

Inclusive procurement at High Speed 2

This case study has been produced by the [Buying Social Justice](#) research project as part of its exploration of how public procurement is being adopted by public sector organisations to advance equality in employment. It is one of a series of case studies that feature good practice in the use of public procurement by infrastructure and transport bodies, local authorities, housing associations and universities in England, Scotland and Wales. The purpose is to present examples of good practice in how public procurement can incorporate objectives to promote equality, diversity and inclusion in the workforce. By presenting a selection of examples from public bodies of different sizes and sectors, it is intended that other organisations may consider adopting similar measures in their procurement practices.

All the case studies, together with other publications and outputs from the project, are available on the [Buying Social Justice](#) website.

Background to the organisation

“We are drawing people into the workforce that may never have considered a career in construction or transport before; people from BAME backgrounds, women, disabled people and those who are unemployed.” Mark Thurston, CEO HS2 Ltdⁱ

Equality, diversity and inclusion (EDI) concerns have been integral to the High Speed 2 (HS2) rail project from its start. The multi-billion pound project to build a high-speed rail line from London to Birmingham (originally the North West, but the northern leg of the project was cancelled in October 2023) involves huge amounts of government investment and has an objective to create opportunities for skills and employment. The construction of the line is being managed by HS2 Ltd, a company set up by the Department for Transport with the Secretary of State as its sole shareholder. By January 2023 HS2 Ltd and its supply chain had a workforce of nearly 30,000 people across 350 sites, with an anticipated workforce of 34,000 at its peak. There is a target to create over 2,000 apprenticeships, and over 1,000 had been achieved by January 2023. HS2 Ltd has let contracts to several joint ventures – collaborations between main, or Tier 1, contractors – to build the tunnel, track, station and rail engineering infrastructure. The Tier 1 companies then subcontract other companies (Tiers 2 and 3 etc) to provide labour and other services through the supply chain.

To ensure this significant demand for labour is met, a Skills, Employment and Education (SEE) strategy was published in 2018, updated regularly to reflect changes in the programme and the construction sector. The SEE staff team actively supports the supply chain to meet the skills, employment and education objectives of the programme, and all contracts above a certain value, duration and type are required to deliver SEE outputs. The procurement process is key in setting expectations and encouraging practices that meet HS2’s objectives.

Former Head of EDI Mark Lomas highlighted the link between the aims of the HS2 project and EDI:

‘We’re dealing with public money on this huge programme over many years. It’s more than just building a railway. HS2 will deliver a number of strategic benefits including more accessible travel, skills and employment across different areas of the UK. Part of the ability to embed equality, diversity and inclusion, or EDI, in the supply chain goes hand in hand with some of the strategic problems in the sector.’ⁱⁱ

The UK construction sector is facing significant skills and labour shortages, therefore widening the recruitment pool to include under-represented groups can be a solution.

Equality, Diversity and Inclusion policy

HS2 has set targets for the workforce employed directly by HS2 Ltd of 40% for women – with 37% reached by 2022 – and 23% for black, Asian or minority ethnic (BAME) employees, which had reached 22% by 2022.

Explicit targets are not set for the supply chain, but they are encouraged to exceed industry benchmarks on workforce diversityⁱⁱⁱ. By 2022 the supply chain for the HS2 programme was 22% women, 18% BAME, 5% disabled and 2% LGBT+, including both Tier 1 JV and sub-contractor workforces.

The HS2 Equality, Diversity and Inclusion Policy, signed by the CEO in August 2022, explicitly applies to “all workers including employees, consultants, temporary workers, agency staff, secondees and other third parties working on behalf of HS2 Ltd. It applies to the Board of HS2 Ltd in the discharge of their duties. It also applies to suppliers, sub-contractors and agencies in our supply chain.”

It includes a statement on procurement and supply chain diversity, requiring all contractors directly and indirectly supplying works and services to comply with the policy. Furthermore it requires contractors “to make available the resources to comply with this policy and to deliver the relevant scope of services and Works Information, in the delivery of services they are providing.” It adds that failure to comply “may result in contractors being excluded from future tendering opportunities with HS2 or removed from the HS2 Ltd approved list of suppliers.”

Senior leadership commitment to advancing EDI objectives throughout the HS2 project features in its policies. Former Head of EDI Mark Lomas believes that HS2 leadership “is engaged in the professional and personal development aspects. That means being comfortable with diversity, understanding change and the wider strategic picture in our sector. Knowing that no-one loses when there’s increased inclusion. With many construction jobs and a skills shortage, diversity is not a threat, it’s a benefit.”^{iv}

Inclusive procurement

HS2 describes its approach to procurement as ‘inclusive procurement’ in which EDI principles are embedded throughout the supply chain, aiming “to change the diversity and culture of the industry.” Therefore EDI considerations are included in all stages of the procurement process, from pre-qualification questionnaires, invitations to tender and contract mobilisation, and contract management, including detailed data reporting to ensure policy compliance. Additionally contractors are required to gain accreditation through an externally-verified EDI standard.

The EDI annual report 2021-22 says: “Across our programme, we have set contractual performance measures that cover: policies and procedures; recruitment; workforce monitoring and reporting; supplier diversity; training; and a requirement to obtain an externally-verified EDI standard. As part of our governance and assurance process, we hold our Tier 1 suppliers to account on their performance and they, in turn, do the same for their sub-contractors.”^v

Procurement stages

Specifying requirements and pre-tendering

Due to the scale of the HS2 project, large numbers of people undertake procurement functions for a range of works and services across the organisation. To ensure alignment with HS2’s EDI and employment and skills goals, a toolkit has been developed for use by procurement teams to identify where EDI is relevant. This is embedded into all major procurements, whether for rolling stock or major civil engineering works, so that all procurement leads follow the same process. Where EDI is

flagged up, contact is made with the EDI and SEE teams to discuss the specific requirements for that procurement.

A standard set of requirements is included in the works information provided to potential bidders, asking them to specify how they will meet performance measures in relation to the supply chain, which requires the supply chain to submit regular returns covering a range of EDI areas such as:

- EDI-related policies;
- data on EDI-related staff training and development;
- diversity within the workforce;
- diversity of applicants through the recruiting process;
- diversity of supply chain ownership;
- spend with diverse suppliers; and
- whether the organisation has recently attained any externally verified EDI accreditations.

Contracts over £10 million also have skills, employment and education requirements. Below that amount it is not considered worthwhile to build in such requirements, and for shorter contracts it is not possible to require apprenticeships, for example. For large contracts, bidders are expected to specify what they will deliver on skills and employment, including who they will engage with and expected outputs in terms of employment, apprenticeships and other training activities. These promises typically then become part of the contract.

Before bidders may submit tenders they are asked to complete a pre-qualification questionnaire (PQQ), including questions about whether the bidder has faced a tribunal case, received a compliance notice from the Equality and Human Rights Commission or whether there have been cases of discrimination. In cases where the response is yes, and the organisation has taken no action as a result, then the potential bidder is excluded from bidding.

Tendering, evaluation and contract award

The weighting given to EDI and employment and skills criteria in assessment of bids varies according to the contract, but is typically around 3% to 5% of the overall bid for employment and skills, and proportional to the risk for EDI criteria. For example, contracts for lifts and escalators which have a high impact on access for people have a higher EDI weighting than a contract for track laying.

Although a small proportion of the overall score, HS2 intends to send a strong message to prospective bidders that scores for EDI and employment criteria can make the difference between winning or losing a contract: as one HS2 interviewee said “one to two per cent can make a huge difference to winning or losing, coming first or second in a bid.” This gives bidders a clear incentive to take EDI criteria seriously. From the perspective of a contractor bidding as part of a joint venture, the HS2 EDI requirements proved more challenging for those corporate partners with less prior EDI experience, when trying to align responses in the tender on EDI-related issues.

As highlighted above, successful Tier 1 contractors are incentivised to feed their EDI-related contractual commitments with HS2 through their supply chains. When going through the tendering process for Tier 2 and 3 contracts, the ‘works information’ requirements that have become part of their contracts with HS2 are included in questions for the subcontractors. Weightings given to EDI aspects vary between main contractors.

Contract management and monitoring

Once the contract has been awarded, the SEE legacy managers, who were involved in the tendering process, have a “mobilization session” to start building a relationship with the designated person

responsible for liaising with HS2 on employment and skills outcomes. It is a requirement from HS2 that main contractors provide designated contacts for EDI and SEE. The SEE team first expects to see the contractor's SEE implementation plan, which is broken down with annual expected outputs. Once in progress, performance against the implementation plan is monitored quarterly, based on reports submitted by contractors. This allows the legacy managers to track progress against targets and provide support and suggestions where there are problems or pinch points. Significant collaboration takes place between EDI and SEE teams at the mobilisation stage to inform suppliers at the outset of the expectations for reporting. For EDI objectives, reporting is every six months as it takes longer to achieve the desired changes in EDI practice and outcomes.

Former head of EDI Mark Lomas believed that effective data collection mechanisms had been established by HS2:

“The data is collated and at the touch of a button, EDI performance can be seen across the entire HS2 programme. Reports can be produced by overall contract, contract area, gender, ethnicity, disability and whether people have attained their EDI verification. [...] The performance data and monitoring drive a continual improvement cycle.”^{vi}

The data collected is used by HS2 to identify problem areas. For example, the detailed data collated at every stage of the recruitment process across the supply chain enabled them to see that the barriers to recruitment were occurring not at the application stage but at the selection (short-listing) stage. This information allowed HS2 to provide their suppliers with ideas on how to make their selection methods fairer. A further action of HS2 was to create a short animated film on diversity monitoring, circulated to every supplier in the supply chain was given. According to an EDI interviewee, it was money well spent: “it cost us around 10 grand to produce it. And it's used by 10,000 companies in our supply chain.”

For some of the EDI managers at the main contractors however, the data reporting process still felt cumbersome and they would have liked a single reporting system where sub-contractors – who may be working on contracts for more than one main contractor – could complete their data returns directly. There were also concerns among main contractors about the quality of the data collected. Although contractors are not set targets for the recruitment of under-represented groups, there is an expectation that suppliers should aim to meet or exceed the industry benchmarks set out above. However collecting data on characteristics such as disability is particularly challenging, as noted by one EDI manager: “It's an industry where people won't self-declare generally because of the consequences or the view of it being quite a masculine, big, burly environment.” There was a significant difference between recorded disability figures at the main contractors of 8% and the figure of less than 1% when the sub-contractors were included.

Another main contractor runs annual self-identification campaigns to improve the accuracy of data collection. It uses advocates to explain to the workforce across the site the rationale for collecting data on perceived sensitive categories such as disability. This resulted in a higher proportion of those reporting a disability at 3%, although there was still reticence from many who ticked ‘Prefer not to say’.

Culture change

The HS2 project – and much of the construction sector – recognises that increasing diversity in the workforce is not only about awareness raising and recruitment strategies, but also about tackling workplace cultures that can be unwelcoming to under-represented groups. The HS2 main contractors employ EDI experts for whom this is part of their daily work. An area of good practice on the HS2 project is mechanisms for communication and information sharing among EDI and

employment and skills professionals. A contractors' forum of EDI and SEE experts at the main contractors is organised quarterly by HS2 to allow sharing of problems and best practice in overcoming them. Additionally EDI leads told us that they have established additional informal channels they use to share challenges and responses.

EDI practitioners believed that there was evidence of culture change on EDI issues in the sector, with supply chain organisations more willing to engage. An example was given of an event organised to mark Black History Month in October 2022 where suppliers came together to discuss race: "something that is not spoken a lot about in the industry. But by bringing together labour suppliers and HS2, you've got those two ends of the spectrum. That was seen as a success, because you've got different opinions."

HS2 requires Tier 1 contractors to gain an EDI accreditation, although does not specify which scheme they should apply for. This is then encouraged for contractors further down the supply chain. Generally it is felt that the push for accreditation has resulted in positive outcomes. One HS2 EDI manager had observed the celebrations as one main contractor achieved their Clear Assured Gold status, noting:

"Yes it's in contract, and yes it's gone through procurement, but it's really taken life in terms of culture and buy in. You had the MD of that organization on the stage talking to his people very knowledgeably about their commitment around EDI. So that gives you a sense of [how] it's real in terms of what's being driven out."

One main contractor EDI professional explained how the requirement changed their practice:

"Through that accreditation process what you find as you work through each level, is you're actually being challenged at each step to go that little bit further. So transitioning at work, for example, was one of the requirements to achieve gold accreditation, which we just completed last year, so that then becomes the imperative. It's not HS2 saying you have to do this, but actually in order to achieve that accreditation, if you're going to push the boundaries then you need to have these things in place. [...] We might have done it at some point, but it might have been in five years' time, whereas actually we're doing it now, because we know it's required as part of our accreditation."

Another EDI lead described the changes they observed as "like a ripple effect [...] I'm definitely starting to see more of our suppliers stepping up to EDI events or talking more openly about the challenges that they face".

Good practice highlights

The HS2 project benefits from substantial public spending and can therefore expect bidders to show significant interest in winning contracts and meeting client requirements. However it is clear that EDI priorities were central to the HS2 project design and objectives from the start, supported by senior leadership. This stemmed in part from a recognition that skills shortages in the construction sector required a more inclusive approach to recruitment, as well as a desire to "to change the diversity and culture of the industry." The HS2 project was able to draw on the good practice in EDI established in previous large infrastructure projects such as the London Olympics and Crossrail^{vii}.

The publication of EDI annual reports and regular progress on skills and employment objectives provides clear evidence of greater workforce diversity than average for the construction sector, although some goals – such as increasing the numbers of disabled workers – are proving harder to achieve. There remain challenges in collecting reliable data from companies further down the supply chain.

Key highlights of good practice that supported EDI outcomes are:

- Senior leadership commitment to EDI from the start of the project, linked to strategic objectives identified in the original business case for the project, and supported in practice;
- Standardised processes for those involved in procurement to consider EDI and SEE requirements at the start and to work with expert teams;
- Clear expectations in tender documents about EDI expectations and reporting standards, throughout the supply chain;
- Regular and meaningful reporting of results to HS2, which are published;
- Communication and engagement with the supply chain: clear expectations about reporting and providing support to resolve issues identified through data collection;
- Requirement to have a designated EDI and/or employment and skills contact at the contractor organisation;
- Collaboration between those responsible for EDI and/or employment at main contractors;
- Requirement for EDI accreditation by main contractors and encouragement to achieve this through the supply chain.

ⁱ Building the skills to deliver HS2: Phase One and Phase 2, August 2021, p.2

ⁱⁱ Mildon, T. 'Inclusive Procurement at HS2 | LinkedIn', 11 May 2020.

<https://www.linkedin.com/pulse/inclusive-procurement-hs2-toby-mildon/>

ⁱⁱⁱ Benchmarks are taken from the HS2 direct workforce, the Office for National Statistics' Labour Force Survey 2019 data on construction workers, Engineering UK's Women in Engineering report 2021 report; and the Mayor of London's 2020 report, Supporting diversity and inclusion in the infrastructure sector (HS2 Equality, Diversity and Inclusion Annual Report 2021-2022, p.23).

^{iv} Mildon, T. 'Inclusive Procurement at HS2 | LinkedIn', 11 May 2020.

^v HS2 Equality, Diversity and Inclusion Annual Report 2021-22, p.23.

^{vi} Mildon, T. 'Inclusive Procurement at HS2 | LinkedIn', 11 May 2020.

^{vii} Thrush, C. and Martins, I. 'Lessons Learned from the London 2012 Games Construction Project: Targeted Approaches to Equality and Inclusion'. London: Olympic Delivery Authority, 2011; Pascutto, N. 'Crossrail Learning Legacy: Equality & Diversity Strategy'. Crossrail, 27 September 2016. <https://learninglegacy.crossrail.co.uk/documents/equality-diversity-strategy/>.