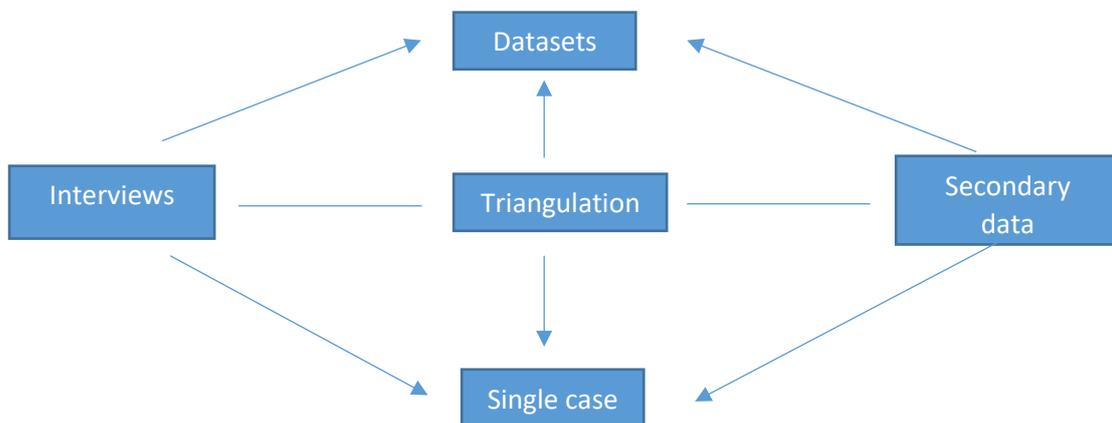


Figure 6.12 Convergence & divergence of data sources

(Source: Adapted from Flick 2013, *The SAGE Handbook of Qualitative Data Analysis*)

Figure 6.12 outlines how triangulation was a crucial step in the evaluation and assessment process in this thesis. Triangulation in this study was the process of two types of data sources (primary and secondary sources), which helped the researcher cross-check the results of this research. This procedure strengthened the evaluation and

made the findings more useful by providing different perspectives about the topic that the researcher investigated. It enabled the researcher and supervisory team to check the validity of the data and findings, thereby making the findings more trustworthy. The triangulation of different sources of qualitative data for this study involved:

- checking the consistency of statements from officials from various government departments about the same topic
- comparing the perspectives of the officials who had different points of view (for example, material managers, senior directors, senior policy analysts and director/manager of business analytics)
- checking interviews against secondary data/documentation and other written evidence that could verify the interviewees' reports.

The analysis of the primary data (in-depth interviews) conducted by the researcher indicated that the FCP was not effectively meeting most of the program's key objectives. The interviewees reported that the FCP was not effectively meeting its key objectives, given that, in 2013, the FCP threshold was increased to CA\$1 million, even though recommendations to the contrary were made by the authorities. Similarly, most respondents reported that performance measures for the FCP were underused and, because of lack of reporting, the program could not be evaluated successfully.

The findings from the primary data indicated that there are three barriers to the PSAB: standing offers, the creation of Shared Services Canada and the lack of qualified Indigenous suppliers. The respondents reported that the first barrier of standing offers refers to the fact that prequalification is so time consuming that Indigenous businesses are discouraged from participating actively in the procurement process. Second, many respondents reported that the establishment of Shared Services Canada had negative consequences for the PSAB, mainly because government departments and agencies observed a substantial decline in their annual budgets, as Shared Services Canada centralised responsibility for their tasks. Third, the majority of respondents stated that the lack of qualified Indigenous suppliers is a hurdle to the successful implementation of the PSAB.

The qualitative data (secondary data) indicated that the visible minorities and Indigenous categories remained underrepresented for 2015, 2016 and 2017 for the FCP. This result was verified with the findings of the primary data, which indicated that the FCP was not meeting its key objectives. The secondary data for the PSAB indicated that there was an increase in the award of set-aside contracts; however, the program needs to address

issues of both transparency and accountability. The result for the PSAB was verified with the findings of the primary data. However, the PSAB targets for government departments have declined and government departments have reduced their PSAB spending targets.

6.8. Qualitative Comparative Analysis of the Two Subsets: Federal Contractors Program and Procurement Strategy for Aboriginal Business

Table 6.10: Comparative analysis of the two subsets (FCP & PSAB)

FCP	PSAB
Addresses RQ 1, 2 and 3	Addresses RQ 1, 3 and 3
Policy/program promotes socioeconomic objectives	Policy/program promotes socioeconomic objectives
Focuses on disadvantaged categories of women, people with disabilities, visible minorities and Indigenous people	Focuses only on the Indigenous category
Not an ambitious policy/program	More ambitious policy/program
Applies to provincially regulated employers	Geographic coverage limited only to the Indigenous areas
Addresses employment equity through the procurement process	Aims to support Indigenous businesses to compete for and win federal contracting opportunities
Methodological challenges	
No data available on the FCP (only a small paragraph included in the annual employment equity report)	Limited data available for the PSAB (no data on the mandatory and voluntary contracts awarded to the Indigenous community)

The above table presents a comparison of the two subsets of the PSAB and FCP. There were several methodological challenges encountered by the researcher in the collection of data for both subsets. There was a lack of data collection systems and no established measurement tools for either subset. The only feedback reported for the FCP was a paragraph included in the annual employment equity annual report, which was insufficient to evaluate the success the program/policy.

The major similarities between the two programs are that both programs promote socioeconomic objectives through the concept of procurement to disadvantaged groups. The FCP promotes employment equity through the procurement process, while the PSAB aims to increase federal procurement opportunities for Indigenous peoples. The PSAB focuses only on the Indigenous category, while the FCP focuses on Indigenous peoples, visible minorities, women and people with disabilities. The FCP applies to provincially regulated employers, while the geographic coverage for the PSAB is limited only to Indigenous areas.

As outlined in the above table, although the same research questions were applied to both subsets, the objectives of the FCP and PSAB differ greatly. As such, the themes across the two subsets also differ. The themes were initiated by the research questions. For example, RQ 2 addressed the inhibitions of the two policies, but the themes for the FCP and PSAB differed. Table 4.2 outlines the themes for the two subsets/policies. For example, the themes for the PSAB in relation to inhibitions were the standing orders implemented, creation of Shared Services Canada, and a lack of qualified Indigenous peoples. For the standing orders, it was observed that prequalification is so arduous and time consuming that most Indigenous SMEs are discouraged from participating in the procurement process. Similarly, in relation to the creation of Shared Services Canada, the PSAB targets of six government departments reportedly decreased by more than 50%, including four government departments that decreased their expenditure by 75%. When the PSAB targets decrease, so does the actual expenditure of that government department. The third theme for the PSAB was a lack of qualified Indigenous suppliers to bid on the federal procurement contracts. Indigenous suppliers confront many hurdles, such as the inability to write and submit bids to win the contract or bid. Some Indigenous suppliers are also inexperienced in meeting administrative and bid requirements, which require some knowledge of technology.

The themes for the second subset (FCP) in relation to inhibitions was the increase in FCP thresholds, underuse of performance measures and lack of reporting. The Government of Canada increased the FCP threshold from CA\$200,000 to CA\$1 million in 2013. This decision by the Canadian Government contradicts the original intention of promoting employment equity to the disadvantaged category. The finding for this particular theme is important to the community and disadvantaged category because they are unlikely to benefit from the implementation of this policy. With regard to the underuse of performance measures, the Government of Canada called for mandatory reporting of the composition of their workforce from employers. They believed that these performance measures would improve workplace awareness of inequality practices and this awareness would also result in impartial employer practices. An absence of reporting could have implications for diversity procedures and practices within an organisation. This theme was similar to the first subset (PSAB), where it was revealed that there is a lack of data collection. This finding is useful for both subsets and could lead to the successful implementation of the FCP and PSAB for the overall promotion of socioeconomic objectives through the concept of procurement.

6.9. Conclusion

The above analysis indicated that the PSAB does address an obvious need by assisting Aboriginal businesses and encouraging their participation in bidding for contracts from federal departments and agencies. It is evident from the above analysis that there has been considerable improvement in the award of set-aside contracts (voluntary and mandatory) to Aboriginal businesses. However, the researcher had immense difficulty in obtaining data from PWGSC. To be responsive to the needs of Aboriginal businesses, PWGSC must ensure there is a database that allows for continuous capture of data on businesses winning set-aside contracts by value and type. The PSAB must develop enhanced accountability mechanisms for the capture of these data.

The above analysis also indicated that PSAB targets for government departments have decreased and government departments further reduced their PSAB spend targets in 2013. Therefore, there seems to be a contradiction in the data between the increase in the number of Aboriginal contracts awarded and the decline in the PSAB spending and targets by government departments. The question that needs to be answered in terms of the above analysis is whether the objectives of the program are consistent with INAC's goals and government-wide priorities.

This chapter also examined the triangulation of data sources and whether the data sources converged or diverged. Moreover, it presented a cross-case analysis of the two subsets.

CHAPTER 7: AUSTRALIAN CONTEXT

7.1. Introduction

Canada and Australia have perceived similarities in political, socio-economic and cultural values (Brown, 2009; O'Donnell, Mensik, Garavan, Taggar & McGuire 2002,). With the exception of New Zealand, no two countries in the world are as similar as Australia and Canada politically economically and culturally (Brown, 2009). In the political structure, the countries share many characteristics. As befits white settler colonies of the former British Empire, both countries' legal systems that derive from common law, with the exception of the Quebec civil law (Canadian Constitution, 2020). Quebec has a different legal system, that is, civil code derived from the French continental system (Canadian Constitution, 2020). The presence of Quebec provides a major difference in this analysis since it has its own language – French - culture and national aspirations (Brown, 2009). Both Australia and Canada are parliamentary democracies with bicameral legislatures at the national level, although unlike Australian States except Queensland, all Canadian Provinces have unicameral legislatures (Irving & Seager, 1996). Both countries possess Federal systems but the Canadian Provinces have more power than the Australian States, more for historical reasons than because of constitutional design (Irving & Seager, 1996).

Both countries have Federal administrative structures. Canada is a Federal Commonwealth country with ten Provinces and three Territories (Canadian Constitution, 2020). Australia is a Federal Commonwealth with a Federal Government, six State Governments and two Territory Governments (The Australian Constitution, 2020). Both are large countries with small populations (Kealey & Patmore, 2004). In comparing Australia and Canada, the two countries are geographically huge by world standards; Australia is 775 9538.2 kilometres (Australian Bureau of Statistics, 2019) and Canada is 9.984 670 kilometres (Statistics Canada, 2019). In terms of population, Australia was 25.36 million in 2019 (Australian Bureau of Statistics, 2019) and Canada was 37.59 million in 2019 (Statistics Canada, 2019). Vast areas of each country remain either unsettled or quite sparsely settled (Kealey & Patmore, 2004). Canada's population includes many cultures and is spread thinly across along the United States Border while Australia's population is almost totally on the east and south coasts in the semi-circle running from Brisbane to Adelaide (Kealey & Patmore, 2004). Both countries are highly urbanised, with Australia at 86 percent (Australian Bureau of Statistics, 2019) and Canada at 80 percent (Statistics Canada, 2019), with the three largest cities in Australia

containing 47 percent (Australian Bureau of Statistics, 2019) of the population and 28 percent in Canada (Statistics, Canada 2019).

Canada and Australia have many similarities that allow a ready comparison. Canada is a net importer of production technology (Statistics Canada, 2019). Machinery and transportation equipment represent about one-half of total imports of both countries (Statistics Canada, 2019). The bulk of high tech equipment of both countries is imported from the United States (Statistics Canada, 2019). Canada and Australia are also both resource-based countries and the structures of their respective economies are dominated by the primary sector 55 percent of Australian exports are in the form of raw materials compared to 46 percent for Canada (Statistics Canada, 2019). Both provide interesting comparative possibilities in terms of their late industrialisation with shared origins in import substitution and their similar State economic policies in the late 19th and early 20th centuries (Kealey & Patmore, 2004). Immigration has shaped both countries and both have multicultural societies (Kealey & Patmore, 2004). There is much to be learnt from a study of employment equity and labour in Canada and the transferability of these findings to the Australia context, as they are two countries with common constitutional and ideological heritage (Brown, 2009; O'Donnell et al., 2002; Fudge 2006).

If the Canadian approach to employment equity is evaluated based on how it has been received and imitated internationally, it would appear to be successful (Agocs 2009), even though the findings of this study indicate that the FCP has not been very effective in the long term. South Africa, Northern Ireland and the Netherlands all built employment equity legislation on the intellectual and policy foundations set out in the Abella Report and *Employment Equity Act* (Agocs & Osborne 2009, p. 242). The Northern Ireland experience under the Canadian model is also particularly noteworthy (Erridge 2007). Governments around the world are taking the opportunity to reconsider employment equity initiatives and anti-discrimination laws more broadly (Agocs & Osborne 2009) to promote social justice and change. The next section discusses the applicability of the findings of this study to the Australian context.

7.2. Procurement Framework in Australia

As mentioned before Australia is a federation with a national or Commonwealth government, and has six state governments and two territory governments. Each state in Australia has its own legislation and procurement policies and procedures. Regulation of procurement in Australia does not occur on a national scale. Every agency/government department is decentralised and has responsibility for its own

procurement agenda, but operates within a central framework of procurement principles and policy (Department of Finance 2015). The Commonwealth guidelines apply to all procurement conducted by officials in agencies in all relevant bodies of the *Commonwealth Authorities & Companies Act 1997* (Department of Finance 2015). Thus, public procurement is highly regulated in Australia and each state is not only subject to federal laws, such as the *Trade Practices Act 1974*, but can also be subject to other legislation and policies governing purchasing and procurement related specifically to that jurisdiction (Victorian Government Purchasing Board 2017).

The federal government's procurement framework is regulated by federal legislation and policies and international obligations. There is also a financial management framework that administers proposals to spend public money in all government agencies (Department of Finance 2015). The Commonwealth of Australia has developed procurement guidelines for the procurement of property and services, and each of these government departments or agencies has well-developed operational policies, procedures and guidelines that outline how purchasing and procedures are to be initiated, planned and reviewed (Australian Procurement and Construction Council 2017).

7.3. Equity in Australia

Many examples of social procurement and processes are underway in Australia that stretch across all levels of government; however, three specific initiatives and agendas deserve particular mention in relation to the inclusion of social services in public procurement. These are briefly explained as follows. In February 2010, an enhanced Indigenous Opportunities Policy was announced by the federal government, intended to increase Indigenous employment training and supplier opportunity by revising procurement and grant policy (Burkett 2010a). It applies to Australian Government departments and agencies undertaking projects valued at AU\$5 million or more in regions with significant Indigenous populations (Burkett 2010a). When projects occur under these conditions, the lead agencies are required to consult with the Department of Education, Employment and Workplace Relations (Burkett 2010a). The Commonwealth Indigenous Coordination Centres and relevant community councils in the planning stages of these projects require each supplier to present, as part of their tender, a plan for providing training and employment opportunities to the local Indigenous communities (Burkett 2010b).

The Council of Australian Governments has also developed a national partnership agreement on Indigenous economic participation (signed December 2008) through

which the Commonwealth and all states and territories have committed to strengthen their procurement policies to maximise Indigenous employment (Council of Australian Governments 2015). The aim of this agreement is to maximise Indigenous employment, particularly in contracts related to large construction projects, maintenance, cleaning and infrastructure, agreed through the Council of Australian Governments (2015). These contracts include clauses that mandate suppliers to deliver Indigenous employment training and supplier strategies, with the aim of promoting jobs, training opportunities and support for Indigenous businesses (Council of Australian Governments 2015) through the procurement process. In addition, the federal government has initiated a three-year pilot funding program to support the Australian Indigenous Minority Supplier Council, which is focused on supporting majority Indigenous-owned, -controlled and -managed business to contract directly with both corporate and government purchasers (Australian Indigenous Minority Supplier Council 2013).

Apart from the above measures undertaken by the Australian Government to promote social development through the procurement process, the federal government also instituted the 'Equal Opportunity for Women in the Workplace Contract' compliance policy in 1993 (Burkett 2010b). This stipulates that all organisations failing to comply with the affirmative action *Equal Opportunity for Women Act, 1986* (now the *Equal Opportunity for Women in the Workplace Act, 1999*) are deemed ineligible for government contracts (Australian Government 2009). In 2009, the Australian Government announced that it would conduct a full review of Australia's key piece of employment equity legislation, the *Equal Opportunity for Women in the Workplace Act (EOWWA), 1999* (Australian Government Department of Social Services 2017).

This statute is the only employment equity legislation that extends to the Australian private sector and is similar to Canadian legislation in that it requires organisations with 100 employees or more to develop and implement plans to increase workplace diversity, and imposes annual reporting obligations on those organisations (Agocs 2009). However, it differs from the Canadian Act in that it extends solely to women. In a review of legislation in 1999, a proposal that would have extended its scope to cover other equal employment opportunity groups was rejected (Australian Human Rights Commission 2017). Australia did review the EOWWA later to ensure that equal employment opportunity policies remain appropriate for current economic and social conditions (Agocs 2009).

Australia did not previously have the same degree of focus on generating direct social outcomes from procurement policies and processes as in Canada, Europe and the US.

It was only recently in Australia that the concept of public procurement was used for the promotion of groups of suppliers to promote and enact affirmative action, such as ensuring that a certain percentage of the budget is sourced from the designated category (Aboriginal businesses or visible minorities) (Barraket & Weissman 2009; Newman & Burkett 2012). Procurement policies that promote social policy goals in Australia have focused more on outcomes such as generating Indigenous employment, instead of targeting specific suppliers in disadvantaged communities (Barraket et al. 2010). This may have had some effect on addressing social issues in Australia, but this effect has not been as direct as developing or targeting specific suppliers in the designated category (Barraket et al. 2010; Burkett 2010a).

This situation may have arisen because Australia has a history of different priorities and socioeconomic objectives to countries that have focused more on developing direct supplier targets (Debeljak 2007b). It is worth mentioning here that the nature of the welfare state in Australia has offered greater levels of income protection, rather than increasing entrepreneurial mechanisms to address issues such as poverty and unemployment (Barraket & Weissman 2009). Thus, Australia has focused more on welfare-based approaches to social policy, rather than focusing on enterprise-based policies, which are the focus of targeted procurement strategies in countries such as the US, which do not promote welfare (Barraket et al. 2010; Newman & Burkett 2012).

The standard practice in Australia has been to promote small businesses within given or specified public procurement frameworks (Burkett 2010a). This scenario is often linked to a geographical focus or to the specific policies of a given region or state (Burkett 2010a). These policies duly promote small businesses in the procurement process and help them build the required capacity to compete and tender for contracts (Western Australia Procurement Summit (2nd) 2003). Such measures could have important social and economic consequences for local regions and communities in Australia (Burkett 2010a). It is important to note that, even though there is a specific provision in the Commonwealth rules promoting procurement to SMEs with at least 50% ownership (Department of Finance 2015), information and research from the Australian Parliamentary Library indicates that, between 2012 and 2013, Indigenous businesses obtained only 0.001% of the total Australian Government's spend (approximately AU\$6.2 million of the total AU\$39 billion spend).

On 17 March 2014, Andrew Forrest made recommendations on 'creating parity' in the 'Forest Review'. Based on these recommendations, the Commonwealth of Australia announced that it is planning to have 3% of its procurement contracts with the Indigenous

community/suppliers by the year 2021. The Canadian Government has successfully used procurement policies and processes to promote economic development, especially in relation to First Nations people, by means of the PSAB. The way that the PSAB has worked and the findings revealed in this study will be a great lesson for Australia.

7.4. Lessons for Australia

The findings of this study revealed that, in relation to the PSAB implemented in Canada, several challenges were reported in sourcing Aboriginal suppliers in the fields of surveying, medicine, engineering and architecture. In Canada, it appears that larger government departments and agencies have more easily met their targets than smaller government departments and agencies. If the focus is on portfolio-level or whole-of-government targets, this may not be a problem. However, it will be difficult to set realistic targets for smaller agencies and departments because they require a large range of products and services for their operation, in comparison with the requirements of larger agencies. In Canada, if federal departments or agencies purchase goods, services or construction in excess of CA\$1 million annually, they have given their consent to establish performance objectives in relation to the PSAB (Public Works and Procurement Services Canada 2017)

The findings of this study revealed that, in accordance with the PSAB review conducted in 2007, there were no serious consequences for government departments and agencies that failed to set targets or set-aside contracts for the Aboriginal community. The PSAB 2007 program review also noted that there was insufficient data on factors such as the total number of jobs, training and apprenticeships created and the number of employees who were hired but had been dependent on welfare benefits previously (INAC 2007). It is noteworthy that the 2007 PSAB review also emphasised whether businesses had been able to expand or increase their profits and sales margins (INAC 2007).

The social procurement framework outlines the Victorian Government's social procurement objectives and corresponding social outcomes and in total, there are seven social procurement objectives (Victorian Government 2021). The seven areas that align with important government work are in relation to opportunities for Victorian Aboriginal people, opportunities for Victorians with disability, women's safety and equality, opportunities for disadvantaged Victorians, supporting safe and fair workplaces, sustainable social enterprises, Aboriginal business sectors, and sustainable Victorian regions (Victorian Government 2021). Unfortunately, it is for the relevant accountable officer of the government department or agency to decide on how to implement the

“Social Procurement Framework”, (Victorian Government 2021). This covers only the state of Victoria and is an indication that there are no mandatory social procurement targets available for the government department and agencies. The findings of the Canadian model especially in relation to the employment equity and the promotion of aboriginal businesses would be timely and relevant to the Australian policy makers.

A program similar to the PSAB in Canada could be established in Australia if certain amendments were made to the Commonwealth procurement guidelines. The Commonwealth procurement guidelines in Australia can be defined as a legislative statement that can be issued and amended only by the minister in charge of finance (Department of Finance 2015). If Australia is planning to have 3% of its procurement contracts with the Indigenous community/suppliers by the year 2021 this could be an ambitious plan. At the same time, it could be said that it is not an unreasonable plan. In the Forest Review, Andrew Forrest (17 March 2014) did recommend design aspects that are similar to the PSAB implemented in Canada.

In May 2017, the Australian Human Rights Commission proposed the introduction of gender quotas that indirectly forced suppliers and contractors to employ at least 40% of women. Under this plan, if contractors/suppliers did not employ or recruit 40% of women, they risked losing lucrative government contracts. The objective of this plan was to increase women’s employability and wages. However, the business groups felt that this was a bad outcome for taxpayers that could result in difficult conditions for small businesses (Australian Human Rights Commission 2017; Debeljak 2007a). Under this plan, government departments and agencies were required to include a clause in their contracts requiring efforts to improve gender balances and have targets of at least 40% women (Australian Human Rights Commission 2017). The contractors were also required to prove that they had ‘gender-balanced shortlists’ for any job interviews that they had organised (Australian Human Rights Commission 2017; Debeljak 2004), which meant they should have 40% women and 40% men, with the remaining 20% allocated to allow for flexibility (Australian Human Rights Commission 2017).

In view of the above circumstances, only a few contractors or suppliers can bid if gender-balance requirements are imposed by government agencies. This would mean that there was less competition because if only a few are able to bid then it could also be a bad outcome for taxpayers. As aforementioned, this would make it difficult for small and medium industries to undertake government contracts at a time when they need it most. The government of Australia already requires contractors/suppliers with a capacity of more than 100 workers to report on employment equity measures through the Workplace

Gender Equality Agency, which is responsible for data collection, but not responsible for imposing quotas (Workplace Gender Equality Agency 2017). However, there have been counter-arguments to this proposal and business groups are not in agreement with the social engineering proposal, warning that some companies could go broke if locked out of government work. It was also argued that government agencies should seek to maximise value for taxpayers' money, instead of dictating which contractor to employ.

7.5. Employment Equity for Visible Minorities in Australia

The Federal Government of Australia could use procurement to promote aims that are secondary to the primary aim of procurement—in this case, purchasing or acquiring goods, works and services to achieve socioeconomic objectives (Watermeyer et al. 1998). The two social policies implemented in Canada could be incorporated into the Australian context. The two social policies examined in depth in this study could be used to promote employment equity for the visible minorities in Australia. The Canadian model could work well with visible minorities in Australia.

Migrants arrive in their thousands every year to Australia, many of whom are professionals, such as doctors, lawyers and engineers, seeking a better life. However, many of them confront major difficulties and problems in obtaining suitable employment and adjusting to a new society and culture. They must meet different requirements to fulfil their expectations and obligations. Many migrants experience incredible difficulties in finding a job, while others end up receiving government support payments. These migrants face barriers such as difficulty speaking the English language and cultural barriers.

Currently, there is an acute shortage of professionals, such as medical doctors and qualified technicians, in Australia. Even though there is a dearth of these professionals in Australia, many newcomers are non-English speaking and must sit qualifying exams and prove themselves all over again, as overseas qualifications are sometimes not recognised. For example, there are many qualified lawyers from countries such as Sri Lanka and Bangladesh working in factories to support their families. Another major issue faced by migrants is the lack of Australian work experience. Employers in Australia generally seek staff possessing work experience in Australia. Even though new migrants have obtained work experience overseas, they are relatively disadvantaged, as they do not have the required Australian qualifications and experience. In a situation such as this, they will miss out on training and potential work opportunities.

New migrants who have obtained university degrees overseas must go through long periods integrating themselves into Australian culture and society. Sometimes they must wait years before their qualifications and experience are recognised, if they are recognised at all. Eventually, they must start seeking employment and the delays and rejections experienced in the process can be very frustrating. Long delays are experienced in accessing sources of income, which can also affect the mental health of family members. Migrants must make many sacrifices and reduce their household budgets, especially for social and leisure activities. This can lead to frustration, depression and alienation from the wider community, and some return to their home countries. Overall, it is worth considering whether the Canadian employment equity model is an answer to the current migrant unemployment crisis in Australia.

7.6. Conclusion

Employment equity can make a difference in reducing the barriers that create inequality for women, visible minorities, Aboriginal people and persons with disabilities. Australia has not had the same degree of focus on promoting direct social outcomes from procurement processes as in the US, Canada and Europe. The Canadian model examined in this study could be an answer to Australia's migrant unemployment crisis and could aid the conceptual understanding needed for policy formulation pertinent to improving employment equity through the public procurement process. Another lesson that Australia can take from the Canadian model is to not focus only on one particular disadvantaged group (e.g., women), but consider other groups, such as visible minorities, people with disabilities and the Aboriginal community, and implement a model that is similar to that in Canada.

CHAPTER 8: DISCUSSION AND CONCLUSION

8.1. Introduction

This chapter presents a discussion and the implications of the research findings on the inclusion of social services in public procurement in Canada. The Federal Government of Canada uses procurement to promote aims that are secondary to the primary aim of procurement—in this case, purchasing or acquiring goods, works and services to achieve socioeconomic objectives (Watermeyer et al. 1998). According to the literature, public procurement appears to be an appropriate tool for the implementation of such social policies. However, because of the lack of empirical research in this sector, little is known about the way targeted procurement in the public sector is used to promote socioeconomic objectives. Thus, using Canada as a case study, this research aimed to examine and explore how targeted public procurement could be used to promote socioeconomic objectives, as part of a best-practice model of public procurement. To that end, this research study aimed to address the following research questions:

RQ 1: How do the existing public procurement policies of the Federal Government of Canada promote and enhance the achievement of social development objectives, particularly for disadvantaged and minority groups?

RQ 2: What are the internal (to Canada) factors that inhibit or prevent the achievement of these social development objectives?

RQ 3: What are the external (relating to Canada's external trade and investment) tensions arising from the pursuit of these socioeconomic goals in industrially developed countries such as Canada?

RQ 4: Which additional policy reforms are necessary in the procurement policies and processes to more effectively promote socioeconomic objectives through the procurement programs of public sector agencies?

To answer these questions, this research study examined the literature on the economic context of public procurement, national and international perspectives on the regulation of public procurement (particularly in Canada), and the social policy issues prevalent in Canada.

The structure of this chapter is as follows. Section 8.2 discusses the implications of the findings of RQ 1 and the existing views on targeted public procurement in enhancing and promoting socioeconomic objectives. Section 8.3 deals with the implications of the

findings relating to RQ 2 and the barriers to achieving these social development objectives. Section 8.4 presents the implications of the findings with regard to RQ 3 and the internal and external tensions arising from the pursuit of these socioeconomic issues, particularly in industrially developed countries such as Canada. Section 8.5 discusses the implications of the findings of RQ 4 with regard to the policy implications and reforms required to more effectively promote socioeconomic objectives through the procurement programs of public sector agencies. Section 8.6 deals with policy reform and recommendations for both the FCP and PSAB. Section 8.7 presents the theoretical and practical contributions of this study, while Section 8.8 discusses the limitations of this study. Section 8.9 discusses future research, and Section 8.10 presents the summary of the study implications and the conclusion for this chapter.

8.2. RQ 1: Existing Canadian Public Procurement Policies' Promotion of Socioeconomic Objectives

The PSAB and FCP are two of the main policies utilized by the Canadian Government to achieve social justice through the public procurement process. As such, the implications of the findings of these two policies are discussed in the following sections.

8.2.1. PSAB Program

The increased formation of Aboriginal business is not consistent, either regionally or sectorally. PSAB contracts appear to be largely situated in both Ontario (432) and British Columbia (269). A total of 198 PSAB contracts are located in Quebec and 143 in Manitoba. In accordance with the PSAB Annual Report, roughly 30% of businesses enter or exit the Aboriginal Business Directory each year (INAC 2013). Such uneven results across regions and sectors may partially be due to ineffective compliance mechanisms, which points to a problem in policy implementation (Mah 2014).

In 2013, PSAB set-aside contracts worth more than CA\$82 million were initiated by 49 federal departments and agencies. The total values for these contracts ranged from CA\$852 to more than CA\$34 million, with the majority of contracts awarded to Correctional Services Canada, Health Canada, Shared Services Canada and AANDC (INAC 2013). These four departments were awarded almost 77% of the total value of the contracts, with a combined value of CA\$63,616,685 (INAC 2017). Sector-wise PSAB contracts for 2013 were awarded under a wide variety of commodities, with the greatest amounts spent on health and social sciences, followed by purchases such as automation equipment, furniture and health equipment. PSAB program was also successful in obtaining contracts in the IT and construction fields (INAC 2013).

An examination of secondary data showed that there has been a marked improvement in the award of both voluntary and mandatory set-aside contracts with Aboriginal peoples. The value of contracts awarded to Aboriginal contractors/suppliers between 1999 and 2000 increased; however, the value and significance of the contracts awarded to the non-PSAB sector were far greater. The secondary data analysis indicated that the PSAB targets for government departments and agencies have decreased in value over the years. The secondary data analysis (Chapter 6) also indicated that most government departments reduced their PSAB targets in 2013 by 6% compared with an overall decrease of 27% between 2011 and 2012. Overall, PSAB targets decreased by 32% between 2010 and 2013.

After three consecutive years of growth in terms of set-aside contracts, the value of set-aside contracts for 2013 dropped to CA\$82 million from a previous high of CA\$108 million (INAC 2017). This corresponds and aligns with existing knowledge from other studies (Bates & Williams 1996; Mah 2014) and although the PSAB was able to increase the award of government contracts to the Aboriginal community, it has not worked as well as it should have as a consistent policy tool over the past decade. Bates and Williams (1996) also indicated that procurement policies for minority businesses could lead to an over-reliance on government contracts. They argued that it would be better for these contracts to become established in the mainstream market; otherwise, over-reliance on government contracts could result in other issues, such as going out of business.

The Canadian Government views public procurement and the PSAB in particular as a useful policy tool to stimulate Aboriginal economic development. The PSAB would also increase investment in Aboriginal firms and business start-ups (INAC 2007). Moreover, the program is likely to increase entrepreneurial tendencies (Mah 2014) within the Aboriginal community to create new businesses. According to Mah (2014), it is difficult to assess the direct link between procurement policies and the number of Aboriginal businesses created because of the unavailability of data. Mah's (2014) findings also indicated that senior federal procurement officers noted an increase in the number of contracts contended for and won by Aboriginal firms since the inception of the PSAB. However, they were also sceptical about the limited varieties of goods and services available for purchase from Aboriginal suppliers/contractors, indicating that the new Aboriginal businesses may not be in a position to fill the supply gaps (Mah 2014).

The regulatory issues associated with public procurement and contract performance may be daunting for the PSAB program. The regulatory aspects of procurement not directly

related to selecting the contractor or contract performance could be a significant barrier to entry for PSABs. Fees associated with procurement documentation may also be burdensome for the PSAB program, while contract administration may be relatively burdensome. For example, the process of procurement registration and qualification could be burdensome and lead to the exclusion of PSABs from various lists maintained by procuring entities (federal departments and agencies). Mah (2014) agreed that smaller Aboriginal businesses confront two issues. They not only compete with non-Aboriginal firms for government contracts, but also compete with larger more established Aboriginal businesses. This is a problem that the PSAB does not address at all.

The main attraction of the PSAB is that it provides an entry point to the public procurement process and can generate visible gains. At the same time, it also risks compromising on price, quality and delivery targets because some of these PSAB suppliers may not be as efficient as larger companies (Mah 2014). Sometimes, political pressure within the country makes it difficult to deliver and monitor programs like the PSAB effectively. For example, each governing political party in Canada has its own political agenda and may either continue or discontinue the PSAB program once elected to office. In a situation such as this, even if this program is proven unsuccessful, it would be difficult to discontinue the PSABs because the objective of the program is promoting social justice and change. International trade agreements, such as the NAFTA, also override any preferential treatment given to Aboriginal suppliers, which may render domestic procurement policies impotent (Mah 2014).

Government departments in Canada are expected to understand and make use of the PSAB. They are also expected to set targets for the designated category (Aboriginal community) and to seek contracting opportunities among this category (McCrudden 2004). Government departments not only have to set targets, but must also report and monitor the PSAB and endeavour to promote Aboriginal businesses and the strategy in general (McCrudden 2004). Thus, it is imperative for Canadian Government departments and agencies to be more proactive in setting aside both voluntary and mandatory set-asides for Aboriginal businesses.

In accordance with the data compiled by INAC (2013), there has been an issue with regard to implementing the PSAB in general. The question arose as to whether the PSAB had been implemented consistently across government departments and agencies. The primary data revealed that some directors and managers of the government departments and agencies believed that the PSAB implementation was consistent, while others felt it was inconsistent across departments (INAC 2013). When senior procurement officers

were asked whether the contracting officers and managers in their respective departments had a good understanding of the PSAB, they answered in the affirmative. However, during the interviews, the researcher noted that most material managers were not aware of the PSAB or their targets in general. In accordance with the data compiled in INAC (2013), some were even reluctant to contract with Aboriginal businesses, as they felt that it would not result in the best value. Some managers acknowledged the need for more support for the PSAB, while others indicated that the PSAB was not of much importance.

Additional data needs to be systematically collected and assessed in order to assess the impact of the PSAB. But what is evident from the above discussion is that the trend in both the number and dollar value of contracts awarded to Aboriginal contractors/suppliers has increased since the inception of the PSAB. According to the INAC (2013) Aboriginal businesses have also indicated that the PSAB program had a positive impact, since it allowed them to compete on a number of important lucrative federal contracts

8.2.2. Federal Contractors Program

The findings of the study reveal that the Federal Government of Canada has given limited importance and support to the FCP. This trend has undermined not only the quality and legitimacy of the program, but also its accountability and transparency as a policy promoting social justice and change. The FCP does not include any obligation to file a report, which could result in poor follow-up of the commitment agreed to by a business that wants to bid on contracts with the federal government. Thus, has Canada's progress for the designated groups (Aboriginal people, people with disabilities, women and visible minorities) under employment equity slowed and not lived up to its potential?

It was extremely difficult for the researcher to conduct an analysis of the FCP because of the absence of reliable and valid data. This remains one of the biggest challenges of the FCP. There are no transparency and accountability mechanisms in place for the smooth evaluation of the FCP. The employment equity report released by the HRSDC is responsible for collecting and publishing data annually, but unfortunately devotes only a paragraph of this report to reporting on the status of the FCP. The researcher endeavoured to conduct an analysis of the FCP with the available secondary data obtained from Statistics Canada, the Labour Program database. Data were also obtained from the census database and National Household Survey. There were a few reports published over the years that have attempted to evaluate the FCP, and this remains the

only evidence of accountability mechanisms. The final evaluation report published by the Evaluation Directorate, Strategic Policy and Research branch (HRSDC) was in 2012.

The extensive literature search and findings of this study also revealed that the FCP was revised and redesigned on 27 June 2013. The revised FCP included an increase in the contract threshold from CA\$200,000 to CA\$1 million. The Government of Canada has defended its stance, indicating that it is committed to reducing regulatory and red-tape hurdles for small to medium-sized employers. However, is the increase in the FCP threshold in keeping with the initial objectives of the program? Perhaps it would be timely for the Evaluation Directorate, Strategic Policy and Research Branch to undertake to undertake a review of the FCP between 2102 and 2018.

The academic literature was reviewed in Chapters 2 and 3 in relation to the FCP and the findings of these studies will now be compared with the findings of this particular study. The findings from the Human Resource Development Canada evaluation report in 2002 revealed that, in 1999, there were no data to analyse the FCP (Human Resources Development Canada 2002) The secondary data revealed that the FCP had only a marginal increase in the designated categories of women and visible minorities, while the effect was negative for the designated categories of Aboriginal community and persons with disabilities (Human Resources Development Canada 2002). In a similar study by Mohamed and Roberts (2008), the findings on employment equity revealed no substantive improvement. Mohamed and Roberts (2008) presented a sobering picture of 'Black Economic Empowerment' in South Africa. Employment equity and skill development were portrayed as the potential link in a chain of empowerment that runs through the country and could be integral to addressing the far-reaching legacy of Apartheid in setting economic growth and a development trajectory (Mohamed & Roberts 2008).

Stewart and Drakich (1995) assessed the effect of the FCP on recruitment and examined new tenure track appointments awarded to women between 1988 and 1990. From their analysis, they concluded that the FCP has had a relatively weak effect on recruitment. They concluded that weaknesses of the FCP include a lack of clear criteria for establishing success, reluctance to enforce penalties for failure and an apparent lack of political will to enforce the requirement to undertake action. The evaluators themselves noted that the FCP has experienced significant difficulties since it was introduced, particularly from 1995 to 2001, which coincides with the period during which businesses subject to the legislated employment equity obligation were required to make major efforts (Lamarche 2005).

Agocs (2014) provided a good foundation for the Canadian model of employment equity by recognising essential building blocks of a policy framework. Agocs also noted that a good policy framework could lead to equal opportunity for Canadian employees at large. Changes in the economic and political spheres were required and posed challenges to the effective implementation of the employment equity program. Changes in the culture and structure of the workforce and labour markets too were posing challenges to the effective implementation of the employment equity program in Canada. Agocs (2014) noted that there was shift in consciousness over the past few years and, though a commitment to enhance social justice was not completely abandoned, it was muted by a lack of leadership and commitment by the federal government. The federal government was responsible for removing the barriers to effectively implement the employment equity program (Abu-Laban & Gabriel 2002 p. 12).

The recommendation (Recommendation 7) by the Standing Committee on Human Resources Canada in its June 2002 report was devastating (Human Resources Development Canada 2002). The committee recommended that the Minister for Labour review the FCP, with the objective of restructuring the entire program. The committee also recommended that the restructuring should align with the employment equity obligations of federal contractors and should be equivalent to employers regulated by Section 4 of the *Employment Equity Act*. In response to the findings and conclusions of this report, the federal government made a commitment to consider the restructuring the FCP; however, the project remains incomplete (Human Resources Development Canada, 2002). An obvious way to improve the results of employment equity policy is for the federal government to address this unfinished business (Human Resources Development Canada, 2002)

The evaluation of the FCP by Human Resources Development Canada (2002) provided findings and conclusions that will significantly affect the future design and implementation of this program. In 2002, the FCP affected 800 large-scale federal contractors who employed over 800,000 individuals. At this time, the FCP should have been meeting the business performance and employment equity objectives. The conclusion provided by the evaluation in 2002 was telling (Human Resources Development Canada 2002). It reported that the FCP was incapable of achieving the goals set by Parliament or the expectations of its stakeholders (Human Resources Development Canada 2002). The evaluation noted that, to correct this situation, significant change in direction was required to both the organisation (implementing the FCP policy) and the resources provided for this program (Human Resources Development Canada 2002).

McCrudden (2004) demonstrated that conventional view holds that the social use of public procurement results in inefficiency. McCrudden (2004) stated that the reason for the conventional view is attributable to one's lack of understanding of the other side. He presented 10 principals as a framework to reconcile the two sides, including increasing integrity, accountability and transparency, informed decision making, fair and equal treatment of those involved, and program effectiveness. These points are valuable not only to policy makers and program designers, but also to public procurement practitioners. He indicated that there is a bridge between the primary (economic) objective and secondary (non-economic) objective of procurement. However, this study implies that, even after a lapse of 13 years, the FCP introduced to promote social justice and change has not yet achieved its target. The implications of the results of the next research question will discuss this even further. This is an important contribution to the ongoing debate about preferential procurement programs.

8.3. RQ 2: Internal Factors Preventing the Achievement of Social Development Objectives

Public sector officials in charge of procurement may prefer prequalification or standing orders to limit the pool of potential bidders to qualified serious bidders. Standing orders also initiate the early detection of contractors who have the capacity to manage procurement. Perhaps it is less work and easier for public sector officials to eliminate bidders who are not responsible before the bidding process begins, and consider only the serious contractors who have the necessary qualifications to perform the work.

8.3.1. Inhibitions for Public Services and Procurement Canada Standing Offers

This study's findings implied that standing orders can become a major barrier for the PSAB businesses to bid for contracts in the public sector, as there is already a pool of applicants selected to undertake the job. Prequalification is more suitable for large or complex civil work and custom-designed turnkey projects. The main problems that PSAB businesses face most frequently in the public procurement process are the high financial and staff costs for participating in large contracts. Public contracts can be very complex, requiring considerable financial capacity and technical expertise. The administrative burden involved in producing the required documentation to prove their technical and financial capability can be demanding. These are conditions that must be addressed to increase PSAB set-aside participation in the public procurement process. Standing orders should be eliminated for smaller dollar value contracts, enabling the Aboriginal set-aside contractors to bid on these contracts, and all firms that meet criteria must be

prequalified. The public sector should also use different prequalification processes at different levels of government or for different dollar value contracts.

The findings revealed that, although the public sector is considered an attractive market, most SMEs never or rarely tender for public sector contracts (FreshMinds 2008). The Government of Canada in 2017 reported that only 16% of contract value was won by SMEs, which was only slightly better than the 14.3% reported almost 10 years ago (Government of Canada 2017). This fact corresponds with the findings from other studies. Raymond (2008) noted that, even though there are public sector institutions that genuinely wish to change, they can be restricted by standing orders, public accountability and other probity constraints. According to Raymond (2008), some government agencies are extremely bureaucratic in nature and are reluctant to change their existing habits and practices. Kumaraswamy and Palaneeswaran (2000) debated how public sector agencies need to incorporate modern management tools and technologies to cope with the procurement industry so they can remain competitive and make good use of scarce resources.

8.3.2. Creation of Shared Services Canada

The creation of Shared Services Canada had a major effect on government departments and agencies over the past few years. This effect continues to present organisational, budgetary and technological challenges for all affected departments as they adapt to the new IT design. There is no academic research in this area and the researcher had to depend on secondary data and evaluation reports published by AANDC. The findings imply that most government departments are experiencing major problems with regard to their PSAB obligations. As a result the feedback provided by affected government departments shows that, in 2011 and 2012, the departmental PSAB targets were continuing to trend downwards for 2013. For example, the findings imply that, with regard to the targets for set-asides, AANDC negotiated with departmental contracting authorities to increase the number of PSAB set-asides. However, the findings indicate that reporting of targets is not required and data are not regularly collected by federal government departments.

In accordance with INAC (2013), about 45% of federal government survey respondents said their departments had set targets for set-asides. Twenty-three respondents said their departments had not set targets, and 27 were unsure (INAC 2013). Among those who knew their department had set targets, 41 respondents said they were being met, while three said they were not and 21 were unsure (INAC 2013). They also indicated that the major mechanisms responsible for encouraging departments to meet their

performance objectives respecting set-asides were mainly attributed to contract stipulations by PWGSC, tools and registration processes, awareness among suppliers, departmental culture and training courses (INAC 2013).

Shared Services Canada also has an opportunity to support the government's PSAB targets. Although many government departments and agencies are still struggling to meet their PSAB targets because of the emergence of Shared Services Canada, there is an opportunity for Shared Services Canada to increase their PSAB targets over the next few years. Shared Services Canada could help offset the overall decline in government PSAB spending by increasing their own PSAB target above 1.9% of their total spend, which would maintain the integrity of the PSAB and allow time for affected departments to develop techniques to ensure they meet their recalibrated PSAB targets in future years (Shared Services Canada 2017). Given its role, scope and sizeable budget, a temporary and relatively small percentage increase in Shared Services Canada's PSAB target could have a significant effect as other departments struggle to achieve their PSAB objectives (Shared Services Canada 2017).

AANDC did not anticipate the disruptive effect that the creation of Shared Services Canada would have on the PSAB. AANDC must take corrective action and offer more support to affected government departments during this transition period. AANDC also needs to take a leadership role and ensure that federal government departments and agencies meet their PSAB targets and commitments by allocating at least 2% of their total federal procurement income spending every year. They must ensure that the Shared Services Canada procurement initiatives are compliant with the PSAB. Shared Services Canada has absorbed all departmental email systems, data centres, networks and workplace technology devices, and is expecting to award long-term procurement contracts to large providers (Shared Services Canada 2012). This procurement strategy will place small and medium-size IT companies at a disadvantage, as they do not have the breadth of technology required to compete for these contracts. It is important for AANDC to work with Shared Services Canada to find opportunities where Aboriginal IT companies can support the government's technology requirements.

AANDC needs to be more accountable and transparent in their reporting of the PSAB. For example, AANDC have not published a performance report on the PSAB since 2010, and this last report covered the five-year period between 2005 and 2009. It is unclear whether they will produce another performance report to document the progress of the PSAB. Follow-up on this is absolutely essential, as the PSAB set-aside program is necessary to promote and foster strong and healthy Aboriginal communities.

8.3.3. Lack of Qualified Aboriginal Suppliers

The findings of this study revealed that the PSAB favours businesses that are already established, particularly in urban centres, and those located in places such as Ottawa and Quebec. This is an indication that the success of the PSAB cannot be measured only by the increasing number and value of contracts to Aboriginal businesses. Both the numbers and capabilities of Aboriginal businesses must be considered if the overall goals and objectives of the program are to be achieved.

The findings indicated that, in examining the need to support Aboriginal participation through the public procurement process, it is essential to examine the significance of the main barriers facing Aboriginal businesses. There is no academic research conducted in this area, except the evaluations conducted by the relevant government departments and, in this case, INAC. Some of the barriers identified in the findings included a lack of practical knowledge and capacity to respond to requests for proposals to the federal government. It was also revealed that there is limited access to qualified Aboriginal workers with the required skills, and many complications arise when doing business with Aboriginal firms. The higher cost of doing business with remote businesses was identified as an obstacle by the government departments and agencies. The smaller size and capacity of most Aboriginal businesses relative to the many large-scale projects was another issue that remains to be addressed.

In accordance with the report from the Evaluation Directorate, Strategic Policy and Research Branch (2012), the focus of the PSAB is largely centred on bolstering procurement with Aboriginal firms. Coupled with the fact that contracts with the federal government are typically large and highly competitive, the PSAB may effectively be providing most of its support to larger or more established Aboriginal firms (INAC 2013). Another significant problem encountered by the researcher was a limitation of procurement data. There is a lack of a comprehensive and up-to-date database of qualified Aboriginal suppliers, which is a weakness of the strategy (INAC 2013). Access to these data and transparency are required to address some of the issues confronted by the Aboriginal community. Improving existing programs or creating new programs to assist Aboriginal businesses with the training and knowledge required to obtain federal government contracts is very important. It is also necessary to facilitate coaching and mentorships on competing for and successfully completing these projects. It is of utmost importance to support or facilitate the creation of an employment/business network database for Aboriginal people (similar to LinkedIn, but specific to Aboriginal people), further strengthen the promotion of Aboriginal businesses to increase awareness of their

services, and reduce existing misconceptions of increased cost and difficulty commonly associated with conducting business with Aboriginal firms (INAC 2013).

8.3.4. Inhibitions for the Federal Contractors Program

The findings of the study revealed three inhibitions to the FCP:

1. lack of reporting
2. FCP thresholds
3. Underused FCP performance measures to improve program effectiveness.

Lack of Reporting

In December 2001, the Standing Committee on Human Resources and the Status of Persons with Disabilities began a review of the 1995 *Employment Equity Act*, including the operation of the FCP, producing a report in June 2002 that suggested improvements (McCrudden 2007). The committee reported that the lack of legislative basis for the FCP and no requirement to report annually, inadequate program support and guidance, and the absence of a meaningful monitoring mechanism have created the impression that employment equity covered under the FCP is in a state of disarray (Evaluation Directorate, Strategic Policy and Research Branch 2012). The committee was convinced that this program needs to be strengthened, and recommended that government departments do more to ensure that federal contractors comply with the requirements of the FCP (McCrudden 2007). The government initiated its own review of the legislation and an evaluation of the FCP was commissioned and published in 2002 (McCrudden 2007).

Weaknesses in the organisation resourcing and delivery of the program suggest that changes in the FCP could allow for improved effectiveness and more positive outcomes. Following these reviews, a restructuring of the program occurred in the latter part of 2002 to streamline activities, accelerate the audit process across Canada, and maintain consistency and uniformity in the application of the program among employers in various regions of the country (Treasury Board of Canada Secretariat 2016). The revised policy included measures to strengthen employer compliance by ensuring that firms declared ineligible could not bid for contracts and reporting requirements were streamlined (Treasury Board of Canada Secretariat 2016). However, it is also important to note that reporting should not be too onerous for employers and should only require them to provide the data needed to ensure FCP compliance. Reporting can also enable employers who are committed to employment equity to assess how well they are

performing in comparison with others, so a reporting regime should ideally include employer feedback (Evaluation Directorate, Strategic Policy and Research Branch 2012)

The findings of this study revealed that, as the FCP currently stands, it does not require any compliance or reporting by employers. The FCP cannot operate effectively without employer reporting. No proper assessment can be made for FCP employees without reporting. Without reporting, there is no way to assess or measure employer progress, and no way to measure program compliance or its outcomes. If employers cannot report on progress, then they are probably not implementing employment equity at all. Surprisingly, only 16% of employers indicated that annual reporting would be a hindrance to achieving employment equity—a factor favouring the implementation of reporting (Evaluation Directorate, Strategic Policy and Research Branch 2012).

A study by Ng and Burke (2010) revealed that the FCP did not have the same degree of diversity practices or obtain the same level commitment from its chief executive officers. The study attributed this to the lack of reporting requirements for firms participating in the FCP and to poor monitoring by the Federal Government of Canada. Human Resources Development Canada (2002) in their evaluation report concluded that, even though revisions were made to the program after 1995, they had largely disappeared because of a lack of resources and monitoring in administering the FCP. Given the lack of reporting and monitoring, the FCP contractors paid less attention to the objectives of the employment equity program. The discussion that follows examines the FCP thresholds initially covered by the program, and then goes on to review the drastic changes and amendments brought about by the federal government to the contracting policy on employment equity on 2 July 2013.

8.3.5. Federal Contractors Program Threshold

The findings imply that the FCP model is not consistent with its initial objectives and has not been effectively implemented. The FCP commenced in 1986, following a decision made by the Canadian federal government. The *Employment Equity Act* affects federally regulated employers and embraces businesses that receive goods and services contracts that are worth CA\$200,000 or more from federal government departments and agencies (Ng & Burke 2010). In accordance with this program, the businesses must hire at least 100 employees (Ng & Burke 2010). To submit a bid, suppliers and businesses must commit to employment equity procedures in writing. If these suppliers or contractors refuse to adhere to the employment equity procedures, they can lose their right to bid on other government federal contracts (Lamarche 2005). In April 2002, the Department of Human Resources Canada conducted an evaluation of the FCP and indicated that many

stakeholders had suggested a change in the FCP thresholds. The change suggested was particularly aimed at smaller firms and to meet the employment equity needs of designated groups in particular regions (Evaluation Directorate, Strategic Policy and Research Branch 2012).

The findings also indicated that the designated categories (Aboriginal community, visible minorities, women and people with disabilities) felt that the FCP thresholds should be lowered from 100 to 50 employees (Evaluation Directorate, Strategic Policy and Research Branch 2012). The main reason for this change was that there were smaller firms in the regions where these people lived and the threshold limit of 100 plus employees limited the reach of the program for them (Evaluation Directorate, Strategic Policy and Research Branch 2012). Stakeholders suggested that thresholds be lowered to include employers with CA\$50,000 or CA\$100,000 levels (Evaluation Directorate, Strategic Policy and Research Branch 2012). The designated categories suggested that including such contracts would extend the program to reach more employers and provide more support and assistance to the designated groups (Evaluation Directorate, Strategic Policy and Research Branch 2012). The designated groups also argued that a change in the FCP threshold would improve the regional coverage of the FCP (Evaluation Directorate, Strategic Policy and Research Branch 2012).

In accordance with the Evaluation Directorate, Strategic Policy and Research Branch (2012), there is also evidence that some activities, such as FCP compliance reviews, were successful at achieving the immediate outcome of getting employers to undertake the prescribed processes. It is also noteworthy that compliance reviews can provide a key opportunity to collect information on what does and does not work, both in terms of the actual results of the employer's activities and of the support provided to the employer prior to and during the compliance review (Agocs 2002). However, in 2013, a new FCP threshold was introduced. The Harper Government introduced the 'Amendments to the Contracting Policy Regarding the FCP for Employment Equity' on 2 July 2013. The following amendments introduced to the FCP were not in keeping with the original objectives of the FCP (Evaluation Directorate, Strategic Policy and Research Branch 2012):

- change of goods and services contracts covered by the FCP from CA\$200,000 to CA\$1,000,000
- removal of the requirement that the contractor's commitments meet standards set under the *Employment Equity Act*

- removal of the requirement for HRSDC–Labour Canada to conduct compliance reviews that follow up on the contractor’s commitments
- replacement of the requirement to conduct compliance reviews with the requirement for HRSDC–Labour to conduct compliance assessment based on the achievement of results (representation goals) that follow up on the contractor’s commitments
- removal of the ability of companies to bid on goods or services contracts after they have been found to be non-compliant with any commitments made to implement employment equity (currently, such contractors are only prevented from bidding on contracts above CA\$25,000)
- addition of a list of contractors found to be in non-compliance to be published by HRSDC–Labour (Evaluation Directorate, Strategic Policy and Research Branch 2012).

The FCP model had the potential to deliver gains to disadvantaged groups, but the new amendments to the FCP contacting policy hindered the progress of the FCP, which was aimed at promoting social justice and change in Canada. The above clauses introduced to the FCP made it much easier for the contractor, through the procurement process, to avoid implementing employment equity. For example, the new amendments replaced the requirement to conduct compliance reviews with the requirement for HRSDC–Labour to conduct compliance assessments, based on the achievement of results (representation goals) that followed up on the contractor’s commitments. This does not align with the original objective of the FCP. Already, there is little information publicly available concerning the results achieved under the FCP, and there seems to be a wide gap here between policy and practice, which seems to have widened even further since 2013.

Agocs (2002) demonstrated that recent changes in the economic and political landscape and the structure of the workplace and labour market have created an environment in which effective implementation of employment equity faces significant challenges. The most significant of these is a shift in consciousness over the past quarter century, such that a commitment to enhance social justice and change in a diverse society, while not abandoned entirely, has been muted, and there has been a lack of leadership and commitment on behalf of governments and employers to remove barriers to equal employment opportunity (Abu-Laban & Gabriel 2002). The withdrawal of government support for programs and organisations working for the vulnerable segment or the designated groups (Porter 2012) has stalled even further since 2013.

The Abella (1984) Report made several recommendations concerning the need for institutional support within the larger social context in which employment equity policy functions and on which it depends. In brief, the Abella Report provided a strong foundation for the Canadian model of employment by identifying essential building blocks of a policy framework that can lead to equality of opportunity in employment. However, from the above discussion, it is clear that the project remains incomplete. An obvious way to improve the results of the employment equity policy is to address this unfinished business.

8.3.6. Underused Performance Measures of Federal Contractors Program

The findings examined whether there were adequate measures of program performance and results in place for the FCP. Measures of performance review activities do exist for the FCP; however, evidence from the secondary data and interviews with government officials indicated that activities undertaken by the FCP are not well monitored, and there are no data available for any of the main components of the FCP. On a positive note, the *Strategic evaluation of the Employment Equity Programs—final report*, of the Evaluation Directorate, Strategic Policy and Research Branch (2012) indicated that information is collected and reported on the number of workshops and training events organised, the number of FCP compliance reviews undertaken and the number of days they take. In accordance with the Evaluation Directorate, Strategic Policy and Research Branch (2012) report, there is also evidence that some activities, such as FCP compliance reviews, are successful at achieving the immediate outcome of getting employers to undertake the prescribed processes.

It is also worth mentioning that compliance reviews can provide a key opportunity to collect information on what does and does not work, both in terms of the actual results of the employer's activities and of the support provided to the employer prior to and during the compliance review (Agocs 2002). The Federal Government of Canada has no procedures in place to obtain feedback on the FCP. Performance measures are underused and cannot be employed effectively to improve the FCP. There is no interpretation or feedback on the adequacy of the FCP program. There has been no assessment of the quality of service with regard to the usefulness of the FCP (Evaluation Directorate, Strategic Policy and Research Branch 2012). Thus, the results imply that there is no evidence of any formal procedures in place to assess the extent to which the activities undertaken in relation to the FCP have been successful. However, the Evaluation Directorate, Strategic Policy and Research Branch report (2012) noted that the Federal Government of Canada has plans to develop performance indicators to

measure the success of the FCP in the future. This was noted in 2012 and still no performance indicators have been implemented to measure the success of the FCP.

8.4. RQ 3: External Tensions Arising from Pursuit of Socioeconomic Goals

In the case of employment equity measures and policies, it was found that certain trade agreements to which Canada is a party should receive particular attention. The researcher isolated two trade agreements—the *Internal Agreement on Trade* and NAFTA. In each case, legal questions relating to legislative and administrative employment equity measures in Canada are involved. In Chapter 5, the findings revealed that the NAFTA prohibits the use of ‘offsets’ in all procurements covered by Chapter 10. ‘Offsets’ are defined as contract conditions promoting and encouraging domestic development within a country (NAFTA 2017). More than 19 years have passed since the enactment of the NAFTA; however, until now, the procurement set-asides for the designated category of Aboriginal peoples have been excluded from coverage. Thus, it is timely to ask whether procurement is still contributing to wider socioeconomic goals.

The findings also implied that the contents of Chapter 10 of the NAFTA do not question the legitimacy of the *Employment Equity Act* or its policies. It was noted in the 2012 Human Resources Development evaluation report that there was no indication by the Canadian Government to improve employment equity measures and the FCP (Evaluation Directorate, Strategic Policy and Research Branch 2012). The participation of the Canadian Government in the NAFTA and the WTO created positive and specific demands regarding the accountability and transparency of these programs (Lamarche 2005).

Erridge and Fee (2001) reported findings that are similar to those of the current study. They argued that NAFTA regulations appear to be in need of simplification and indicated that much criticism was directed at this trade agreement. Erridge and Fee (2001) indicated that the major obstacle to the work of the purchasing managers of government departments and PWGSC were the requirements of NAFTA. They reported that the purchasing managers of government departments and PWGSC admitted that, for low dollar-value contracts, preference was given to national firms and, once the NAFTA threshold was met, the preference was ‘thrown out the door’ and referred to as ‘hand-tied’ purchasing (Erridge & Fee 2001). The purchasing managers also indicated that most of the complaints they received were from clients, rather than suppliers, as they had to work within the rules and set timeframes for advertising contracts (Erridge & Fee 2001). In accordance with the findings of Erridge and Fee (2001), American companies tend to be aggressive in contesting contracts and going to the tribunal within NAFTA.

Most cases are won by US companies, according to the purchasing managers, which may be a result of shoddy procurement practices, but the US companies are not 'following the letter that is in the Agreement' (Erridge & Fee 2001). All purchasing managers agreed that there were other wider concerns for the purchaser apart from value for money—'you want to have this function, there are long term social and economic needs'—and remained unimpressed with the current FCP and employment equity measures in Canada (Erridge & Fee 2001, p. 63).

It is unclear at this time whether Canada will prefer to forgo policies that are too lax when meeting the trade agreement requirements or whether it would prefer to improve and retain them. Given that Canada is committed to the NAFTA and other trade agreements, it definitely cannot 'sit on the fence'. Canada is a party to these trade agreements and will have to make legislative changes to promote employment equity measures and promote the PSAB to the designated categories (the Aboriginal community, people with disabilities, visible minorities and women).

8.5. RQ 4: Policy Implications and Recommendations

This section discusses the fourth research question and examines the implications and recommendations for policy and practice. It first explores the policy implications and recommendations to more effectively promote the PSAB.

8.5.1. Policy Implications and Recommendations: Public Services and Procurement Canada

The major aim of the PSAB is twofold: (i) to promote economic development and (ii) to be a development strategy in Aboriginal communities. The objective of the PSAB has changed during the last decade. Although the strategy originally intended to boost economic development for Aboriginal communities, the program is now more focused on the dollar value of Aboriginal bidding and does not consider how the opportunities are distributed. The value and number of contracts with Aboriginal suppliers and contractors has increased over the last five years, yet only a few large firms located near urban areas actually benefitted from these increases. This indicates that other objectives can be included to ensure that bidding opportunities are given to smaller firms and other contractors who have not yet been given any contracts.

8.5.2. Standing Offers

PWGSC did not provide any current information regarding the use of their standing offers. Many Aboriginal contractors who have standing offers have shown there is very

little work, if any, being created through these standing offers. Therefore, it is difficult to establish if underuse of standing offers is more prevalent among Aboriginal or non-Aboriginal suppliers. Unfortunately, statistical data regarding the use of standing offers is not available from government departments or agencies because most of these departments do not keep track of this information other than for financial purposes. Perhaps it might be best to eliminate some of the prequalification procedures if they are not required and use different prequalification procedures at different levels of government or for different values of contracts to further encourage SMEs. Therefore, policy reforms are required to more effectively promote socioeconomic objectives and ensure that Aboriginal contractors are well represented in the mainstream of government procurement. SMEs must also be included in all areas of the procurement procedures, including standing offers and contracts.

8.5.3. Creation of Shared Services Canada

The statistics given by the affected government departments and agencies indicate their battles in 2011 and 2012, and indicators showed that PSAB numbers decreased for 2013. It may be useful for AANDC to acknowledge this problem and take some corrective action, even if they did not have the farsightedness to foresee the disturbing effect that the creation of Shared Services Canada would have on the PSAB. AANDC should not only offer more assistance to the affected government departments during this transition, but must also take a leadership role in ensuring that the federal government meets its PSAB commitments by giving at least 2% of total federal procurement expenditure. This would mean working closely with Shared Services Canada (government department) to establish that their procurement measures are compliant with the PSAB.

8.5.4. Lack of Qualified Aboriginal Suppliers

It appears that many Aboriginal suppliers are waiting to be approached by government buyers, rather than promoting the capabilities of their company to government buyers. Aboriginal suppliers must be more proactive and outgoing in seeking federal procurement opportunities. Policies should be implemented to increase the skill levels of Indigenous Canadians through formal education and training. Moreover, it is important to increase awareness and support for the PSAB through conferences, trade shows and presentations. Liaison activities should be initiated with federal departments and businesses on identified Aboriginal procurement opportunities. Provinces and territories should engage with Aboriginal procurement, and work with provinces on extending the

PSAB to provincial procurement policies in Alberta, Quebec and British Columbia. Manitoba and Ontario have incorporated the PSAB into their policy.

Further, it is important to develop and implement a performance measurement strategy that can measure the effectiveness of the PSAB. Perhaps this can also be used as a basis for gathering PSAB intelligence. It is important to perform an in-depth qualitative and quantitative review of PSAB for the past six years of the PSAB. Given the unavailability of a data collection system and raw data, it is very difficult to assess the effectiveness of the PSAB. Finally, AANDC has an obligation to be more current and transparent in their reporting of the PSAB initiative. They have not published a performance report on the program since 2012, and it is unclear whether AANDC will produce another performance report to document the initiative's progress. This frequency of reporting and level of transparency is unreasonable for the people and companies that depend on the program to foster strong, healthy and vibrant Aboriginal communities. This research has revealed that there should be a data collection system in place; otherwise, the PSAB cannot be assessed and monitored.

There is also uncertainty expressed about the level of government commitment to the objectives of the PSAB. It is believed that a statement of support at a high level (e.g., Cabinet level) is required to ensure that federal personnel regard the strategy seriously. This may even mean a revision of current strategy objectives.

8.6. Creating Space For New Conversations: Policy Implications and Recommendations: Federal Contractors Program

The second research question discussed the implications of the findings of the factors that inhibited or prevented the achievement of social development objectives. When discussing the implications of the findings for RQ 2 of this research study, the questions that need to be raised here include: Is the FCP really promoting employment equity or has it wavered from its original purposes and objectives? Are the mandate, scope and objectives of the FCP still valid? Should the programs be modified to better achieve the objectives of the FCP? Research to date has only examined and assessed the effect of employment equity legislation in the Canadian workforce. This study's main focus on this under-researched area was to examine the response of the federal government department officials to employment equity. This research has revealed that federal government officials do not seem to be very knowledgeable about the FCP. Most of them have not given much thought to this existing policy and therefore do not demonstrate commitment to employment equity requirements. In view of the above concerns, this

research study creates space for new conversations and extends existing knowledge by recommending the following policy reforms:

1. The federal government will need to attain a clearer picture of the Canadian workforce to guide the development of initiatives that best meet the needs of the four vulnerable groups (Aboriginal people, visible minorities, women and people with disabilities).
2. It is necessary to examine the federal government's ability to increase the effectiveness of using government procurement processes to more adequately promote the development of not only the Aboriginal set-asides program, but perhaps also set-aside businesses owned by women who belong to the vulnerable category.
3. The staff handling procurement practices should be further educated about the FCP and the employment equity scheme to further develop socioeconomic benefits through the concept of procurement.
4. According to the Abella (1984) Report, the constitutional division of responsibilities between the federal government and provinces adds confusion and complexity to the task of further promoting socioeconomic benefits through the concept of public procurement. Employment equity policy coverage is limited to federal jurisdiction and federal contractors and leaves out about 86% of the Canadian labour force, as most workers and employers fall within a provincial jurisdiction. Policy makers and practitioners must address the failure of provinces to implement employment equity legislation (FCP).
5. There is a lack of data to assess and evaluate the FCP. PWGSC/PSPC cannot provide any data with regard to the number of contracts awarded under the FCP. The FCP cannot operate effectively without employer reporting. FCP employers too should report annually on representation and on the activities undertaken to comply with the program requirements and to accommodate employment and remove barriers for designated groups. There should be effective policies and practices in place to encourage monitoring and reporting from both sides—the employer/supplier and the federal government.

8.7. Study Contributions

The findings of this study have highlighted the use of public procurement for the contracting of goods and services by government departments and agencies in a targeted manner to achieve socioeconomic objectives. This study has provided a new perspective in studying the factors encouraging or inhibiting the promotion of

socioeconomic objectives through the public procurement process. The theoretical and practical contributions of this study are discussed in Sections 8.7.1 and 8.7.2.

8.7.1. Theoretical Contributions

This thesis makes both a theoretical and practical contribution on the selected topic. In terms of the conceptual framework, this research study innovatively brings together the procurement/supply chain literature, closely inter-related threads of green procurement, sustainable procurement and has provided a more accurate lens for exploring social procurement. The conceptual framework in chapter 3 drawn from the relevant theories explained that there were two alternative theoretical propositions to this study i.e. one delivering efficient outcomes and the other delivering efficient and equitable outcomes. The first theoretical proposition delivering efficient and equitable outcomes explained the primary objectives of public procurement. The second theoretical proposition delivering efficient and equitable outcomes explained the secondary objectives of procurement, and the incorporation of socio-economic objectives through the public procurement process. Two important theories contributed to this discussion namely agency theory and Institutional theory. Firstly, with regard to agency theory it was explained earlier on in this study how Prier and McCue (2008) used this theory to model cooperative public purchasing. For example in agency theory, the government is represented by the politicians (political executives who are ministers) and the bureaucracy by the procuring agencies (Prier & McCue, 2008). These stand in a principal-agency relationship, the government as the principal and the bureaucrat as the agent (Chrisidu-Budnik & Przedariska 2017, Tate, Ellram, Bals, Hartmann, & Van der Valk, 2010, Prier & McCue, 2008). At this level of analysis, the government itself is the principal relying on both the purchasing departments and the purchasing officials. The purchasing department further delegate's authority to the purchaser or the purchasing officials but in the process, accountability problems can arise. The domestic providers also include the vendors and the suppliers with whom the purchasers (government departments) are contracting. Whilst agency theory may not explain how socio-economic preferences come into play in the first instance, agency theory helps to explain the stressors that are caused by the these preferences (Yukins 2010, pg. 78).

The aspects of the agency theory enhanced via the findings are as follows. This revised theoretical framework shows that procurement and social policy have been brought together and is not only about awarding contracts but includes the definition of the contract, the qualifications of the contractors and especially the criteria for the award of these contracts. In the "so what" stage of the thesis this begs the question of whether

“Agency theory” will change the way in which targeted procurement is conducted in federal government departments in Canada. Based on the assumptions that targeted procurement initiatives will continue to be promoted and implemented in Canada this theoretical framework is now extended further to explain the use of public procurement as a tool of social policy. In other words, this study makes a theoretical contribution to the debate on agency theory in the procurement literature by extending the agency theory further to explain the inclusion of social services through the procurement process. This aspect was previously overlooked and has not been refined in the academic literature. Further, the introduction of the social context creates an opportunity for innovative improved contractual relationships. This research helps extend the existing agency theory to develop a better understanding of the social context with the principal and the agent. It also provides more insights into how an aligned social context creates opportunities for improved contractual relationships because of its ability to reduce conflict and opportunistic behaviour.

Secondly, the findings of this study have also demonstrated the importance of institutional theory. The workforce in countries like Canada and Australia is becoming increasingly diverse, in terms of race and ethnicity, due to immigration. Many women have also entered the workforce. This diversity has led to a number of economic, social, and political issues, and is presenting a significant challenge to government departments and agencies. So far, the tendency has been for governments to develop separate public policies to deal with the problems of employment equity and workforce diversity. This research study has examined how employment equity/diversity could be enhanced and promoted through the procurement process.

In the “so what stage” of the thesis, the case study is providing evidence that some of the designated groups (Aboriginal peoples, women, visible minorities, and the disabled) have continued to experience disadvantage, discrimination and inequality in the workforce in Canada even though they were covered by the two employment equity policies (FCP and the PSAB program). The aspects of the institutional theory enhanced via the study relates to issues of diversity and explains the Canadian federal government’s responses to a changing workforce. These are coercive processes that involve direct and explicit political influence, normative processes that involve conformity to standards established by external institutions, and mimetic processes that involve imitation of other organisations (Meehan, et al. 2016, Grob, & Benn, 2014,). Thus, the adoption of diversity practices and coercive pressures can come from legislation. For example, under the Canadian Employment Equity Act, organisations in provincially legislated industries must comply with the FCP. In the case of normative pressures,

community interest such as consumers and minority groups may exert pressure to adopt similar diversity practices.

From a theoretical perspective Barraket, et al. (2015), listed three key institutional enablers for emerging social practices and diffusion i.e. rules, resources and actors in relationships. As explained in the literature review the public sector or the government takes on the roles of financial stakeholder, regulator and contractor (Kearns 1994). Examples of organisational actors in this research study would be the Canadian federal government and examples of the roles that they would take on would be the responsibility to disseminate information, and regulate to pursue social outcomes. This research therefore has contributed to the existing debate on institutionalism by applying the three key institutional enablers namely rules, resources and actors and represents the first empirical attempt to examine emerging social practices and diffusion. It is noteworthy of mention that the use of institutionalism theory so far has only been to explore how organisations respond to institutionalism pressure. More research however is required to widen the scope of these applications.

8.7.2. Practical Contributions

This was one of the first studies to be carried out in Canadian federal departments in relation to factors encouraging or inhibiting targeted public procurement from the perspective of the public sector. In other words no academic studies have been undertaken to examine or evaluate targeted procurement especially in relation to the two policies i.e. the FCP and the PSAB program in Canada. The Public Services and Procurement Canada have provided the primary data to the researcher with the understanding that a copy of this thesis will be handed over to them as the findings of this research study would provide a valuable knowledge base to their procurement practitioners and policy makers. Firstly, the practical contribution lies in the numerous insights provided by the case study to the federal government departments in Canada. The insights from the case study have revealed what has worked well and the constraints encountered during the policy implementation phase. As such, this study will orientate procurement practitioners in the right direction in terms assessing their socio economic objectives in the long run. The findings of this research study have aligned with the existing knowledge and have been further explained and discussed in Chapters five and eight. The federal government departments in Canada would find the results of this study important, as there will be a framework to understand how targeted procurement practices can be used to achieve socio-economic objectives. The findings are indicating that one policy namely the PSAB policy has been implemented successfully whereas the

objectives of the FCP program are questionable. This finding will have important implications for the policy division of Public Services Procurement Canada. This model/framework would not only benefit Canadian federal government departments but would also be beneficial to other commonwealth-developed countries like Australia that are politically, culturally and economically very similar to Canada. In chapter seven the study the points to potential policy and programmatic transfer potential to the Australian government context as well.

Secondly, the ongoing Covid 19 pandemic has resulted in unprecedented job losses and those likely to be impacted are the vulnerable category that are already dealing with labour market marginalisation. This research study has explored the goals of social procurement to provide employment opportunities to the vulnerable category-experiencing disadvantage. This could be a promising strategy to address the issues of unemployment in the long run. The inherent challenges for policy makers will be to ensure that the jobs created through the procurement process place the vulnerable category in secure roles and satisfy criteria such as access to training, provision of a substantial living wage and job security that comply with local and international labour standards. However, it is unlikely that social procurement programs/policies will be able to provide job opportunities that embrace all these criteria nevertheless could provide a window of opening to the vulnerable category during these difficult times. These employment opportunities benefit not only the individual and their immediate families but can also contribute to the welfare of the communities that they live in.

Thirdly, the outcome of this research study will also be of immense benefit to regulators, decision makers, and researchers as well as to assist policy makers to set new and improved standards for best practices in the public procurement process. It will also be of significance to academics as the new framework will be a useful research tool to assess conceptual understanding needed for policy formulation pertinent to improving employment equity through the public procurement process.

8.8. Study Limitations

A major limitation of this study is that it relies only on the results obtained from PWGSC/PSPC and the selected sample of government departments and agencies in Canada. While PWGSC/PSPC was considered important for this study, a study of the other government departments and agencies may have provided a more convincing and realistic outcome. This study is based on the analytical generalisations of a limited number of cases. Arguably, PSPC is an appropriate organisation to investigate, as it covers many areas and provides procurement services to federal government

department and agencies. As explained in earlier chapters, these services include purchasing goods and services on behalf of the central government (PWGSC 2016). While PWGSC is the common service provider, the six federal government departments selected for this study also undertake procurement contracts, yet are restricted to a value of CA\$25,000 only.

The data available was also quite dated and limited at the time of this study. This was due to a lack of transparency, accountability and reporting in both the government departments and PSPC. The second reason was due to the unavailability of raw data in government departments and PSPC. The lack of available data was a significant obstacle to the researcher and did limit the scope of the analysis. This however lays the groundwork and presents an opportunity for further research on this topic.

Time was a major constraint in this study and it was not possible to include other federal government departments and agencies, as this study had to be completed during the given timeframe. If more cases were included, the results would have been more generalisable and provided a basis for comparison. However, the objective of the research study was not to generalise, but to examine and explore the inclusion of social services in the procurement process.

8.9. Future Research

The results of this study reveal patterns of exclusion; therefore, further examination is required. This study highlights the need to develop future research directions on factors that encourage or inhibit the promotion of socioeconomic objectives through the concept of public procurement. This thesis has provided a snapshot of the important issues that have arisen, and concluded with a list of recommendations to PWGSC/PSPC and other government departments and agencies. The coming few years will be crucial in determining the outcomes of this issue and will raise more important concerns, especially for government departments when implementing the inclusion of social services through the procurement process. It is the hope of the researcher that answers to these questions, and to further questions they raise, will help consolidate this area.

8.10. Conclusion

This chapter has discussed the implications of this study's results regarding the inclusion of social services in public procurement. The implications of the study findings suggest that there is a continuing need for both the FCP and PSAB in the current context. Both

programs have fundamental social goals that can be promoted through the concept of public procurement and are needed now more than ever. The implications of the findings confirm that, given the inequities confronted by the designated groups (Aboriginal peoples, women, visible minorities and people with disabilities), the PSAB and FCP are a necessity. The findings confirm that there is considerable unemployment and poverty among two designated groups—Aboriginal peoples and the visible minorities—who are not fully represented in the workforce. These two designated groups have been unable to attain equal representation in the Canadian economy and are continuing to experience disadvantage, inequality and systematic discrimination in the workforce, even though they are covered by both these programs. The available evidence indicates that government department officials and employers are not very knowledgeable about the two policies discussed in this study. Further, the staff handling procurement practices within government agencies should be further educated about the PSAB and FCP to further develop socioeconomic benefits through the procurement process.

Abella (1984, p. 254) stated:

it is not that individuals in the designated categories are unable to achieve equality on their own, but rather the obstacles in their way are so formidable that they cannot be overcome without intervention. It is both intolerable and insensitive if we simply wait and hope that the barriers will disappear over time. Equality in employment will not happen unless we make it happen.

This statement remains valid after so many years. There is an apparent lack of commitment and leadership by federal government officials to remove barriers and red tape (Agocs 2002). The findings of this thesis recognise the need for political leadership within the country to take significant action to address systemic discrimination and racism in the workforce. This could boost the participation of the four designated categories (visible minorities, people with disabilities, women and the Aboriginal community) in the workplace. The results of this study may not provide conclusive evidence of the inclusion of social services in public procurement, but may be an effective signal that further examination is required to determine the effective representation of the designated categories in the Canadian workforce.

Simultaneously, the findings of this thesis has relevance to the Australia context as well. Currently it is important to strengthen relevant legislation in Australia to reduce barriers to employment equity, thereby increasing effectiveness and attaining positive results in the long term. The researcher hopes that this thesis will contribute to a national and perhaps international consideration of policy responses to inequality in employment

through the procurement process both in the context of Canada and Australia. The challenge of the future will be to make a new commitment to effective implementation of an equality framework through the procurement process.

APPENDICES

Appendix 1: Interview Questions (Government Departments)

1. What is the extent and type of procurement by Government Departments each year?

: What were the major types of goods and services?

: Who are the major suppliers by category/classification?

: Are the suppliers Canadian/American/

: What was the approximate value for last financial year?

2. Does your Department use targeted procurement to promote socio-economic objectives?

3. If so do existing public procurement policies of the Federal Government of Canada promote and enhance the achievement of social development objectives particularly for the disadvantaged and minority groups (Aboriginal Peoples, Persons with disabilities, Women, and members of the Visible Minorities).

4. An effective example of promoting social policy in Canada is the *Employment Equity Act 1986*, requiring all bidders who employ 100 persons or more bidding for contracts valued in excess of Canadian dollars \$1 million to commit themselves to implementing employment equity and to demonstrate this commitment by way of a certificate. This applies to all bidders including offshore or foreign bidders with a resident workforce of 100 employees or more in Canada but does not apply to offshore suppliers who will conduct and execute work outside Canada.

Does your organisation implement employment equity?

5. Two Canadian programs are the main vehicles for achieving social objectives: (i) the Federal Contractors Program (ii) the Set-Aside program for the Aboriginal community in Canada that addresses the consequences of past discriminatory policies and practices.

How effective has the Federal Contractors Program (National Scheme) been in promoting social objectives?

What were the total values of contracts awarded to suppliers under the Federal Contractors program in 2014?

6. Organizations that fail to report their results or annual plan are liable to face a financial penalty of up to 50,000 Canadian dollars.

Do many organisations fail to report their results and annual plans?

7. Under the Legislated Employment Equity Program all federally regulated industries and crown Corporations with 100 or more employees are required to develop employment equity plans set goals and timetables for hiring and promoting representative number numbers of designated groups identify and eliminate discriminatory systems and practices in their organisations and implement special measures and make reasonable accommodation for differences.

Did the suppliers comply with these employment equity initiatives? How effective has this policy been in promoting social development objectives?

What were the total values of contracts awarded to suppliers under the Legislated Employment Equity Program in 2014?

8. In March 1996, procurement measures were introduced by the Minister of Indian Affairs and Northern Development in Canada. They were designed to increase the participation of Aboriginal businesses in bidding for Federal Government contracts. These measures were developed with the aim of achieving increased representation of aboriginal businesses in contract awards by individual departments and agencies.

Was the Aboriginal Set- Aside Program effective in promoting social objectives during the last five years?

What were the total values of contracts awarded to them in 2014?

9. What are the factors (internal to Canada) that inhibit or prevent the achievement of these social objectives?

10. What are the external (relating to Canada's external trade and investment) tensions arising from the pursuit of these socio-economic goals in Canada?

11. What additional policy reforms are necessary in the procurement policies and processes to more effectively promote socio-economic objectives through procurement programs of public sector agencies?

12. Was there a difference in working with a regulated or unregulated contract?

13. Is the political agenda (policies and issues of the governing political party) blocking the achievements of socio-economic objectives?

Appendix 2: Interview Questions: Internal and External Free-Trade Agreements

Internal Free-Trade Agreements

Some government Departments in Canada use targeted procurement to promote socio-economic objectives. Targeted procurement enhances the achievement of social development objectives particularly for the disadvantaged and minority groups (Aboriginal Peoples, Persons with disabilities, Women, and members of the Visible Minorities). Two Canadian programs are the main vehicles for achieving social objectives: the Federal Contractors Program and the set aside program for the aboriginal community in Canada that addresses the consequences of past discriminatory policies and practices.

It is understood that Canada is working on a number of fronts to improve and secure government procurement market access for Canadian suppliers. Several internal and external trade agreements are already in place that benefits Canadian suppliers.

1. To start with can you please outline and give a brief background of Canada's internal Free-Trade Agreements.
2. What have internal Free-Trade Agreements in Canada delivered through procurement chapters in the way of socio-economic benefits to the disadvantaged and minority groups?
3. Are there any factors (internal to Canada) that are inhibiting or preventing the achievement of these social objectives?

External Free Trade Agreements

Foreign government procurement markets are worth hundreds of billions of dollars annually and offer significant potential opportunities for Canadian exporters. Government procurement obligations in international trade agreements help to ensure that Canadian suppliers of goods and services are treated in an open, transparent and non-discriminatory manner when they sell to governments outside of Canada. In addition to suppliers, open procurement markets benefit governments and taxpayers by increasing competition, widening the choice of goods and services available and, importantly, lowering costs.

4. Can you please outline and give a brief background of Canada's external Free-Trade Agreements?

5. What have external Free-Trade Agreements in Canada delivered through procurement chapters in the way of socio-economic benefits to the disadvantaged and minority groups?

6. Are there any factors (external to Canada) that are inhibiting or preventing the achievement of these social objectives?

The government of Canada promotes offsets and mandatory set asides. It has set aside contracts for Aboriginal firms and launched the procurement Strategy for Aboriginal Business (PSAB) in 1996 to help Aboriginal firms do more contracting with all federal departments and agencies (McCrudden, 2004). The government set asides reserve all procurements that serve a primarily Aboriginal population and are worth more than \$5000 for competition among qualified Aboriginal businesses (Public Works and Government Services Canada, 2008) The government is also encouraging federal government buyers to set-aside other procurements for completion among Aboriginal businesses whenever practical (Public Works and Government Services Canada, 2008).

7. Is the adherence to the NAFTA agreement a hinderance to the promotion of socio-economic objectives?

8. Do the NAFTA treaty policies need to be reviewed in relation to the set-asides programmes?

9. What additional policy reforms are necessary to more effectively promote socio-economic objectives through procurement chapters of both internal and external Free-Trade Agreements in Canada?

10. Is the political agenda (policies and issues of the governing political party) blocking the achievements of socio-economic objectives?

Appendix 3: Letter to Government Officials

Research Project: The Inclusion of Social Services in Public Procurement: A Case study of Federal Departments in Canada

My name is Jeanette Raymond and I am undertaking a research project for my Doctorate under the supervision of Professor Bhajan Grewal, and Professor Peter Sheehan in the Victorian Institute for Strategic Economic Studies, Victoria University, Melbourne Australia. My research is designed to investigate how the governments of industrially developed countries such as Canada attempt to participate in the market as a purchaser and at the same time regulate it through the use of its purchasing power to advance conceptions of social justice and change.

Canada is one of the several countries that have made a strategic move to promote social objectives through public procurement policy. The aim of this research study is to examine factors that encourage or inhibit the promotion of social policy objectives through procurement policies. This examination will be carried out through a sample of Federal Government Departments and the Public Works and Government Services based in Ontario.

In order to carry out this research, the Victoria University Human Research Ethics Committee, Office for Research requires me to obtain a letter of approval from a person of authority based at the Public Works and Government Services office Ontario. I would also like to know whether there are any other procedures I will need to follow like obtaining approval from the National Committee on Ethics in Human Research in Ontario/Canada.

Please do not hesitate to contact me for further clarification and I look to your reply. The research outcomes from a study of this nature would highlight the need for developing future research directions on factors that encourage or inhibit the promotion of socio-economic objectives through the concept of public procurement and could be of immense benefit to Canadian Federal Government Departments.

Yours Sincerely

Jeanette Raymond

Research Scholar

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Appendix 4: Explanatory Statement

INFORMATION TO PARTICIPANTS INVOLVED IN RESEARCH

You are invited to participate

You are invited to participate in a research project entitled “The Inclusion of Social Services in Public Procurement: A Case Study of Federal Departments in Ontario”.

This project is being conducted by a student researcher Jeanette Raymond as part of a Professional Doctorate in Business Administration at Victoria University under the supervision of Professor Bhajan Grewal, and Professor Peter Sheehan from the Institute for Strategic Economic Studies at Victoria University.

Project explanation

In recent years there has been a strategic move to promote social services through the concept of public procurement in commonwealth developed countries such as Canada. The concept of public procurement is often used as a tool for not only promoting economic objectives but also non-economic objectives such as social and environmental objectives. In other words social policy can also be implemented through government procurement contracts. The aim of this study is to investigate how the federal government of Canada attempts to advance conceptions of social justice and change through procurement policies and at the same time how they strategically regulate the market through the use of their purchasing power. The social policies to be examined are the legislated employment equity program, the federal contractors program and the set aside program for the aboriginal community in Canada that addresses the consequences of past discriminatory policies and practices. This thesis aims to examine and explore the factors which encourage or inhibit the promotion of social policy, through the concept of procurement and will be carried out from a study of a sample of Federal Government Departments and the Public Works and Government Services based in Ontario.

What will I be asked to do?

The research requires you to participate in an interview. The interview schedule will consist of twelve questions and will last approximately for forty-five minutes to one hour. The types of questions asked will be open-ended questions and will establish the territory to be explored. Research goals will be explained at the start of each session and ground rules about respect and confidentiality established. There will be a period of unstructured time (fifteen minutes) at the end of each session which will give participants the time to talk freely, ask questions, and debrief. The interviews will be audio recorded with permission from the respondents and will be transcribed subsequently.

What will I gain from participating?

There will be no personal gain from participating in this research study; however the following academic and practical benefits will accrue from the conduct of this research study.

Academic and Practical Benefits of Participating in this Research Study

- Federal and State/Provincial Governments in most developed countries would find the results of this study important as there would be a framework to understand how targeted procurement practices can be used to achieve socio-economic objectives.
- This study may aid conceptual understanding needed for policy formulation pertinent to improving labour standards through the public procurement process.
- The study may assist in interrelating public procurement with regional developmental policy. The idea behind this policy is to enhance market performance and to encourage the participation of disadvantaged firms leading to economic growth within less favoured regions of economic decline and restructuring.
- The study would highlight the need for developing future research directions on factors which encourage or inhibit the promotion of socio-economic objectives through the concept of public procurement

How will the information I give be used?

Your responses to the interview questions will be treated as confidential. No specific individuals or government departments will be identified by name in the research outcomes. The interview script will have a code and your name will not be written on the interview script so that you will not be identified by name. This information will be stored in a secure and locked cabinet at the Institute for Strategic Economic Studies Victoria University and only the student's supervisors and the student will have access to this information. The results of this study will be coded, aggregated and written up as a Doctoral thesis.

What are the potential risks of participating in this project?

There are no foreseeable risks of harm or side-effects to the potential participants. There is no financial payment, reward, or otherwise, offered. You are free to withdraw from the study at any time. The interview questions will be forwarded to you before the interview and you could view and comment on the interview script if you are interested.

How will this project be conducted?

The researcher will first identify publicly listed telephone numbers and e-mail addresses of officials whose positions have been identified through government agencies and websites. These officials have been chosen as participants because they are directly involved in the procurement process implantation of policies and procedures. The researcher will then communicate with the respondents and explain the objectives of this research study. The interview questions will then be forwarded to the interviewees and they can also view and comment on the interview script if they are interested. The researcher will also let them know that their responses to the interview questions will be confidential. Prior appointments will be then set up by the researcher with the participants whenever mutually convenient and will approximately last for forty five minutes to one hour. The interviews will be audio recorded with permission from the respondents and will be transcribed subsequently.

Who is conducting the study?

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Any queries about your participation in this project may be directed to the Chief Investigator listed above.

If you have any queries or complaints about the way you have been treated, you may contact the Ethics Secretary, Victoria University Human Research Ethics Committee, Office for Research, Victoria University, PO Box 14428, Melbourne, VIC, 8001, email researchethics@vu.edu.au or phone (03) 9919 4781 or 4461.

Appendix 5: Federal Contractors Program

Federal Contractors Program for Employment Equity

Main Content

1. Background

The Federal Contractors Program (FCP) for employment equity is intended to address employment disadvantages for the four designated groups: women, Aboriginal peoples, persons with disabilities and members of visible minorities. Its goal is to achieve equality so that no person is denied employment opportunities for reasons unrelated to ability.

In June 2013, a streamlined FCP was introduced with a focus on results and enables contractors to determine which initiatives best suit their organization in their efforts to achieve employment equity objectives. The Program threshold is \$1,000,000 and the ineligibility sanctions apply to all contracts for the acquisition of goods and services.

The requirements of the FCP are set out in the Treasury Board [Contracting Policy](#) (sections 4.2.5 and 8.3.1, and Appendix D).

[General information on the FCP](#) is available on the Employment and Social Development Canada (ESDC)-Labour Program website.

2. Application

- a. The FCP for employment equity applies to:
 - i. procurements made on behalf of a federal department or agency listed under Schedule I, column I of Schedule I.1 or Schedule II of the [Financial Administration Act \(FAA\)](#) (for example, the Canadian Commercial Corporation, being listed in Schedule III, is not subject to the FCP) and who are covered by the Treasury Board Contracting Policy; and
 - ii. all contracts and standing offers for the acquisition of goods and services, with the **exception** of those for:
 - A. the purchase or lease of real property;
 - B. Construction (construction does not include architecture and engineering which are subject to the FCP).

- b. The FCP imposes particular obligations onto Contracting/Standing Offer Authorities and Contractors when:
 - i. contractors are to be awarded contracts estimated at \$1,000,000 or more (including all applicable taxes and not including options) or issued a Standing Offer (SO) where the call-up limitation is \$1,000,000 or more (including all applicable taxes);
 - ii. a bidder/offeror:
 - A. is not regulated by the [Employment Equity Act](#) (for example, provincially regulated entities, entities registered in foreign countries, etc.);
 - B. has a combined workforce in Canada of 100 or more permanent full-time and/or permanent part-time employees;
 - C. is doing business directly with Canada (being the prime contractor with Canada and not a subcontractor).

3. Obligations of Contractors subject to the FCP for Employment Equity

- a. A bidder/offeror who is subject to the FCP, must have an [Agreement to Implement Employment Equity \(AIEE\)](#) in place with ESDC-Labour Program or must complete and sign an AIEE form and send to ESDC-Labour Program before contract award or issuance of a standing offer.
- b. If the bidder/offeror is a joint venture, each member of the joint venture must determine if it is subject to the FCP and if so, comply with the requirements to have an AIEE in place as per subsection a. above.
- c. Once a bidder/offeror subject to the FCP is awarded a contract or issued a standing offer for call-ups estimated at \$1,000,000 or more, the contractor/offeror is required to honour its AIEE commitment to implement employment equity. This commitment is ongoing and not simply for the period of the contract or the standing offer for which it was initially signed.

4. Obligations of Contracting/Standing Offer Authorities

Once it has been determined that the client department or agency and the nature of the requirement are subject to the Federal Contractor's Program (FCP), the Contracting/Standing Offer Authorities should request and

obtain from the bidders/suppliers, as appropriate, the necessary evidence of compliance with the FCP, namely a valid and current Agreement to Implement Employment Equity (AIEE) duly signed by an authorized executive of the company or a valid AIEE number issued by Employment and Social Development Canada – Labour (ESDC – Labour). The accuracy of the AIEE number can be confirmed by comparing it with the number listed for that organization/bidder in the FCP List of Certified Employers on the [Federal Contractors Program](#) page.

Contracting/Standing Offer Authorities have, under the FCP for employment equity, different sets of obligations depending on the nature of the procurement document and the estimated value of the resulting contracts or call-ups against a standing offer (including all applicable taxes).

a. Request for Supply Arrangement (RFSA)

For an RFSA, the [standard procurement template](#) should include an advance notice (Part 6 B – Resulting contract clauses) to inform suppliers of the possibility that the FCP may eventually apply to the procurement documents to be issued from the Supply Arrangements.

b. Contracts estimated at under \$1,000,000

For contracts estimated at **under** \$1,000,000 (including all applicable taxes and not including options) and Standing Offers with a call-up limitation for either PWGSC or a client department **under** \$1,000,000 (including all applicable taxes):

- i. In Standing Offers, the "Limitation of Call-ups" clause of Part 7A– Standing Offer is to indicate an amount under \$1,000,000.
- ii. All bid solicitation documents and Requests for Standing Offers are to include a **certification** by the bidder/offeror, as proposed in Part 5 of the standard procurement templates, declaring that the bidder/offeror is not listed on the FCP Limited Eligibility to Bid list on the [Federal Contractors Program](#) page. (For exceptions, see article 5 of this Annex.)
- iii. At the time of contract award/issuing of a Standing Offer, the Contracting/Standing Offer Authority is to verify the accuracy of such certification using ESDC-Labour Program's FCP "Limited Eligibility to Bid" list based on the names appearing on the

bid/offer. If the name of the bidder/offeror, or even only one name within a bidder's/offeror's list of members if the bidder/offeror is a joint venture, appears on the list then the bid/offer is non-responsive.

- iv. In Standing Offers, the "Certifications" clause of Part 7A– Standing Offer, is to indicate that if the offeror gets listed by ESDC-Labour Program on the "FCP Limited Eligibility to Bid" list for not complying with employment equity requirements during the period of the Standing Offer, **the standing offer may be set-aside**. The Policy, Risk, Integrity and Strategic Management Sector will inform Standing Offer Authorities if any offeror gets added to the "FCP Limited Eligibility to Bid" list. In such circumstances, the Standing Offer Authorities will follow the usual PWGSC's setting-aside assessment procedures which include consideration of the elements listed under article 5 of this Annex.
 - v. In a competitive process, where multiple bids/offers have been received, the bidders/offerors will be considered non-compliant if the bidder's/offeror's name is on the "FCP Limited Eligibility to Bid" list. In such a competitive process, Contracting/Standing Offer Authorities should consider verifying if the bidder's/offeror's name is on the list prior to beginning the evaluation process so as to avoid unnecessary work for themselves and their clients. There is no requirement to evaluate bids that are non-responsive.
- c. Contracts estimated at \$1,000,000 or above
- For contracts estimated at \$1,000,000 or **above** (including all applicable taxes and not including options) and Standing Offers with a call-up limitation for either PWGSC or a client department at \$1,000,000 or **above** (including all applicable taxes):
- i. The obligations mentioned at paragraphs i. to iv. of subsection b. above are also applicable to contracts estimated to be at \$1,000,000 and above (including all applicable taxes and not including options) and Standing Offers with call-up limitations at \$1,000,000 and **above** (including all applicable taxes);

- ii. Contracting/Standing Offer Authorities are to include a **second certification**, this time regarding factual information on the bidders/offerors, as shown in Part 5 - Certifications of the standard procurement templates and in the titled Federal Contractors Program for Employment Equity - Certification. This second certification is also required at the time of contract award/issuing of a Standing Offer. The information collected is to be used by the Contracting/Standing Offer Authority to determine if the bidders/offerors are subject or not to the FCP and consequently to determine which clauses to include or not into the procurement document.
 - A. When the bidder/offeror **is not subject to the FCP**, there will be no other clauses to add to the procurement document.
 - B. When the bidder **is subject to the FCP**, a clause allowing for the termination of the contract in the event that the bidder would become in breach to the AIEE and be added to the "FCPLimited Eligibility to Bid" list, is to be inserted, as indicated in the standard procurement templates. If such event was to occur, the Contracting Authorities would then follow the usual PWGSC's termination assessment procedures, which includes consideration of the elements listed under article 5 of this Annex.
 - C. As indicated in paragraph iv. of subsection b. above, all Standing offers are to include a clause allowing for the set-aside of a Standing Offer in the event that the offeror would become in breach of the AIEE and be added to the "FCP Limited Eligibility to Bid" list. When the offeror is subject to the FCP and call-ups are estimated to be at \$1,000,000 and above, an additional clause allowing for the termination of the call-up is also to be inserted as indicated in the standard procurement templates. For call-ups at \$1,000,000 or above if a breach was to occur, the Standing Offer Authorities would then follow the usual PWGSC's termination assessment procedures, which includes consideration of the elements listed under article 5 of this

Annex. There is no such requirement for call-ups under \$1,000,000 (including all applicable taxes).

5. Exceptions

- a. In a non-competitive situation, if a bidder's/offeror's name appears on the "FCP Limited Eligibility to Bid" list, such bidder/offeror should not be awarded a contract or issued a standing offer unless required to do so by law or legal proceedings, or when Canada considers it necessary to the public interest for reasons which include, but are not limited to:
 - i. Only one person is capable of performing the contract/standing offer
 - ii. Emergency
 - iii. National security
 - iv. Health and safety
 - v. Economic harm
- b. The Contracting/Standing Offer Authority is to obtain prior approval from its Director General or its Regional Director General and document its file. The Contracting/Standing Offer Authority should communicate an exception to ESDC-Labour Program at ee-eme@hrsdc-rhdsc.gc.ca.

Appendix 6: PSAB Program

Decision to Set Aside a Procurement under the Procurement Strategy for Aboriginal Business

- a. The decision to set aside procurement under PSAB is the responsibility of the client department.
- b. There are two types of PSAB set-asides:
 - i. Mandatory Set-Asides:
 - A. It is mandatory to set aside procurement under PSAB if an Aboriginal population is the primary recipient or end user of the goods or services being procured and the value exceeds \$5,000, provided that operational requirements, prudence, probity, best value and sound contracting management can be assured.
 - B. In order for an Aboriginal population to be the primary recipient or end user of the goods or services being procured, delivery does not have to be directly to the Aboriginal community. For example, goods may be delivered to a government department site and later distributed to Aboriginal communities, groups or individuals.
 - C. For more information and examples of what constitute a mandatory set-aside under PSAB, please refer to Aboriginal Affairs and Northern Development Canada's (AANDC) [interpretation bulletin](#).
 - D. Under [ARCHIVED - TBS Contracting Policy Notice 1996-2](#),
"Aboriginal Population" means
 - a. an area, or community in which Aboriginal people make up at least 80 percent of the population;
 - b. a group of people for whom the procurement is aimed in which Aboriginal people make up at least 80 percent of the group.
 - ii. Voluntary Set-Asides: Client departments may designate any procurement as being restricted exclusively to qualified Aboriginal suppliers. Contracting officers should assist client departments in meeting their performance objectives under the program, by drawing their

attention to opportunities for voluntary PSAB set-asides, when qualified Aboriginal suppliers are known to exist in the marketplace.

- c. When a procurement is set aside under PSAB and no aboriginal business submitted a responsive bid/offer/arrangement, then the solicitation must be reissued, either as a set-aside once again (after the necessary adjustments to the solicitation have been made), or open to all bidders in accordance with the procedures for the applicable trade agreement(s), taking into account the relevant thresholds, and all the related applicable components, which apply to the requirement in the absence of a set-aside. This re-solicitation process will also apply when Aboriginal bids/offers/arrangements are received but a contract will not be awarded in order to avoid conflicting with sound contracting principles such as best value, prudence and probity. (See [9.40.25 Sound Contracting Principles](#).)
- d. PWGSC will not unilaterally declare a procurement set-aside under PSAB. However, following receipt of a requisition above \$5,000, for which an Aboriginal population is the primary recipient or end user, but is not designated as a PSAB set-aside, the contracting officer should contact the client department and identify the potential omission. If the client indicates that the procurement is not to be set aside under PSAB, the file should be annotated accordingly, and the procurement may then proceed.
- e. [Obtaining Advice on the Procurement Strategy for Aboriginal Business](#)
 - a. The primary source of policy advice on the Procurement Strategy for Aboriginal Business (PSAB) for Public Works and Government Services Canada contracting officers is the Policy, Advice and Aboriginal Considerations Division (PAACD). Contracting officers can contact PAACD by sending an e-mail to TPSGC.RCNDGAERTGSAEA-NCRABCLCAPSAB.PWGSC@tpsgc-pwgsc.gc.ca.
 - b. Contracting officers should share with PAACD any advice on PSAB received from other sources before taking any action, in order to ensure a consistent approach to the implementation of PSAB. As well, any discrepancy in the information gathered by the contracting officer must be brought to the attention of PAACD. Contracting officers must document their files to include any advice

received. The approval documents should include the rationale for any key decisions. [Procurement Strategy for Aboriginal Business and trade agreements](#)

- a. All international trade agreements provide for set-asides for Aboriginal businesses:
 - i. Article 3 of [Canada's General Notes](#) of the WTO-AGP: provides for any set-aside or measure (including offsets) as it relates to Aboriginal peoples or business;
 - ii. Article 1.(d) of Annex 1001.2b in [Chapter 10](#) of the NAFTA: provides only for set-asides for small and minority business; and
 - iii. [Annex 19-7 \(Article 2\(a\)\)](#) of CETA: provides for any set-aside or measure (including offsets) as it relates to Aboriginal peoples or business.

Therefore, a procurement set aside under the Procurement Strategy for Aboriginal Business (PSAB) is not subject to the obligations of the international trade agreements.

- b. Under Article 800: Aboriginal Peoples of the [Canadian Free Trade Agreement \(CFTA\)](#) and [Article 1802: Aboriginal Peoples](#) of the Agreement on Internal Trade (AIT), the CFTA and the AIT do not apply to any measure adopted or maintained with respect to Aboriginal peoples. When the procurement has been set aside for Aboriginal business under PSAB, the entire procurement process is not subject to the CFTA or the AIT, and the procurement no longer falls under the jurisdiction of the Canadian International Trade Tribunal (CITT).
- c. Contracting officers must insert SACC Manual clause [A3002T](#) in bid solicitations for procurements that have been set aside under PSAB, when the procurement would have been otherwise subject to one or more trade agreements.

[Sourcing of Requirements under Procurement Strategy for Aboriginal Business \(PSAB\) Set-asides](#)

- a. Procurements set aside under PSAB may be competitive or non-competitive according to current established government sourcing policies (see details on competitive and non-competitive at [3.10 Competitive Contracting](#))

[Process](#) and [3.15 Non-competitive Contracting Process](#).) Aboriginal businesses may be invited to submit a bid/offer/arrangement in accordance with Public Works and Government Services Canada (PWGSC) policies and procedures.

- b. Vendor Information Management (VIM) of PWGSC and "SELECT" systems allow for the identification of suppliers that have self-declared as being Aboriginal. The information in VIM and "SELECT" collected from supplier registrations and contract awards is useful to identify potential Aboriginal businesses for sourcing purposes, and establish source lists, regardless of commodity (goods, services, or construction), which would be subject to rotation regimes such as Automated Vendor Rotation System or "SELECT".
- c. When issuing a solicitation for a standing offer or a supply arrangement especially for a commodity falling under the mandatory commodities, the contracting officer should always, when feasible, solicit for a PSAB set-aside stream to allow client departments the possibility of contracting with Aboriginal firms if they wish to do a set-aside procurement under PSAB.
- d. When creating a standing offer or supply arrangement which will include both a source list for Aboriginal set-asides as well as a general source list, the solicitation should clearly indicate that Aboriginal suppliers who qualify for the Aboriginal source list, standing offer or supply arrangement will be automatically placed on the general source list, standing offer or supply arrangement if the procurement requirements are identical. Therefore, in the case of identical requirements, it is not necessary for Aboriginal suppliers to submit two separate bids/offers/arrangements.
- e. Contracting officers may also access other sources, such as Industry Canada's [Aboriginal Business Directory](#) for more information on Aboriginal suppliers and to identify potential Aboriginal businesses which may be invited to submit a bid/offer/arrangement. Contracting officers may also contact Aboriginal Procurement and Business Promotion Directorate, AANDC, directly by telephone at 1-800-400-7677, or by e-mail at: saea-psab@aandc-aadnc.gc.ca.
- f. When bids/offers/arrangements are solicited via the Government Electronic Tendering Service, notices (Notice of Proposed Procurement [NPP] or Advanced Contract Award Notice [ACAN]) must contain one of the following statement, prominently positioned, i.e., one of the first statements in the notice:

"This procurement has been set aside under the federal government's Procurement Strategy for Aboriginal Business (PSAB). In order to be considered, a supplier must certify that it qualifies as an Aboriginal business as defined under PSAB and that it will comply with all requirements of PSAB."

(NPP);

OR

"This procurement has been set-aside under the federal government's Procurement Strategy for Aboriginal Business (PSAB). Only Aboriginal businesses as defined under PSAB are eligible to challenge the proposed procurement strategy to award the contract to the named Aboriginal business."

(ACAN)

- g. Contracting officers must ensure that for notices on GETS, the appropriate "Agreement Type" is selected for PSABset-asides. For example, ABE users must indicate "Set-Aside Program for Aboriginal Business (SPAB)" in the "Trade Agreement" box of the Notice of Proposed Procurement.

Legal status of Aboriginal business

The description of a business as an Aboriginal business does not affect the fact that in order to create an enforceable contract with Canada, the contract must be signed between Canada and a legal entity, which has the capacity to contract. In the event any uncertainty exists concerning the legal status of an Aboriginal business, contracting officers must consult with legal counsel to ensure that the proposed contractor is capable of signing an enforceable agreement.

Certification by Suppliers

- a. For each procurement under the PSAB, suppliers will be required to provide, with their bid/offer/arrangement, a certification stating that they meet the definition of an Aboriginal business, according to the definition provided, on the date that the bid/offer/arrangement was submitted, and an undertaking that the business will continue to meet this definition throughout the life of the contract.

- b. For a procurement subject to a PSAB set-aside, the contracting officer must insert in the solicitation, the Standard Acquisition Clauses and Conditions (SACC) Manual clauses [A3000T](#), [M9030T](#) or [S3035T](#), and [A3001T](#), [M3030T](#) or [S3036T](#), as appropriate. These clauses reference [Annex 9.4: Requirements for the Set-aside Program for Aboriginal Business](#), which sets out the definitions of an "Aboriginal business" and an "Aboriginal person".
- c. SACC Manual clauses [A3000T](#), [M9030T](#) and [S3035T](#) contain a certification that suppliers must complete and submit with their bid/offer/arrangement. Failure by suppliers to submit this completed certification form with their bids/offers/arrangements will render the bid/offer/arrangement non-responsive.
- d. If a bidder/offeror/supplier has indicated in its bid/offer/arrangement that the Aboriginal business has six or more full-time employees, the contracting officer may request, during the evaluation or after, that a bidder/offeror/supplier submit an Owner/Employee Certification (detailed within SACC Manual clause [A3001T](#) or [M3030T](#) or [S3036T](#)), for each owner and/or full-time employee who is Aboriginal.
- e. It is not the responsibility of the contracting officer to verify the supplier's certifications. In instances where the contracting officer questions the validity of a certification, the particulars must be referred to Aboriginal Procurement and Business Promotion Directorate, AANDC, for audit by Audit Services Canada (ASC). (See [9.40.50\(e\)](#).)
- f. Any resulting contract awarded on the basis of the supplier being Aboriginal must include SACC Manual clause [A3000C](#).

[Audits of the Bidder/Offeror/Supplier Certification](#)

- a. A bidder/offeror/supplier is required to certify in its bid/offer/arrangement that it is an Aboriginal business, as defined under PSAB (see [Annex 9.4: Requirements for the Set-aside Program for Aboriginal Business](#).) The certification includes an undertaking that the business will continue to meet the criteria, which define it as Aboriginal throughout the performance of the

contract. A bidder/offeror/supplier's certification that it is Aboriginal is subject to audit, both before and after contract award.

- b. pre-award audit is mandatory for requirements valued at \$2M or more. To ensure that the mandatory requirement for pre-auditing is met, it is essential that the contracting officer properly notify AANDC of such requirements, as per [9.40.30\(b\)](#) above, and that the two best-assessed bids/offers/arrangements be submitted to AANDC as per [9.40.50\(f\)](#). The contracting officer must not award contracts of \$2M or more until AANDC has confirmed eligibility of the proposed contractor.
- c. Pre-award audits of suppliers' certifications will be conducted on a random basis for requirements under \$2M. AANDC will advise the contracting officer whether a requirement is subject to pre-award audit no later than the date of solicitation closing (see [9.40.30\(a\)](#)). Audits of suppliers' certifications are expected to require approximately 10 working days to be completed. When timing of contract award is an issue, this should be indicated in the notification to AANDC, so that it may determine whether the auditing process can be expedited or the procurement excluded from the random selection.
- d. Pre-award audits may be requested either by the requisitioning authority, the contracting officer, or AANDC, whenever there is a doubt regarding the validity of bidders/offerors/suppliers' certifications, regardless of the total estimated expenditure of the procurement.
- e. When AANDC has advised that the requirement will be subject to a pre-award audit, the evaluation of bids/offers/arrangements will continue up to the point that the two "best assessed" bids/offers/arrangements have been identified. This information must be provided to AANDC, minus any pricing information to undertake the pre-award audit of the bidders/offerors/suppliers' certification. Upon receipt of the results of the audit, AANDC will advise the contracting officer. If the audit confirms the validity of the bidders/offerors/suppliers' certifications, award of the contract may proceed. If the audit determines that one or more of the certificates are invalid, the subject bidders/offerors/supplier(s) whose certifications have been declared invalid must be declared non-responsive, and the next-ranked bidder/offeror/supplier becomes the "recommended bidder/offeror/supplier". If the audit reveals that both certifications are invalid, the next-ranked supplier's certification must be referred to AANDC for audit until either a bid/offer/arrangement with a valid

certificate is obtained, or no bidders/offerors/suppliers remain. In the event that all bidders/offerors/suppliers are eliminated on the basis of invalid certifications, the solicitation must be reissued, either as a set-aside once again, or not set aside, after consultation with the client department. Whether the contract should be awarded to the next-ranked bidder/offeror/supplier, or the solicitation reissued, is a decision that must be made on a case-by-case basis, in keeping with sound contracting principles.

- f. After contract award, the contractor's certification is subject to audit to confirm its status as an Aboriginal business as well as to confirm that required Aboriginal content is met during the life of the contract. (For more information on Aboriginal content, please refer to AANDC's interpretation bulletin.) Audits following contract award will normally be performed on a random basis, however where contracting officers believe it to be necessary, audit of the contractor's continued status as an Aboriginal business may be requested of AANDC.
- g. If the Aboriginal business certificate is declared invalid, or if the contractor has not completed its undertaking to continue to qualify as an Aboriginal business, it may be necessary to implement civil or contractual remedies. Contracting officers should consult with Legal Services and Aboriginal Procurement and Business Promotion Directorate, AANDC, in determining the appropriate action to be taken.

[Bid Challenge](#)

Bid challenges should be dealt with according to established internal supplier complaint response procedures for procurements not subject to trade agreements.

[Procurement Reporting for Procurement Strategy for Aboriginal Business](#)

Contracting officers must ensure that reporting on contracts set aside under the Procurement Strategy for Aboriginal Business (PSAB) is done accurately, in accordance with [7.30.20 Procurement Strategy of Aboriginal Business Reporting](#).

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