

---

# Social Considerations in the Procurement of Road and Railroad Projects in Sweden

Social  
Considerations  
in the  
Procurement

17

---

Agnes Lindell and Stefan Olander

*Construction Management, Lund University, Lund, Sweden*

## Abstract

**Purpose** – Social sustainability is of increasing importance in societal development, which will affect the implementation of construction projects. The social responsibilities for both construction clients and suppliers will be an increasingly relevant part of their business processes. The objective of this study is to evaluate how the procurement process functions today with respect to social considerations.

**Design/Methodology/Approach** – The empirical data is based on interviews with procurement officials for each studied contract, together with official guidelines concerning social considerations and tender documents for each studied contract. Furthermore, the interviews addressed the level of knowledge that exists with procurement officials concerning social considerations in the procurement of road and railroad projects.

**Findings** – The results showed that there was a positive attitude towards social considerations in the procurement process and that there is a need in the construction sector to consider social issues to a higher degree.

**Research Limitations/Implications** – This study is based on six road and five railroad contracts within the Swedish Transport Administration as the client organization.

**Practical Implications** – It was evident that the level of knowledge with individual procurement officials concerning social issues is relatively low and needs to be increased. There is a perception that the management social considerations in construction procurement need to be clarified.

**Originality/Value** – Further research is needed to develop procedures, guidelines, routines and strategies for social considerations in procurement. Another important issue for further research is the development of routines to follow up social terms of contract during the implementation of the project.

**Keywords** Procurement, Sustainability, Social considerations, Construction contracts, Tender, Evaluation

*All papers within this proceedings volume have been peer reviewed by the scientific committee of the 10th Nordic Conference on Construction Economics and Organization (CEO 2019).*



---

© Agnes Lindell, Stefan Olander. Published in the Emerald Reach Proceedings Series. Published by Emerald Publishing Limited. This article is published under the Creative Commons Attribution (CC BY 4.0) licence. Anyone may reproduce, distribute, translate and create derivative works of this article (for both commercial and non-commercial purposes), subject to full attribution to the original publication and authors. The full terms of this licence may be seen at <http://creativecommons.org/licenses/by/4.0/legalcode>

Emerald Reach Proceedings Series  
Vol. 2  
pp. 17–23  
Emerald Publishing Limited  
2516-2853  
DOI 10.1108/S2516-2853201900000239

## 1. Introduction

Social sustainability is of increasing importance for societal development, which affects the planning of the built environment and the planning and execution of construction projects. Thus, social considerations should be considered a relevant part of the business within the construction sector. This is apparent when it comes to the procurement of construction works in which social consideration is a part of both award of contract and contract fulfilment. In the new Swedish legislation concerning public procurement, based on the EU directives from 2014 (2014/24/EU), there is a higher emphasis on social considerations than in earlier legislation. However, there is a lack of clear guidelines of how to manage social considerations within the construction sector.

The increased focus on social sustainability is acknowledged in the recent work within United Nations and the 2030 Agenda, where a broad and universal policy agenda with 17 Sustainable Development Goals and 169 associated targets has been developed ([United Nations, 2015](#)). The Agenda seeks to strengthen the environmental, economic and social dimensions of sustainable development and shows the relation between social responsibility and sustainability. The focus on social sustainability is also shown through European Commission's Pillar of Social Rights, presented in 2017. The Pillar of Social Rights includes 20 key principles and rights to fair and well-function markets and welfare systems ([European Commission, 2017](#)).

The purpose of research presented in this paper was to obtain an understanding of how social considerations in public procurement are managed in the construction sector. The objective of the study was to evaluate how the procurement process functions today with respect to social considerations. The study is based on the practices of the Swedish Transport Administration, which is one of the largest public construction clients in Sweden.

## 2. Theory

Corporate social responsibility (CSR) has become more and more relevant for many organizations and businesses in the process of managing social considerations and is to an increasingly higher degree incorporated in core activities. As a result, social responsibility have shifted position from ideology to a reality necessary to define the organizations role in society and to adopt social and ethical approaches in relation to the organization and its core activities ([Lichenstein et al., 2004](#)). [Lindgreen och Swaen \(2010\)](#) argues that social responsibility exists in a network of stakeholders whose needs and demands in relation to the organization needs to be managed.

Over the years, there has been an intensive investigating procedure in what CSR means. There is a lot of literature trying to clarify the concept or definition of corporate social responsibility. [Frankental \(2001\)](#) declares that "CSR is a vague and intangible term, which can mean anything to anybody, and therefore is effectively without meaning". [Andrews \(1973\)](#) wrote about corporate social responsibility, "The words mean in part voluntary restraint of profit maximization. More positively, they mean sensitivity to the social costs of economic activity and to the opportunity to focus corporate power on objectives that are possible but sometimes less economically attractive than socially desirable". The quote shows the contradictions discussed between the company's profit-making purpose and social responsibility. [Epstein \(1987\)](#) argues that the concept of CSR principally relates to achieving results in a specific issue decided by the organization. The results of the decisions should have beneficial effects upon corporate stakeholders, rather than unfavourable effects. Thus, it is not a philanthropic engagement but rather a part of an organization's core activities ([Jones et al., 2005](#)). One of these core activities is the procurement of suppliers.

The EU directives (2014/24/EU) clarifies the opportunities to take social considerations in public procurement under the prerequisite that there is a connection to the object or service being procured and that it is in accordance with basic principles of public procurement (Wedin–Hansson, 2015). Sundstrand (2015) states that the definition of social considerations in public procurement is not altogether clarified and should be categorized as non-economic demands. Arrowsmith and Kunzlik (2009) explain social considerations as horizontal demands, rather than functional demands, i.e. that social consideration is more about supplier performance and conduct than product specifications. An example can be measures to promote increased employment, which does not increase the quality of the product or service to be procured but contribute to a positive societal development. The promotion of a positive societal development can, from one perspective, be viewed as part of the public procurement process.

For a public client current, EU directives (2014/24/EU) states in Article 37:

*With a view to an appropriate integration of environmental, social and labour requirements into public procurement procedures it is of particular importance that Member States and contracting authorities take relevant measures to ensure compliance with obligations in the fields of environmental, social and labour law that apply at the place where the works are executed or the services provided and result from laws, regulations, decrees and decisions, at both national and Union level, as well as from collective agreements, provided that such rules, and their application, comply with Union law.*

The European Union has developed guidelines for social considerations in public procurement (European Commission, 2010), which covers aspects shown in Table 1.

### 3. Method

Each year, the Swedish Transport Administration procure products, services and contracts to a value of 40 billion Swedish crowns, which makes them the largest public purchaser in the Swedish construction industry. The impact that the Swedish Transport Administration has on the construction sector is, therefore, of great importance also when it comes to social considerations.

Employment opportunities	Covers activities to increased employment for youth, long-term unemployed and other disadvantaged groups. Promoting a gender balance. Promoting opportunities to employ people with disabilities
Decent work	Promoting decent working conditions such as pay, health and safety, equality and non-discrimination, social dialogue and educational opportunities
Compliance with social and labour rights	Compliance with the principle of equal treatment including the equal pay for work of equal value and promotion of gender equality. Fighting discrimination on other grounds and creating equal opportunities
Supporting social inclusion	Promote the social integration of minority groups
Accessibility and design for all	Technical specification should ensure accessibility for persons with disabilities
Ethical trade	Ethical considerations in procurement briefs and terms of contract
Commitment to corporate social responsibility	A higher ambition of social responsibility than what is required by law
Protecting human rights	Upholding and respecting the UN demands for human rights
Promoting small and medium sized enterprises	If possible, provide increased opportunities for small- and medium-sized enterprises to participate in public procurements

**Table 1.**  
Social Considerations  
in Public  
Procurement  
(European  
Commission 2010).

The study was based on interviews with procurement officials in 11 contracts procured during 2016-2017. The 11 contracts include road and railroad projects in new and rebuilding as well as maintenance projects, see [Table 2](#).

The purpose of the interviews has been to study the approach that the purchasing organization has to social considerations in construction contracts and further about the knowledge of how to make social consideration in public procurement and how to follow up this when the contract is carried out. Today, the Swedish Transport Administration is making requirements in the contract and tender documents concerning social considerations within five of the suggested areas by EU: employment opportunities; decent work; compliance with social and labour rights; ethical trade and protecting human rights.

4. Social considerations in Swedish road and railroad contracts

*Employment opportunities*

The requirements regarding employment opportunities created the most opinions among the respondents. Most respondents saw both advantages and disadvantages of the set requirements. The opportunity for people to get into the labour market was seen as a positive effect. Also, the possibility to reduce lack of labour was seen as beneficial aspects. There was some concern that the number of places for employment and internship (1 person for each 50 million in contract value) is too difficult for the contractors to fulfil. The documentation of the requirements concerning employment opportunities was perceived to be clear and easy to understand. Despite this, all respondents agreed that the requirement model needs to be changed. Suggestions of improvements were for example to make it easier for contractors to achieve the requirements of employment and internship, collaborate with the market on a project level and adjust the number of required employment places for each unique project based on this. Regarding the possibility of following-up the requirements of employment opportunities the main focus was on the number of employment places and the possibility to fulfil them. Most of the respondents informed that there are guidelines and a model of follow up, but more detailed information regarding the follow up is not provided.

*Decent work*

All respondents were well aware of the requirement concerning working conditions. They also confirmed that it is an important contract requirement. The positive effects that were pointed out are supplier competition on equal terms and that no one is maltreated. Some of the respondents are well informed about the requirement, but most of them have limited knowledge. Discussion was held whether the level of the requirement is adequate or in need of improvement. One suggestion for improvement was to require the basic terms similar to the Swedish collective bargaining agreement for all workers in the contract. Thus, ensuring competition on equal terms. However, higher requirements may affect the ability for non-Swedish companies to engage in contracts and may further breach the non-discriminatory

**Table 2.**  
Distribution of  
Studied Contract

	Road	Railroad	Total
New and rebuilding projects	3	1	4
Large and complex projects, new and rebuilding	1	3	4
Maintenance projects	2	1	3
<b>Total</b>	<b>6</b>	<b>5</b>	<b>11</b>

principle of the EU-directive. In consideration of the possibility to follow up the social requirement working condition, the respondents are unanimous; the requirement is unclear and, at present, difficult to follow up.

#### *Compliance with social and labour rights*

According to the respondents, non-discrimination was undeniably a social requirement. Further, they urged that non-discrimination is very important and that discrimination should not exist at all. Some of the respondents addressed the positive aspect of highlighting discrimination by using contractual requirements. The level of knowledge of the requirement concerning discrimination was perceived to be too low, both in the organization of the Swedish Transport Administration and in the construction sector in general. The lack of knowledge was suggested to be an important factor to improve and the respondents requested more information and education about discrimination. Regarding formulation of these requirements in the contracts the respondents did not share a uniform opinion. Aspects that were highlighted referred to the unclear possibility to follow up the requirements during the contract period. There were also questions raised about the fact that discrimination is a legal requirement and may not need to be a contract requirement at all. According to the respondents it is easy to follow up that the contractors submit an equality plan, but when it comes to evaluate the content of the documents, it appeared more complicated. Further, there were also difficulties in assessing the systematic work regarding discrimination.

#### *Ethical trade*

The respondents had a positive attitude regarding that ethical issues are raised as contract requirements. Requirements related to ethical issues are included in the Swedish Transport Administration's code of conduct. However, according to the respondents the requirement concerning ethical trade is diffusely formulated in the contracts. Regarding the possibility of following up ethical issues, the respondents saw no clear ways of doing this. Usually, at the start-up meeting the purchaser or project manager are informed about the code of conduct but besides this the respondents assessed that there are no systematic follow up.

#### *Protecting human rights*

Most of the respondents thought that fundamental rights for workers are one of the main pillars when it comes to social consideration. On an overall level, the knowledge is good among the respondents. They all highlighted the importance of purchasing construction contracts with decent terms. Despite this, two clarifications regarding the requirement are needed. Firstly, do the requirements apply to all sub-contractors or just the main-contractor? Secondly, how the method of follow up the requirements are to be implemented and how to verify them. Concerning the method of follow up there is a challenge is to find out and get knowledge about the chain of sub-contractors, both construction sub-contractors and material suppliers. There was a disagreement among the respondents whether it is the Swedish Transport Administration's responsibility to verify the requirements throughout the chain of sub-contractors or if this should be the task of the main-contractor.

## **5. Discussion**

All respondents were well aware of the social considerations being made. However, there was a lack of knowledge of how the social considerations would be implemented in practice. Several respondents addressed the need of methods and tools of how to deal with social

considerations in the procurement process. Other aspects was the problem of how to follow up that social contractual terms are met during the implementation of the project, and that there are control programs in both the procurement process concerning the award of contracts and in the implementation of the project that social contract terms are being fulfilled.

Several respondents requested more clear guidelines of what to ask suppliers for in connection to social terms in the contract and how to evaluate these in relation to the contract at hand. A guideline with examples of questions to ask the suppliers in connection to education within the area of social considerations might be helpful in the process of determining supplier performance in this area. Performance evaluation of social contract terms needs to be a natural part of project evaluation equal to aspects such as time, quality and cost, thus being a part of the risk-management process.

The procurement officials were, however, in agreement that the responsibility lies with the project manager to ensure that the social considerations stated in the contract are followed up upon and that they meet the requirements made. There were some reflections from the respondents that the procurement officials should act as a support in the process of follow up the performance of suppliers concerning social considerations. However, there is a need to clarify how such as a support system are to be implemented and at the same time maintain a clear division of responsibilities. Several respondents raised the problem about resource allocation, i.e. that there were insufficient resources to adequately manage the follow up of social considerations in the contract.

## 6. Conclusions

The study showed that there is a societal need for construction clients to consider social considerations in their procurement process and especially public construction clients as the Swedish Transport Administration. The challenge is to have a common understanding about social considerations within the organization both from procurement as well as project management perspective. A clearer communication needs to be established between the procurement officials and the project managers. There seems to be uncertainties on how to follow up the social considerations made in the contract and tender documents in the implementation of the project. The social requirements made in the contract and tender documents are often unclear, and in some cases not measurable, which is problematic when they are to be followed up on. Information needs to be better managed between different operational levels about those support tools and documents that do exist, and knowledge needs to be obtained between these levels of how to improve the support considering social considerations. The different roles, mainly procurement officials and project managers, need to have clearer instructions of what is expected of them when it comes to manage and follow up social considerations in the contract.

The study indicated that there are four main areas where improvements are needed to better communicate and implement social considerations in construction contracts: clarify the meaning of social considerations; clear work procedures in the management of social considerations; increase organizational competence concerning social considerations; develop procedures for communication and information about social considerations. Further research is needed to develop procedures, guidelines, routines and strategies for social considerations in procurement. Another important issue for further research is the development of routines to follow up social terms of contract during the implementation of the project.

## References

- Andrews, K. R. (1973), Can the Best Corporations Be Made Moral? *Harvard Business Review*, (May–June), pp. 57–64.
- Arrowsmith, S. and Kunzlik, P. (2009), *Social and Environmental Policies in EC Procurement Law: New Directives and New Directions*, Cambridge University Press, Cambridge.
- Epstein, E. M. (1987), The Corporate Social Policy Process: Beyond Business Ethics, Corporate Social Responsibility and Corporate Social Responsiveness, *California Management Review*, Vol. 29, No. 3, pp. 99–114.
- European Commission. (2010), *Buying Social - A Guide to Taking Account of Social Considerations in Public Procurement*, Directorate-General for Employment, Social Affairs and Equal Opportunities Unit D.2 and Directorate-General for the Internal Market and Services Unit C.3, European Commission.
- European Commission. (2014), *Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC*, Available online: [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L\\_.2014.094.01.0065.01.ENG](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2014.094.01.0065.01.ENG).
- European Commission. (2017), *European Pillar of Social Rights*, Luxembourg: Publications Office of the European Union.
- Frankental, P. (2001), Corporate social responsibility – A PR invention?, *Corporate Communications: An International Journal*, Vol. 6, No 1, pp. 18–23.
- Jones, P. Comfort, D. and Hillie, D. (2005), Corporate social responsibility and the UK's top ten retailers. *International Journal of Retail & Distribution Management*, Vol. 33, No. 12, pp. 882 – 892.
- Lichtenstein, D.R. Drumwright, M.E. and Braig, B.M. (2004), The effect of corporate social responsibility on customer donations to corporate-supported nonprofits, *Journal of Marketing*, Vol. 68, pp. 16–32.
- Lindgreen, A. and Swaen, V. (2010), Corporate Social Responsibility, *International Journal of Management Reviews*, Vol. 12, No. 1, pp. 1–7.
- Sundstrand, A. (2015), *Kollektivavtal och kollektivavtalsvillkor i offentlig upphandling, uppdragsforskningsrapport 2015:2*, Konkurrensverket.
- United Nations. (2015), *Sustainable development goals*, Available online: <https://www.un.org/development/desa/socialperspectiveondevelopment/issues/sustainable-development.html> [2018-04-26].
- Wedin Hansson, L. (2015), Hållbar offentlig upphandling vid renovering, in Lind, H. and Mjörnell, K. (Eds.), *Social hållbarhet med fokus på bostadsrenovering – en antologi, SIREn rapport 2015:4*, pp. 143–150.