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PUBLIC PROCUREMENT AS A POLICY INSTRUMENT:

the case of social clauses in France

Thèse

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Foreword

This Ph.D. dissertation investigates the use of public procurement as a policy instrument through the case of social clauses in France. It gathers three independent essays, each one focusing on one aspect of social clauses. Each essay corresponds to a chapter. The links between the three chapters and the overall logic of the dissertation are presented in the General Introduction. As each chapter can be read separately, some information is redundant.

Abstract

This dissertation presents an analysis on social clauses in French public procurement. Implemented in procurement contracts, social clauses commit winning firms to employ a defined percentage of social workers during contracts' execution. The first chapter investigates the use of market research to reduce information asymmetries and implement social and environmental clauses in procurement contracts. The second chapter deals with the potential additional cost of social clauses and their impact on bidder's behaviour. It appears that on average, social clauses do not increase procurement costs. The third chapter focuses on the management and control of social clauses by "facilitateurs", which can be done in-house or outsourced to not-for-profit organizations. The three chapters contribute to a better understanding of social clauses in public procurement. It also contributes to the growing literature on responsible public procurement.

Keywords: social clauses, responsible public procurement, inclusion policy, bidder's behaviour, facilitateurs, market research, public buyers, contract management.

Résumé

Cette thèse de doctorat présente une analyse sur les clauses sociales dans les marchés publics français. Insérées dans des marchés publics, les clauses sociales engagent les entreprises attributaires à employer un certain pourcentage de travailleurs relevant de la clause sociale pendant l'exécution des marchés. Le premier chapitre analyse l'utilisation du *sourcing* (ou sourçage) afin de réduire les asymétries d'information et d'insérer des clauses sociales et environnementales dans les marchés publics. Le deuxième chapitre étudie le coût additionnel potentiel des clauses sociales et leur impact sur le comportement des soumissionnaires. Il apparaît qu'en moyenne, les clauses sociales n'augmentent pas le prix des marchés. Le troisième chapitre se penche sur la gestion et le contrôle des clauses sociales par les « facilitateurs », qui peut être fait en interne ou externalisé à des organisations du secteur non-marchand. Les trois chapitres contribuent à une meilleure compréhension des clauses sociales dans les marchés publics. Ils contribuent également à la littérature croissante sur la commande publique responsable.

Mots-clefs : clauses sociales, commande publique responsable, politique d'insertion, comportement des soumissionnaires, facilitateurs, sourcing, acheteurs publics, gestion des marchés.

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General Introduction

“The procurement act is an economic act before being a legal act.”¹”

Jean Maia, former Director of Legal Affairs,
French Economy and Finance Ministry.

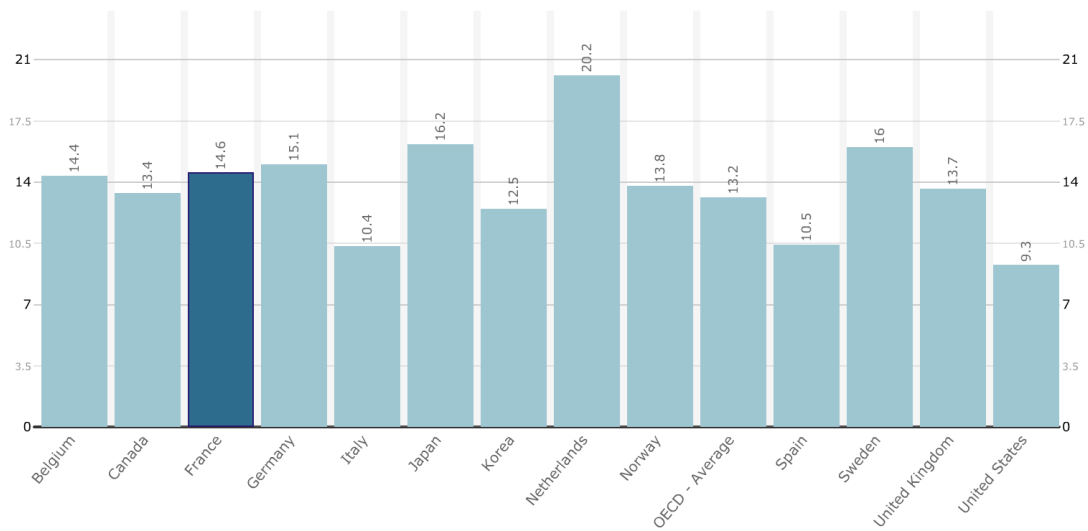
0.1 Public procurement as an instrument

Public procurement weight

As defined by the European directive, public procurement can be understood as the *“acquisition by means of a public contract of works, supplies or services by one or more contracting authorities from economic operators chosen by those contracting authorities, whether or not the works, supplies or services are intended for a public purpose”* (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, 2014). Depending on countries, the weight of public procurement generally varies from 10 to 20% of gross domestic product (GDP). It also occupies a different proportion of total government’s expenditures. As illustrated in Figures 1 and 2, public procurement stands for 14.6% of French GDP and 25.6% of French government total expenditures.

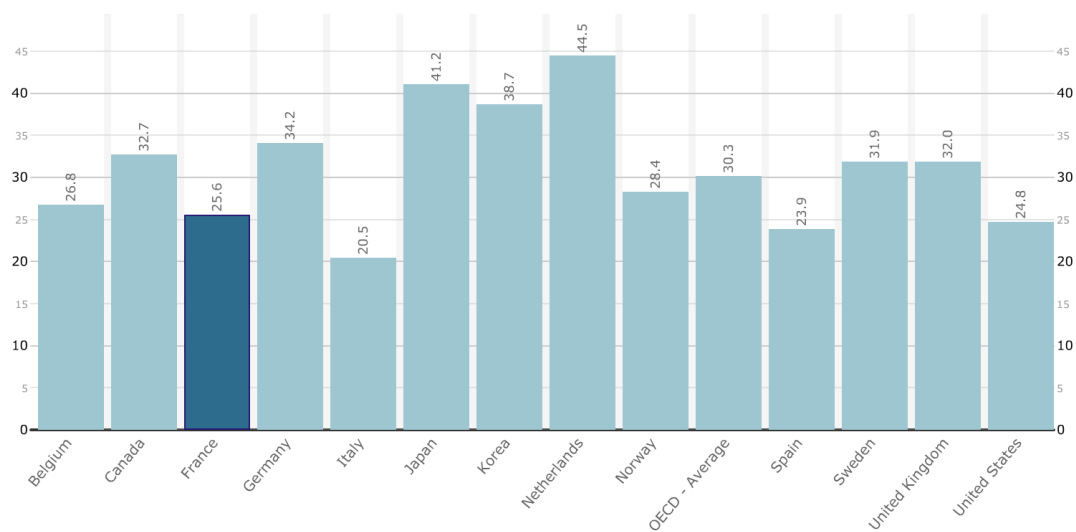
¹ Author’s translation : « L'acte d'achat est bien un acte économique avant d'être un acte juridique » in French.

Figure 1. Procurement as a percentage of GDP, 2015



(source: OECD - government at a glance online data)

Figure 2. Procurement as a share of total general government expenditures, 2015



(source: OECD - government at a glance online data)

Societal issues and failure of traditional instruments

The last decades revealed the on-going development of economic, social and environmental issues. Among others, we assist to the rise of inequalities, climate change, increase of unemployment rates, increase of poverty and precariousness ...

despite the numerous policies and instruments put in place by the different governments. In reaction, some countries are worried regarding the non-adapted character of traditional instruments (European Commission, 2010a). Indeed, it appears that traditionally-used instruments such as regulation, public spending or taxation fail to solve these issues. Thus, voices have risen up to use other instruments. As an example, contract is increasingly used instead of regulation, mainly because it allows room for adaptation and negotiation (Chevallier, 2005; Conseil d'État, 2008) and is thus easily accepted (Boy, 2009). Moreover, this transition to new instruments of public action intervenes in a strong budget constrains period. Indeed, France is subject to the European framework regarding public finances. Established by the Maastricht Treaty in 1992 and developed in the European Fiscal Compact of 2012, Member States' deficits have to be inferior to 3% of GDP and their debts have to be inferior to 60% of GDP. French public finances are far from these objectives, as in 2016 national deficit stands for 3.4% of GDP and national debt represents 96.3% of GDP (INSEE, 2018a). These differences lead to major budget cuts, especially for local authorities.

Today, public procurement's legal framework is more and more in favour of introducing sustainable aspects in tenders and using public procurement as a policy instrument. At the European level, the last directive refers to public procurement as an instrument, stating in its recital 2 that public procurement is one of the: *“market-based instruments to be used to achieve smart, sustainable and inclusive growth while ensuring the most efficient use of public funds”* (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, 2014). In France, the official document presenting the future Procurement Code argue : *“ This is how we will achieve, by political will and administrative daring, to make public procurement a real instrument serving the real economy, innovation, social responsibility and energy transition”* (Ministère de l'Économie, de l'Industrie et du Numérique, 2015).

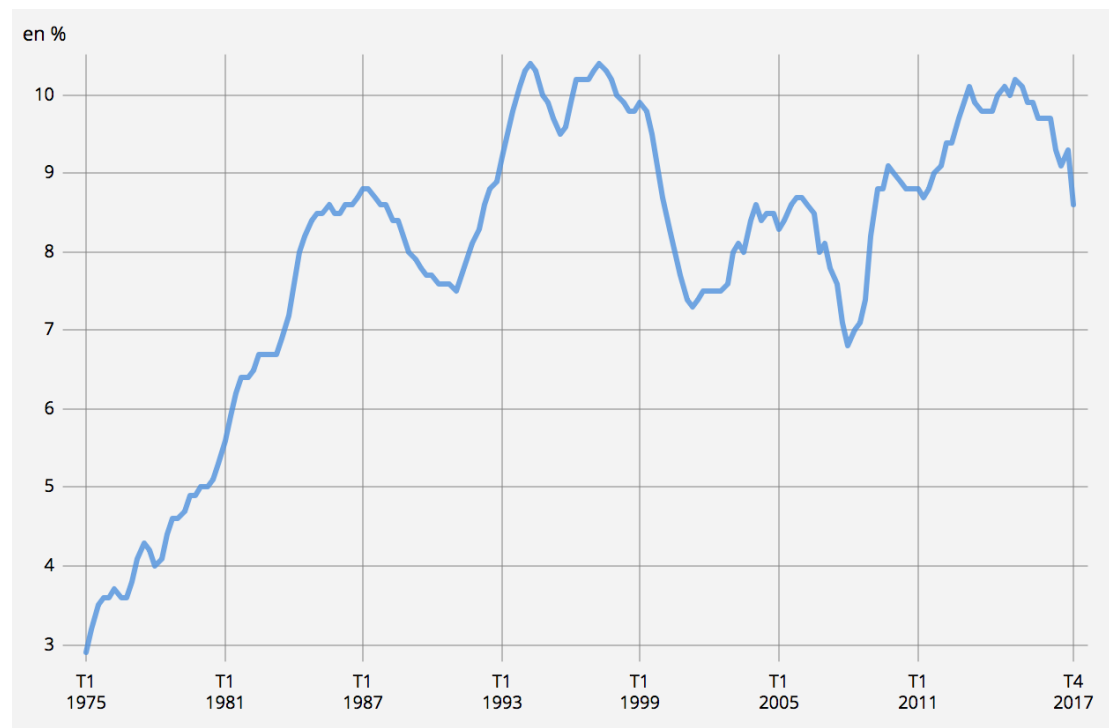
The use of public procurement as a policy instrument can also be observed outside the European Union. As developed by McCrudden (2004), different mechanisms are used around the world regarding social aspects.

For example, post-apartheid South-Africa implemented a preference system in order to favour access to procurement to firms owned by formerly discriminated persons. Similarly, in 1996 Canada put in place set-asides² and subcontracting obligations in favour of aboriginal businesses (McCrudden, 2004).

Employment and inclusion policies in France

Since the 1970s, unemployment became an increasingly central issue in France. The general awareness intervened in 1967 when 250 000 unemployed people were counted. The year 1993 also came as a choc, as the number of unemployed people registered rose beyond three million. Since then, unemployment has been a major concern of all governments. As illustrated in Figure 3, the unemployment rate in France reached a critical level beyond 10% of labour force in the years 1994, 1996, 1997, and 2015. For the last semester of 2017, the unemployment rate is 8.9% of labour force, representing 2.5 million persons (INSEE, 2018b).

Figure 3. Unemployment rate in France, 1975-2017

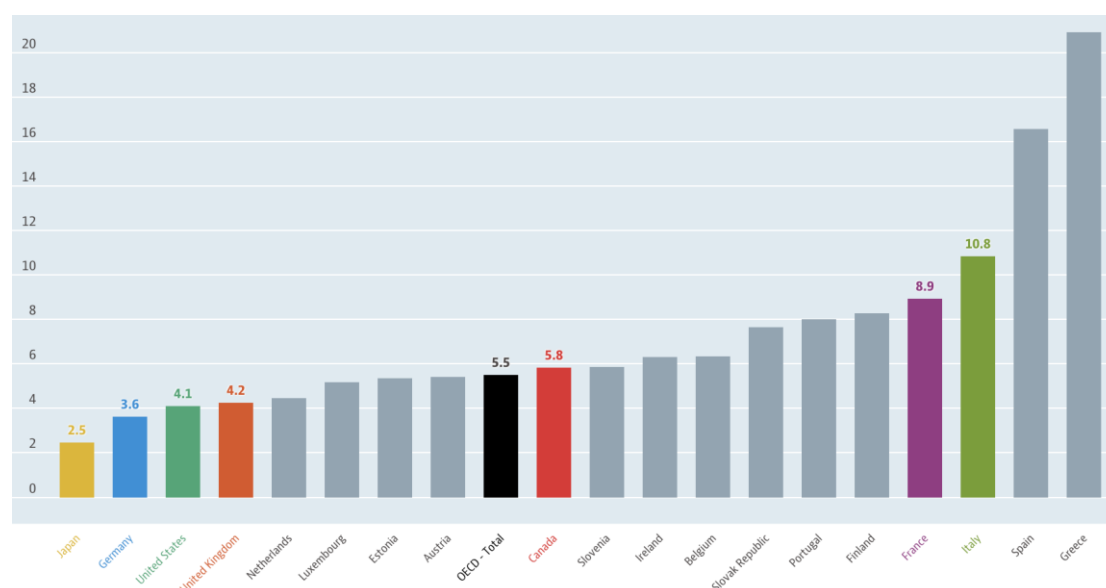


(source: French national institute for statistical and economic studies (INSEE)).

² This mechanism only allows some specific firms to bid.

As illustrated in Figure 4, unemployment is a general issue among OECD countries. Nevertheless, the unemployment rate in France is far more important than in other comparable countries, even though these comparisons need to be looked at carefully because of countries specificities. This fact brings some analysts to consider unemployment as a “French speciality”.

Figure 4. Unemployment rate as a percentage of labour force for the years 2016-2018



(source: OECD online data)

In order to solve unemployment issue, many different instruments have been initiated within the employment policy. These instruments are implemented by the Employment Public Service, which gathers the actors in charge of the employment policy under the authority of the Ministry of Labour.

Among these policies, France saw the development of the so-called integration through economic activity³. Indeed, integration through economic activity appeared in the 1970s as a field response to the increasing number of people excluded from labour market. It was legally recognised in 1998 by the law against exclusions (*LOI N° 98-657 Du 29 Juillet 1998 d'orientation Relative à La Lutte Contre Les Exclusions*, 1998) and is defined by the article L. 5 132-1 of the Labour Code:

³ Insertion par l'activité économique (IAE) in French.

*“Integration through economic activity is intended to enable unemployed persons with particular social and professional difficulties to benefit from employment contracts with a view to facilitating their professional integration. It implements specific methods of reception and accompaniment”*⁴. Integration through economic activity is a State agreement sector, which mainly refers to four types of structures: *entreprises d’insertion, ateliers et chantiers d’insertion, entreprises temporaires d’insertion et associations intermédiaires*. The workers they employ need to have an accreditation from the national employment agency *Pôle Emploi*, which allows them to be employed in these structures during 24 months. Intended as a momentary help, workers join the classical labour market after this period. According to the last report of the Ministry of Labour’s statistical department, there were 132 000 workers in 3736 structures in 2016 (Direction de l’animation de la recherche, des études et des statistiques, 2017). The sector is partly financed by public subsidies through direct and indirect public aids (Inspection Générale des Finances and Inspection Générale des Affaires Sociales, 2013). As developed in the aforementioned report, the sector is called to diversify its funding, among other things through social clauses in public procurement.

European and national procurement legal framework

The different mechanisms available to make public procurement responsible are mainly technical specifications, award criteria and contract performance conditions. All can be used regarding social and environmental aspects. Award criteria are used to select firms regarding defined social and environmental elements, generally alongside financial and technical criteria. Contract performance conditions are mandatory clauses that need to be executed by the award firm. The European Union identifies many social aspects that can be reached through social contract performance conditions. Indeed, the recital 99 of Directive 2014/24/EU states that:

⁴ Author’s translation.

“Measures aiming at the protection of health of the staff involved in the production process, the favouring of social integration of disadvantaged persons or members of vulnerable groups amongst the persons assigned to performing the contract or training in the skills needed for the contract in question can also be the subject of award criteria or contract performance conditions provided that they relate to the works, supplies or services to be provided under the contract. For instance, such criteria or conditions might refer, amongst other things, to the employment of long-term job-seekers, the implementation of training measures for the unemployed or young persons in the course of the performance of the contract to be awarded.”(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, 2014).

The rich European jurisprudence on public procurement highlighted two fundamental aspects when using social and environmental clauses: they need to be linked to the subject-matter of the contracts and mustn't discriminate suppliers. These conditions have been affirmed by the Court of Justice of the European Union (formerly Court of Justice of the European Communities)⁵. Indeed, these mechanisms must always be implemented regarding the three pillars of European procurement rules which are: equal treatment, non-discrimination and transparency.

Due to these principles and other European legislation, the European framework on public procurement restricts the use of some traditional aspects of social public procurement. The European framework forbids public buyers to use local and national preferences. Concerning set-asides, they are not used in the European Union which doesn't allow positive discrimination as it might distort competition (Cravero, 2017; European Commission, 2010a). Nevertheless, it is important to note that the European Union concedes on set-asides regarding structures hiring a majority of disabled persons or disadvantaged persons, as described in article 20 of Directive 2014/24/EU

⁵ See for example the Judgment of the Court of 26 September 2000. - Commission of the European Communities v French Republic, - Construction and maintenance of school buildings by the Nord-Pas-de-Calais Region and the Département du Nord, - Case C-225/98 and the Judgment of the Court (Fourth Chamber) of 20 September 1988. - Gebroeders Beentjes BV v State of the Netherlands. - Case 31/87.

(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, 2014).

In France, the transposition of the aforementioned directive kept this idea of making public procurement an instrument for public policies. Indeed, the article 38 of the French ordinance on public procurement states that: “*Contract performance conditions may take into account economic, innovation, environmental, social and employment considerations, provided that they are linked to the subject-matter of the contract. They can also take into account the company's policy in the fight against discrimination*”⁶ (Ordonnance N° 2015-899 Du 23 Juillet 2015 Relative Aux Marchés Publics, 2015). Moreover, it appears that many laws contain dispositions on public procurement and its use to achieve the researched goals. This is for example the case of the 2014 law on gender equality⁷ which creates new bidding prohibitions for firms condemned for gender discrimination in the past five years.

The social clause in France

In France, the main execution clause for social aspects is the social inclusion clause, usually called social clause. The following dissertation deals with the social inclusion clause, which will be referred to as social clause. Regarding the previous designation focus, it is important to note that the social clause is a larger mechanism, which includes the social inclusion clause. Indeed, social clauses can deal with other social aspects but inclusion, such as training. The following focuses on the social inclusion clause, which will be referred to as the social clause, as done by both public buyers and legal experts. In order to simplify the understanding, the social clauses' beneficiaries will be referred to as social workers.

Developed as an experiment in the 1990s, social clauses allow public buyers to commit award firms to employ social workers for the execution of the contract, with the aim to bring people to employment. They have been introduced in the French Public Procurement Code in 2001.

⁶ Author's translation.

⁷ LOI N° 2014-873 Du 4 Août 2014 Pour l'égalité Réelle Entre Les Femmes et Les Hommes, 2014.

Nevertheless, their use has been legally consolidated by a decision of the French administrative Supreme Court which widens the definition of the link between the subject-matter of the contract and the integration considerations⁸. Today, the social clause leans on the article 38 of the ordinance on public procurement currently in force (*Ordonnance N° 2015-899 Du 23 Juillet 2015 Relative Aux Marchés Publics*, 2015).

Procurement rules do not give precise guidelines on social clauses' execution and they do not define which social workers can be employed to execute these clauses. Indeed, it appears that public authorities have different rules regarding the definition of social workers. However, a list of core social workers coming from different articles of the Labour Code has been established. Social clauses can be executed by long-term unemployed people, welfare beneficiaries, disabled workers, young under a degree of diploma, workers of integration structures through economic activity, or other people with severe inclusion difficulties, as shown in Figure 5 (Observatoire Economique de la Commande Publique, 2018a).

Figure 5. Social clause beneficiaries

Demandeurs d'emploi de longue durée (plus de 12 mois d'inscription au chômage)
Bénéficiaires du RSA en recherche d'emploi
Personnes ayant obtenu la reconnaissance de travailleurs handicapés au sens de l'article L. 5212-13 du code du travail fixant la liste des bénéficiaires de l'obligation d'emploi
Bénéficiaires de l'allocation spécifique de solidarité (ASS), de l'allocation adulte handicapé (AAH) ou de l'allocation d'invalidité
Jeunes de moins de 26 ans en recherche d'emploi :
- sans qualification (infra niveau V, soit niveau inférieur au CAP/BEP) ;
- diplômés, justifiant d'une période d'inactivité de 6 mois depuis leur sortie du système scolaire ou de l'enseignement supérieur
Demandeurs d'emploi senior (plus de 50 ans)
Personnes prises en charge dans les structures d'insertion par l'activité économique (IAE) mentionnée à l'article L. 5132-4 du code du travail, c'est-à-dire :
- mises à disposition par une association intermédiaire (AI) ou une entreprise de travail temporaire d'insertion (ETTI),

⁸ CE 25 mars 2013, Département de l'Isère, req. n° 364950.

- salariées d'une entreprise d'insertion (EI), d'un atelier chantier d'insertion (ACI) ;
Personnes employées par une régie de quartier ou de territoire agréée ;
Personnes prises en charge dans des dispositifs particuliers, notamment les Etablissements Publics d'Insertion de la Défense (EPIDE) et les Ecoles de la deuxième Chance (E2C) ;
Personnes en parcours d'insertion au sein des groupements d'employeurs pour l'insertion et la qualification (GEIQ).

Personnes sous main de justice employées en régie, dans le cadre du service de l'emploi pénitentiaire/régie des établissements pénitentiaires (SEP/RIEP) ou affectées à un emploi auprès d'un concessionnaire de l'administration pénitentiaire. (Cf. point 2.)

Personnes rencontrant des difficultés particulières sur proposition motivée de Pôle emploi, des maisons de l'emploi, des plans locaux pour l'insertion et l'emploi (PLIE), des missions locales, des maisons départementales des personnes handicapées (MDPH) ou de Cap emploi.

Lorsqu'un bénéficiaire n'est pas suivi par l'un des organismes mentionnés ci-dessus, son éligibilité peut être validée par le facilitateur à la demande du donneur d'ordre.

(source *Guide sur les aspects sociaux de la commande publique, Observatoire économique de la commande publique, 2018*)

Traditionally, social clauses have been introduced in work tenders. During the last decades, they have more and more been introduced in cleaning, security and green spaces' tenders. Today, they are progressively implemented in other sectors such as intellectual services. Indeed, it appeared that people responding to the social clause's list of beneficiaries were to be found in these sectors also. Generally, social clauses are implemented in tenders with an important financial weight, a long duration and belonging to an appropriate sector. Indeed, these conditions need to be gathered in order to generate a sufficient number of work hours and to give social workers a significant experience. Social clauses have also been developed in public procurement through the *Programme national de rénovation urbaine*, related to the urban policy and the integration of deprived areas. Indeed, the public agency in charge of these programs⁹ adopted a national integration charter in 2005, which plan social clauses in all of its projects. These projects are the exception to the rule of no geographical preference for the execution of social clauses.

⁹ The *Agence Nationale pour la Rénovation Urbaine* (ANRU).

Indeed, these clauses stipulate that 5% of work hours are saved for inhabitants of these deprived areas (Observatoire Economique de la Commande Publique, 2018a).

The number of hours to execute is decided by public authorities, which generally use the following formula:

$$\text{Number of hours} = \frac{\text{Public estimation} \times \text{Workforce proportion} \times \text{Inclusion rate}}{\text{Charged hourly cost}}$$

The public estimation stands for the amount of money that public authorities estimate for the work, service or supply. The work force proportion represents the proportion of work force included in the estimation. As an example, earthwork has a work force proportion of 36%, whereas green spaces maintenance has a work force proportion of 75% (Loquet, 2016). The inclusion rate is the inclusion effort asked to firms. Depending on many aspects, it generally varies from 5 to 10%, and is defined by public authorities. Nevertheless, it can go up to 30%, as described by Observatoire Economique de la Commande Publique (2018a). The charged hourly cost is the cost of one hour of work including charges. This formula gives a number of hours that needs to be executed by the award firms during tenders' execution.

All the information regarding the social clause and its execution modalities are defined in the administrative document of the consultation file, known in French as the *Cahier des Clauses Administratives Particulières* (CCAP). Firms have different modalities to execute social clauses, whether through direct employment, subcontracting to integration structures or employing social workers provisioned by classical or integration structures¹⁰. Regarding integration structures, the use of public procurement through social clauses falls within the more general tendency of increase of contractualisation and evaluation (Gianfaldoni and Rostaing, 2010). In order to be employed under the social clause mechanism, persons belonging to the defined categories need to have an accreditation from the French national employment agency

¹⁰ Social workers can be provisioned by: *entreprise de travail temporaire d'insertion (ETTI)*, *entreprise de travail temporaire (ETT)*, *association intermédiaire (AI)* and *groupement d'employeurs pour l'insertion et la qualification (GEIQ)*.

Pôle Emploi, which last 24 months. This rule suffers from one exception for social workers employed through classical temporary work companies (as opposed to integration temporary work companies).

In order to assist firms in the execution of social clauses, public authorities can resort to specific actors called facilitateurs. Facilitateurs are workers which can be in contracting authorities or in other structures, mainly not-for-profit employment structures. They are in charge of helping public authorities to implement social clauses, assisting firms for the execution of these clauses. To prevent from the non-execution of social clauses, public authorities can plan penalties in contracts. Generally, penalties are calculated on the amount of non-executed hours. Facilitateurs are also in charge of controlling the execution of social clauses. Indeed, they control the execution of social clauses and account to public authorities, which are in charge of enforcement measures.

Some facilitateurs are gathered in the main national network called *Alliance Villes Emploi*, which publishes social clauses statistics on a yearly basis. According to the report for the year 2016, which presents partial data¹¹, 11 557 903 hours have been generated by social clauses through 29 412 tenders (*Alliance Villes Emploi*, 2016a). Among these tenders, 56% are works tenders, 43% are services tenders and 1% are supplies tenders. 76.82% of these tenders have a financial value below 100 000 euros, 16.45% between 100 000 and 500 000 euros, 3.24% between 500 000 and 1 million euros and 3.49% over 1 million euros. The work hours were initiated by local public authorities (59.46%), social landlords (20.86%), private structures (7.2%), the State (10.63%) and semi-public companies (1.87%). Regarding the execution modalities, 33% of social clauses are executed through direct employment, 32.3% through integration temporary work companies and 15.6% through classical temporary work companies, the rest being executed through the other forms described. Still according to the report, social clauses benefited to 29 188 persons, which are mainly long-term unemployed persons (36%), unemployed persons (14%), young under 26 years old

¹¹ As developed in the report, the results are partial as 171 structures answered to the survey, out of 183 structures working with the software ABC Clause, which was used to collect the data, out of 307 structures members of *Alliance Villes Emploi*.

(22%), social minima beneficiaries (20%), disabled workers (4%), senior unemployed (3.5%) and persons under judicial custody (0.5%). Regarding gender, 84% of beneficiaries are men. Most beneficiaries have between 26 and 40 years old (38.8%), whereas young under 26 years old stand for 29%, persons from 41 to 50 years old represent 20.1%, the rest being persons over 50 years old. After their inclusion in the social clause mechanism, 80% of the beneficiaries are in a work situation 6 months later, 76% of them 12 months later, 74% of them 18 months later and 72% 24 months later. Regarding the social clause's efficiency, another study led on the social clauses' beneficiaries of Lyon's agglomeration offers results. The study shows that if only 36% of them find a job right after the end of the social clause mechanism, 64.9% of them are employed from 6 to 9 months later and 49.5% of them from 15 to 20 months later (Havet *et al.*, 2016). As developed in the study, 61.2% beneficiaries indicate they received training while being employed through the social clause mechanism. Nevertheless, knowing the real impact of social clauses on employment is impossible as no counterfactual investigation exists, as expressed by Havet *et al.* (2016).

According to the last census of 2016, social clauses are included in 8.6% of public tenders over the European thresholds of 90 000 euros in France (Observatoire Economique de la Commande Publique, 2018b). It appears that the State includes social clauses in 5.4% of its tenders, local authorities in 14% and others entities¹² in 4.3%. As a comparison, the same census estimated that 13.4% of French public tenders over the 90 000 euros threshold contained an environmental clause. The proportion of tenders with social clauses is growing, as they use to be introduced in 6.1% of tenders below the aforementioned threshold in 2013 (Observatoire Economique de l'Achat Public, 2015). This proportion is called to increase, due to many political calls and decisions. The most important one might be the 2015-2020 National plan for responsible public procurement which require the implementation of social aspects (clauses or criteria) in 25% of public tenders and environmental aspects (clauses or criteria) in 30% of public tenders by 2020 (Ministère de l'Écologie, du Développement durable et de l'Énergie, 2015).

¹² Other entities are mainly social landlords and semi-public companies.

0.2 Responsible public procurement as a research object

Academic literature on public procurement

According to the literature, the development of academic study of public procurement is quite new (Thai, 2001). As explained by the author, public procurement was first studied as private procurement, which is an older and bigger field of research. Nevertheless, the literature quickly highlighted the difference between public and private procurement, which is the political side of public procurement (Spiller, 2008; Gordon Murray, 2009). If private procurement has been largely studied by academics, this is not the case of public procurement, which academic developments are quite recent. An important contribution in its conceptualization is the International Handbook of Public Procurement (Thai, 2008), which details a conceptual framework for public procurement described as follow:

- i. Governmental framework and environment
 - a. Governmental framework
 - b. Cultural, administrative, economic, legal and social environment
- ii. Public procurement system
 - a. Laws and regulations
 - b. Public procurement organization
 - c. Public procurement workforce
 - d. Public procurement process and methods

As developed in the literature, there is no specific theory to study public procurement. Indeed, public procurement has been studied from different disciplines and different theories. Flynn and Davis (2014) investigated the theories used in papers published in the Journal of Public Procurement. Among the 29% of theoretically grounded papers, 56% are based on economics theories, 18% of these papers are based on sociology theories, 18% on management theories and 8% on psychology theories. Among economic theories, authors mainly used the theory of auctions and competitive bidding, the principal-agent theory, the transaction cost theory, the contract theory,

the fuzzy set theory, the game theory, the classic economic theory and the new institutional theory. Concerning the field of management, authors mobilized the organization behaviour theory, the supply chain management theory, the healthcare management theory, the organizational learning theory, the theory of innovation and the theory of lean. Partly based on empirical studies, the economic literature on public procurement mostly investigated the contracting-out issue of public services (*e.g.* Hart *et al.*, 1997; Laffont and Tirole, 1993; Levin and Tadelis, 2010; Ménard and Saussier, 2000; Williamson, 1999), the choice of procedure (*e.g.* Bajari *et al.*, 2009; Chever and Moore, 2012; Chong *et al.*, 2013), the selection of award criteria (*e.g.* Branco, 1997; Burguet and Che, 2004; Che, 1993; Estache *et al.*, 2009) and renegotiations (*e.g.* Beuve *et al.*, 2013; Crocker and Reynolds, 1993; Le Squeren and Moore, 2015; Williamson, 1985).

Public procurement and public action's instruments

One admitted thing in the literature is that public procurement is a complex research object. Moreover, public procurement is generally hard to define because it includes many different rules, goals and practices (Prior and McCue, 2009). Indeed, the diversity of rules and practices is huge, as described by Thai (2008) and makes it hard to capture and to study for academics. Moreover, the public procurement function is evolving drastically, from a pure technical function to a strategic one (Tassabehji and Moorhouse, 2008). Indeed, public procurement went from “a mere function to a strategic activity” (Loader, 2007) and is now described as “a major function of government” (Thai, 2001). Some important changes can also be observed concerning public procurement's goals, with the apparition of the so-called “secondary goals”. If value for money is still considered as the main goal of public procurement (Arrowsmith and Wallace, 2000; Loader, 2007; Decarolis *et al.*, 2014), social and environmental objectives appeared, transforming public procurement into a policy instrument (Telgen *et al.*, 2007; Decarolis *et al.*, 2014). This use of public procurement as a policy instrument is also highly considered regarding innovation goals (Aschhoff and Sofka, 2009; Edler and Georghiou, 2007; Georghiou *et al.*, 2013; Kalvet and Lember, 2010; Lember *et al.*, 2014).

The study of policy instruments has been investigated by political sciences which define them as “the generic term provided to encompass the myriad techniques at the disposal of governments to implement their public policy objectives” (Howlett, 1991). There are many typologies of instruments but we can cite the one made by Lascoumes and Le Galès (2007), which differentiates 5 types of instruments : legislative and regulatory ; economic and fiscal ; agreement-based and incentives-based ; information-based and communication-based ; *de facto* and *de jure* standards best practices. Most research on instruments deals with the understanding of public action through instruments (Lascoumes, 2007) and the rationale behind the choice of instruments (Howlett, 1991). Indeed, it has been showed that many problems can be caused by the use of many non-coordinated instruments for one policy (Bemelmans-Videc *et al.*, 2011). Moreover, policy sciences showed that instruments are not substitutable (Bemelmans-Videc *et al.*, 2011) and produce their own effects, independently from the goals assigned (Le Galès, 2011). Indeed, they are not seen as pure technical mechanisms and are said to have their own logic, which partly structures public action (Lascoumes, 2007). Thus, it is clear for political sciences that the choice of instrument is not neutral and that each instrument produces specific effects. The economic theory also investigated State’s intervention and its instruments. State’s intervention is then studied through the lens of market failures. As summarized by Sloman *et al.* (2011), States have different instruments to correct specific market failures. Nevertheless, as pointed out by the authors, public intervention may also generate dysfunctions.

Regarding public procurement, its use as a policy instrument raises questions and criticisms. A first set of concerns deals with the impact of using public procurement as a policy instrument. Indeed, it raises questions on the potential additional cost of these mechanisms and their impact on competition (Boulema, 2015; McCrudden, 2004). It is said that responsible public procurement could increase bidders’ offers and/or prevent some firms from bidding to those tenders. Regarding contracting authorities, these different objectives are a risk to blur and confuse the main goal of procurement (Erridge and McIlroy, 2002). A second set of concerns focus on the opportunity of using public procurement as compared to other policy instruments.

Regarding the economic opportunity of this use, some considers that other instruments, such as regulation, could be more appropriate because it is applied to all firms, and not only to the ones bidding for public contracts (Marty, 2012; Saussier and Tirole, 2015). The fact that other instruments, such as regulation, should be preferred to public procurement is also advocated by contracting authorities, as illustrated in the report of the Council of European Municipalities and Regions (2010). Moreover, it appears that public procurement does not let latitude to firms as regards the ways to achieve the specified policy objectives (Marty, 2012) and does not take into account firms' initial heterogeneities (Lundberg *et al.*, 2013). Regarding the public action opportunity, the use of administrative contracts instead of regulation raises concerns, mainly on the dilution of responsibilities, the impact of renegotiations, the disparities in rights and obligations and the cost of contracting, especially for the weakest (Conseil d'État, 2008).

As regards responsible public procurement, the literature mainly deals with the three following aspects. First, the literature investigates the determinants of its implementation, including studies on buyers' level of knowledge (*e.g.* European Commission, 2010b; European Commission, 2006; Marty, 2012; Testa *et al.*, 2012; Walker and Brammer, 2009) or the administrative, managerial and political supports (Boulema and Klien, 2015; European Commission, 2006; Walker and Brammer, 2009). Second, the literature focuses on the impact of responsible public procurement on price and bidding behaviour (*e.g.* Corns and Schotter, 1999; De Silva *et al.*, 2012; Hubbard and Paarsch, 2009; Marion, 2009; Marion, 2007). Lastly, the literature deals with the efficiency of these mechanisms (*e.g.* Lundberg *et al.*, 2015; Marron, 2004). The literature on responsible public procurement will be used and developed throughout the three chapters. Moreover, useful insights can be taken from the literature on innovative procurement, as expressed in the chapters of the dissertation.

Dissertation's choices

This dissertation mixes economic and management theoretical frameworks and mainly rely on the following theories: the agency theory, the public management theory, the stewardship theory, the contract management theory, the transaction costs theory and studies on firms' bidding behaviour. Indeed, these theories appear as relevant frameworks to investigate the different aspects of social clauses studied in the dissertation. Theoretical frameworks are developed in each chapter.

Regarding methodology, the dissertation mixes exploratory and empirical studies. As developed in each chapter, all data and materials have been collected specifically for the dissertation, and are thus unique. This dissertation has been realized through a three-year research contract at the Finance and Procurement Direction of the City of Paris. A great attention was paid to avoid bias due to strategical interests of organizations involved in the study, as developed by Godard and Hommel (2007).

0.3 Research gaps, research questions and aim of the dissertation

Identified research gaps

Even if research gaps are developed in each chapter, general considerations have to be expressed. The dissertation stands between the increasing use of public procurement as a policy instrument, the ever-present criticisms linked to this use and the lack of available analysis. Its goal is to provide elements which participate to the clarification of these debates. More specifically, this dissertation is aimed to offer an analysis on social clauses in France, as regards the poor level of information available on this matter. It is rather important, especially knowing that, if green public procurement is now quite common, social public procurement is identified as a "hot topic" by decision-makers (Staropoli and Steiner, 2015).

Indeed, it appears that there is a lack of research on responsible public procurement. Calls have been made for empirical research to investigate the cost, the efficiency and the opportunity of using public procurement as a policy instrument (Piga and Tatrai, 2015; Spagnolo, 2012). It appears essential to have this knowledge before developing responsible public procurement more largely. According to our literature review, only little information exists regarding social clauses. Most of the knowledge available focuses on the benefits of social clauses, trying to estimate their impact and efficiency as an employment mechanism.

Moreover, policy scientists expressed the need to study instruments, explaining that it is the “missing link in the theory and practice of public management” (Salamon, 1981). They explained that the choice of instruments is motivated by many aspects including social, political, economic and administrative ones, which need to be taken into account (Howlett, 1991). Thus, it appeared that social clauses needed to be studied through an economic lens as well as a managerial one to have a more complete and correct vision. Indeed, little information is available regarding the *ex ante* and *ex post* management of social clauses. Nevertheless, it seems that this information is crucial to give a clear picture of social clauses and to understand the use of public procurement as a policy instrument through the example of social clauses. Social and political concerns are also developed throughout the three chapters.

Research questions

The following dissertation tries to address the question of the implications of social clauses in public tenders. Using an economic and managerial perspective, it investigates the roles of the three main actors of the mechanism and the way they manage social clauses. Regarding the increasing use of responsible public procurement and social clauses, the dissertation asks the following questions: are social clauses a free lunch for firms and public authorities? What are the implications of social clauses for the different actors? Which management processes and tools are necessary? What does it take to have a socially responsible public procurement?

Each chapter of this dissertation focuses on specific research questions. The first chapter deals with the implementation of responsible aspects in public procurement through the use of market research by public buyers. Indeed, the agency theory showed that information asymmetries are current in contracting and can lead to additional costs and loss of efficiency (Akerlof, 1970; Jensen and Meckling, 1976). This is also true in public procurement, where firms have additional information on their costs and capacities (Laffont and Tirole, 1993; Tadelis, 2012). In order to overcome these information asymmetries, market research appears as a relevant tool, as developed for innovative public procurement (Borowiec, 2016; Corvers *et al.*, 2015; Kalvet and Lember, 2010; Lenferink *et al.*, 2009). Nevertheless, these researches do not concern responsible public procurement. Moreover, a call has been raised to investigate public buyers' practices of market research (Rainville, 2016). Thus, the following research questions are at the heart of the analysis: How do public buyers implement social clauses in public contracts? How do they overcome information asymmetries? How do they use market research? How do they secure responsible procurement? Using a case study of the City of Paris, the chapter investigates how public buyers use market research to reduce information asymmetries in the implementation of responsible objectives to public tenders.

The second chapter of the dissertation focuses on the financial impact of social clauses and their influence on firms' bidding behaviour. Indeed, it has been acknowledged that responsible objectives can create additional costs in procurement procedures (McCrudden, 2004). Calls have been raised for economic analysis on the cost of social practices in public procurement (Piga and Tatrai, 2015). Thus, the chapter focuses on the following research questions: Are contracts with social clauses more expensive? Do firms develop bidding strategies regarding social clauses? What's their impact on small and medium enterprises (SME)? In order to answer these questions, the chapter describes an econometric analysis run on 502 work contracts of the City of Paris.

The third chapter deals with the management and control of social clauses. Indeed, it appears that these tasks are often neglected in public procurement, even though they are crucial to contracts' efficiency (Mobley, 2004; Prager, 1994; Rendon, 2010; Romzek and Johnston, 2002; Van Slyke, 2006). To investigate these issues, the chapter focuses on facilitateurs, which are persons in charge of the management and control of social clauses. They can whether be in public authorities or outsourced to other structures linked to the public employment service. As developed by the agency theory, opportunism could push facilitateurs to fraud (Chiu and Chou, 2006; Delfgaauw and Souverijn, 2016; Marchegiani *et al.*, 2016; Tirole, 1986). On the opposite, as developed by the stewardship theory, facilitateurs could follow public authorities' interests because of shared objectives and trust (Davis *et al.*, 1997; Donaldson and Davis, 1991; Sundaramurthy and Lewis, 2003; Van Slyke, 2006). Moreover, research on outsourcing show that organizational choices have impacts on practices and efficiency. Thus, the chapter mainly focuses on the following research questions: Are facilitateurs agents or stewards? On which arrangements are these relationships based? How are social clauses managed? Do facilitateurs in public authorities and in other structures have different practices?

These research questions should contribute to a better understanding of social clauses and its actors, as developed in the following section.

Aim of the dissertation

The first aim of the dissertation is to provide an analysis on the social clause mechanism. This reflection is needed, as it appears to be incomplete in the existing academic and non-academic literature. This reflection is even more needed regarding the recurrent calls of politicians for the generalization of social clauses. From an academic point of view, the goal is to present an analysis on an unexplored mechanism, in order to enrich the literature on responsible public procurement mechanisms. The dissertation also develops a theoretical framework for the analysis of social clauses. From a managerial point of view, the goal is to figure out how social clauses are managed by the different actors and which interactions are hence created.

From a public policy evaluation point of view, the goal is to present an analysis on the actual running of social clauses in practice, regarding the rules and the goals that have been planned. To do so, the dissertation focuses on three aspects of social clauses: their implementation, their cost and their *ex post* management.

The second aim of the dissertation is to offer a reflection on the use of public procurement as a policy instrument. As developed above, this use raises many questions and criticisms, some of which are investigated throughout the three chapters. Indeed, the goal of the dissertation is also to offer a more general view on responsible public procurement and to raise awareness on some of its aspects, which might have been under-studied in the literature.

Contributions of the dissertation

The dissertation offers three main contributions. First, it provides a reflection on the social clause mechanism through the lens of contract theories. As developed above, social clauses have mainly been investigated regarding their impact on employment. This dissertation completes the existing knowledge with an analysis from a contractual prism. As social clauses are public contract clauses, this investigation appears necessary.

Second, it offers exclusive data, cases and results to fuel academic investigations on responsible public procurement. Indeed, this dissertation provides case study materials on public buyers' practices regarding market research and responsible public procurement (chapter 1), a hand-built dataset of 502 work contracts from the City of Paris with and without social clauses (chapter 2) and results from a survey sent to facilitateurs of the main network of facilitateurs *Alliance Villes Emploi* (chapter 3). Beyond the new research materials used, the dissertation brings new results, developed below, to the literature on responsible public procurement. Regarding this literature, the dissertation took care of studying the main actors of social clauses and their interactions.

Third, it phrases several recommendations and policy implications for practitioners and public managers. Indeed, the dissertation draws practical recommendations from the findings. Thus, it contributes to the public policy debate on social clauses and on the use of public procurement for responsible objectives. These recommendations are summarized in the General Conclusion of the dissertation.

Likewise, contributions of the three chapters will be developed in the chapters and in the General Conclusion.

0.4 Outline and main findings of the chapters

The dissertation is structured in three chapters, each one dealing with one aspect and one actor of social clauses, as developed in Table 1. Each chapter responds to an identified set of research questions related to the investigated aspect. Indeed, the first chapter investigates the implementation of responsible objectives by public buyers during the planning phase of procurement. The second chapter deals with firms' potential additional cost and bidding behaviour during the bidding phase. The third chapter focuses on the management of social clauses by facilitateurs during the execution phase.

Table 1. Dissertation's organization

	When?	Who?	What?
Chapter 1	Planning phase	Public buyers	Implementation
Chapter 2	Bidding phase	Firms	Cost/Bidding behaviour
Chapter 3	Execution phase	Faciliteurs	Management

CHAPTER 1: REDUCING ASYMMETRIC INFORMATION IN RESPONSIBLE PUBLIC PROCUREMENT: A CASE STUDY ON MARKET RESEARCH AT THE CITY OF PARIS

The first chapter of this dissertation deals with the implementation of responsible public procurement in a context of asymmetric information. Indeed, it has been established that public buyers suffer from information asymmetries, as firms have more information on their characteristics and costs (Laffont and Tirole, 1993; Tadelis, 2012). Regarding responsible public procurement, it appears that information is a fundamental element (Marty, 2012; Testa *et al.*, 2012; Walker and Brammer, 2009). The market research tool, which comes from the private sector and mainly consists in dialogue with firms, has been identified as a potential solution by the literature on innovative public procurement (Georghiou *et al.*, 2013; Kalvet and Lember, 2010). According to our knowledge, no similar study exists on responsible public procurement. Moreover, the understanding of market research “requires a focus on procurer practices” (Rainville, 2016). Besides, the use of market research by public buyers is not obvious considering the risk-averse character of public buyers (Harland *et al.*, 2013; McCrudden, 2007; Uyerra, 2013).

In order to fill these gaps, this chapter presents a case study of buyers of the City of Paris on the use of market research as a way to implement appropriate responsible objectives to public tenders. Indeed, the City of Paris is one of the French leaders in the use of market research and responsible public procurement. The case study investigates three research questions, expressed through the corresponding hypotheses of the chapter. We investigate how market research reduces information asymmetries for public buyers (*proposition 1*), how market research helps public buyers to define appropriate responsible goals for public procurement (*proposition 2*) and if public buyers use market research despite their fears of having contacts with suppliers (*proposition 3*).

The case study materials are made of internal documents and interviews. Documents were used to give a context to the study and to prepare the interview grid (Bowen, 2009). The 15 interviews run at the Procurement Division of the City of Paris (5 with civil servants from support functions and 10 with public buyers), have been analysed through a thematic analysis with three steps: data reduction, data display and data conclusion-drawing/verifying (Alhojailan, 2012; Miles and Huberman, 1994).

Results show that interviewees strongly consider that market research reduces information asymmetries. Indeed, it appears that buyers are not specialists of the procurement areas they work in, and lack of information for the preparation of their tenders. They explain that market research helps them to implement social and environmental clauses and criteria. Moreover, they consider market research as mandatory in order to implement realistic and appropriate responsible objectives. Indeed, they identified many risks linked to the implementation of responsible objectives without a prior market research, including the risk of unfruitful procedure, the risk of excessively costly offers, the risk of execution difficulties and the risk to have a consultation file orientated to one potential supplier. Regarding buyers' appropriation of market research, it seems to be quite good. Indeed, initial fears linked to contacts with suppliers have been weakened by a clear and well-established methodology. Thus, proposition 1 and 2 of the chapter are validated whereas proposition 3 is partly validated.

To conclude, the chapter gives policy implications on the implementation of responsible objectives in public procurement and the use of market research.

CHAPTER 2: COST AND BIDDING BEHAVIOUR IN TENDERS WITH SOCIAL CLAUSES: AN EMPIRICAL ANALYSIS

The second chapter of the dissertation focuses on the impact of social clauses on firms' bids and bidding behaviour. Indeed, social clauses are an additional constraint for firms, which may conduce them to make higher bids on tenders with social clauses (Bajari *et al.*, 2011; De Silva *et al.*, 2008; Ohashi, 2009; McCrudden, 2004). Regarding firm's bidding behaviour, it is acknowledged that projects' characteristics and risks are among the important factors in the bidding decision and the definition of mark-ups (Chua and Li, 2000; Shash, 1993; Shokri-Ghasabeh *et al.*, 2016; Swarnkar *et al.*, 2009). To our knowledge, some analysis have been run on other mechanisms such as bid preference programs (Denes, 1997; Hubbard and Paarsch, 2009; Marion, 2009). The impact of social mechanisms on the price of procurement is not clear-cut, as some of these studies find an additional cost and some others don't. Authors presume that the absence of cost increase can be explained by more aggressive bidding behaviours of firms. Contracts with social requirements could also be identified as corporate social responsibility (CSR) strategies, as defined by Porter and Kramer (2006), allowing a smaller margin for firms. According to our knowledge, no similar study exists on social clauses. Thus, this chapter answers to a call raised to produce more analysis on the cost of social practices in public procurement (Piga and Tatrai, 2015).

To do so, this chapter offers an empirical analysis on 502 work contracts from the City of Paris associated with 2 117 bids made by nearly 300 firms over the period 2011-2013. For each contract, we possess a large set of variables, including the estimation made by the city, the work segment of the contract and bidders' identity. We investigate the potential additional cost on bids made by firms (*proposition 1*), the impact on the level of competition (*proposition 2*), and the impact on small and medium enterprises' (SME) access to public procurement (*proposition 3*). Using the estimation of the City of Paris, which is determined before the decision to include a social clause, we are able to estimate if social clauses generate a cost increase.

In order to do so, we follow a three-step methodology. First, we investigate firms' bidding behaviour regarding auctions with and without social clauses. Second, we analyse the impact of social clauses on price. In a third step, we use the instrumental variable methodology to get rid of endogeneity issues and get a more robust estimation of the potential additional cost of social clauses.

Our results show that, on average, social clauses do not generate additional costs for the City of Paris. Nevertheless, it appears that social clauses have a positive impact on final bids of some work segments. Moreover, we show that the implementation of social clauses do not have any impact on SME's access to public procurement.

This chapter contributes to the literature on the impact of social mechanisms in public procurement. Indeed, our data allow us to disentangle the effects of procurement' cost variations. We show that the potential cost increase is not linked to a decrease of competition ("competition effect") or to an eviction of SMEs ("eviction effect"), but is caused by sectors' specificities. Our data did not allow us to investigate more deeply the differences between work segments, which is left for future research.

CHAPTER 3: MANAGEMENT AND CONTROL OF SOCIAL CLAUSES IN PUBLIC PROCUREMENT: AN ANALYSIS OF FRENCH FACILITATEURS

The third chapter investigates social clauses' management and control. In France, these missions can be executed by workers called facilitateurs. Facilitateurs are workers, which can be in public authorities or in not-for-profit organizations linked to the employment policy. To our knowledge, only little information is available on facilitateurs. The main report on the subject questions their organization from a general policy prism and highlighted some dysfunctions (Inspection Générale des Affaires Sociales, 2015). According to us, no study investigates their action from a procurement and contractual lens. However, this aspect is crucial to evaluate facilitateurs' actions regarding social clauses.

This leads to two major research questions which will be addressed in this chapter. The first part of the analysis asks whether facilitateurs behave as agents or stewards regarding public authorities (*proposition 1*). Relying on the agency theory and the stewardship theory, the chapter investigates the place of facilitateurs in the agent or steward debate (Caers *et al.*, 2006; Van Puyvelde *et al.*, 2016; Vega and Keenan, 2016; Van Slyke, 2006; Kluvers and Tippett, 2011). Lastly, we rely on the transaction costs theory (Coase, 1937; Williamson, 1975; Williamson, 1979; Williamson, 1985) to investigate the potential differences of facilitateurs in public authorities and facilitateurs in other structures, regarding relationships with public authorities (*proposition 2*).

In order to answer these two research questions, the chapter uses data collected by a survey sent to facilitateurs through their main network, *Alliance Villes Emploi*. The survey was sent in July 2017 to the 348 facilitateurs' email addresses available on the *Alliance Villes Emploi* website. The survey received 78 exploitable answers. Answers were analysed through descriptive statistics.

Regarding the first research question, we use items defined by Van Slyke (2006) and investigates monitoring modalities, accounting practices, sharing of objectives, level of trust, level of autonomy and whether facilitateurs work with firms on other projects than social clauses. Our results show that facilitateurs behave as stewards more than agents. Indeed, items such as trust, shared objectives or autonomy are suggesting stewardship theory. Nevertheless, the lack of defined arrangements and the non-definition of control modalities can suggest that public authorities are not involved in the relationship.

Regarding the second research question, we use the same variables (monitoring modalities, accounting practices, sharing of objectives, level of trust, level of autonomy and whether facilitateurs work with firms on other projects than social clauses) to investigate the different practices of facilitateurs. Indeed, the contingency table shows different practices between facilitateurs in public authorities and facilitateurs in other structures. However, results of the bivariate analysis prevent us from rejecting the hypothesis of independence between facilitateurs' structures of governance and status, and the variables observed. Thus, these characteristics of facilitateurs do not influence the observed variables.

To conclude, the chapter formulates policy implications regarding the management and control of social clauses. More specifically, it questions the contractual organization of facilitateurs and public authorities.

Table 2. Summary of chapters - Part 1

Research Questions	Methods and Data	Main Results
<ul style="list-style-type: none"> • Chapter 1: Reducing asymmetric information in responsible public procurement: a case study of market research at the City of Paris. • Research Questions: How are responsible clauses and criteria implemented in public procurement? How do public buyers use market research to implement these elements? Are public buyers comfortable with market research? 	<ul style="list-style-type: none"> • Case study • Content analysis • Internal documents of the City of Paris • 15 interviews of public buyers and experts of the City of Paris. 	<ul style="list-style-type: none"> • Market research is a tool to reduce information asymmetries in responsible public procurement; • Market research is mandatory in responsible public procurement in order to avoid unfruitful or excessively costly procedures; • Public buyers are not afraid to use market research, as long as it is secured by external (legal) and internal processes.
<ul style="list-style-type: none"> • Chapter 2: Cost and bidding behaviour in tenders with social clauses: an empirical analysis. • Research Questions: What is the cost of social clauses? Are firms bidding at a higher price on tenders with social clauses? Do social clauses prevent firms from bidding? Do social clauses prevent small and medium enterprises (SME) from bidding? 	<ul style="list-style-type: none"> • Econometric analysis • Instrumental variables methodology • Dataset built from 502 work tenders of the City of Paris for the period 2011-2013 • Large set of variables including information on bidders' identity. 	<ul style="list-style-type: none"> • Social clauses do not increase the cost of procurement on average; • Cost increase is observable and depends on sector specificities; • Social clauses do not impact bidders' behaviour and SMEs' access to public procurement.

Table 3. Summary of chapters - Part 2

Research Questions	Methods and Data	Main Results
<ul style="list-style-type: none"> • Chapter 3: Management and Control of Social Clauses in Public Procurement: a case study of French facilitateurs. 	<ul style="list-style-type: none"> • Survey • Descriptive statistics – bivariate analysis • Dataset from a survey sent to the 348 facilitateurs of the national network <i>Alliance Villes Emploi</i>. 	<ul style="list-style-type: none"> • Facilitateurs behave more as stewards, even though some elements remind of tenets of the agency theory;
<ul style="list-style-type: none"> • Research Questions: What are the relationships of facilitateurs and public authorities? Are facilitateurs agents or stewards? Are there differences between facilitateurs in public authorities and facilitateurs in other structures? 	<ul style="list-style-type: none"> • Facilitateurs in public authorities and facilitateurs in other structures behave similarly regarding relationships with public authorities. 	

Chapter 1. Reducing Asymmetric Information in Responsible Public Procurement: a case study on market research at the City of Paris

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1.1 Introduction

In April 2017, the *Société du Grand Paris*, a public institution mainly in charge of developing public transportation in the Parisian suburb, awarded an 800 million euros contract to the French group Eiffage for the construction of a subway line. Through contract clauses, Eiffage committed to subcontract 20% of the work to SMEs and to reserve 5% of the work time to social workers through a social clause. This major example reflects a larger trend to assign strategic goals to public contracts. Indeed, public procurement is used to implement environmental policies, social policies and economic policies through the search of innovation and access of Small and Medium Enterprises (SME) to public contracts (Piga and Tatrai, 2015). Today, social clauses are included in 8.6% of French public contracts over 90 000 € (Observatoire Economique de la Commande Publique, 2018b). Social clauses are call to grow as French public authorities are pushed to use public procurement as a strategic function (Inspection Générale des Finances and Inspection Générale de l'Administration, 2016). As regards the European procurement framework, the last directive on public procurement also strongly encouraged public buyers to take social and environmental aspects into account (*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*, 2014).

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If concerns have been raised concerning the efficiency and legitimacy of responsible public procurement (McCrudden, 2004; Saussier and Tirole, 2015), little is known about how public authorities are supposed to implement these new objectives. Both European and National legislations only give general guidelines and do not give clues on the technical ways to implement these objectives properly. Indeed, how are public authorities supposed to know which percentage should be saved for SMEs? How many hours should be reserved for social clause workers? How to write and which weighting to assign to an environmental criterion on vehicles motorisation? These questions are essentials considering the acknowledged fact that there is asymmetric information in contracting (Akerlof, 1970; Williamson, 1985). Indeed, it is recognised that the seller has information on its cost, quality, capacity and motivation that the buyer does not have (Kirat *et al.*, 2005; Laffont and Tirole, 1993; Tadelis, 2012). As explored by the agency theory, the presence of asymmetric information in contracting can be dangerous.

In order to reduce information asymmetries and improve the efficiency of public procurement, the last European Directive on public procurement (*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*, 2014) consecrates the use of market research¹⁴. Doing so, the Directive encourages public buyers to get information from third parties, including firms, in order to write tenders closer to reality. Indeed, article 40 of the Directive 2014/24/UE consecrates market research, stating that:

“Before launching a procurement procedure, contracting authorities may conduct market research with a view to preparing the procurement and informing economic operators of their procurement plans and requirements. For this purpose, contracting authorities may for example seek or accept advice from independent experts or authorities or from market participants. That advice may be used in the planning and conduct of the procurement procedure, provided that such advice does not have the effect of distorting competition and does not result in a violation of the principles of

¹⁴ Market research can also be called market analysis, market study or market assessment and is mainly known as “sourcing” or “sourcing” in French.

non-discrimination and transparency”. (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, 2014).

Market research was first developed in the private sector, for which there is a prolific literature mainly grouped in the International Journal of Market Research. In the business literature, market research is defined as “techniques for gathering information from and about consumers to support a business decision” (McQuarrie, 2015). The Oxford Dictionary definition is also clearly business-oriented, when it states that market research is “the action or activity of gathering information about consumer’s needs and preferences”. PricewaterhouseCoopers’ Market Research Centre, offers a broader definition of market research, stating that it “is essentially an in-depth exploration of how markets behave, including analysis of individual companies, organisations, financial institutions and governments” (PricewaterhouseCoopers, 2016).

Considering these elements, the main research question of this exploratory study is to see how public procurers use market research to reduce information asymmetries and to assign appropriate responsible goals to public contracts. In the literature, some studies deal with the use of market research to foster innovative public procurement but to our knowledge, none is applied to responsible public procurement and none is offering an analysis from public buyers’ point of view. According to Rainville (2016), this investigation has to be done, as the understanding of market research “requires a focus on procurer practices”.

Thus, we choose to present a single-case study of the City of Paris, which allows us to have a precise description of the market research tool and its use by public buyers. The case study methodology has been chosen because it explains “globally a set of decisions” (Schramm, 1971) and illustrates a “contemporary phenomenon within its real life-context” (Yin, 1981). Indeed, the case study methodology allows us to investigate the use of market research within the context of a public procurement direction, focusing on the processes and the appropriation of public buyers.

The case has been selected because the Procurement Division of the City of Paris appears as a pioneer regarding market research and responsible public procurement. The choice of a single-case study is explained by the extreme and unique case that represents the City of Paris concerning market research. The scope of this study is intentionally limited to market research regarding firms, as this practice is the most interesting regarding our research question and our theoretical framework, as developed later in the chapter.

To study this process, our chapter refers to the literature on information asymmetries in contracting and the use of market research in public procurement. It will also mobilize knowledges on the characteristics and practices of public buyers, as they are not used to have contacts with firms. The main result of the chapter is that market research is considered as a mandatory condition in order to assign realistic and appropriate responsible goals to public procurement. To answer our research questions, the second section of the chapter will develop the literature and present the propositions. The third section will present the case study of the City of Paris, including methodology and context. Findings are developed in section 4 and the results are discussed in section 5. Section 6 concludes.

1.2 Literature and propositions

1.2.1 Related literature

This chapter is mainly related to three strands of literature, which are presented below. It first relies on the agency literature and its analysis on asymmetric information in contracting. Second, it is related to the existing studies on the use of market research in public procurement. Third, it takes insights from different literatures through an exploration of the obstacles that could prevent public buyers from using market research.

Asymmetric information in contracting

Since the 1970s, the contracting literature established the central place of information, which was somehow neglected before (Auronen, 2003). Indeed, the agency theory, the incomplete contract theory and the transaction costs theory conceptualized information and refer to it as a central hypothesis, even if information plays different roles in the aforementioned theories (Brousseau and Glachant, 2002). In this work, we mainly rely on the asymmetric information hypothesis of the agency theory, even though some insights from other theories are also used. In the agency theory, information is considered as asymmetric, meaning that one contracting party is better informed than the other. It creates an “informational advantage” in favour of the better-informed party. The first conceptualization of asymmetric information was introduced by Akerlof (1970) in his seminal paper, which describes the failure of the market for lemons because of joined opportunism and asymmetric information. From this hypothesis and the hypothesis of opportunism, the agency theory conceptualized problems of adverse selection (*ex ante* opportunism) and moral hazard (*ex post* opportunism) and developed mechanisms to reveal information in a principal-agent model.

In procurement, it has been showed that firms usually have an *ex ante* informational advantage over public authorities (Laffont and Tirole, 1993). Indeed, the literature considers that firms have better information on their own characteristics, and especially on their costs (Kirat *et al.*, 2005; Tadelis, 2012). As regards firms, it is needless to recall that in the strategic management literature, information is identified as a central competitive advantage since long (Porter and Millar, 1985; Powell and Dent-Micallef, 1997). Nevertheless, the agency theory showed that information asymmetries generally are hazardous and risky for contract’s execution. Moreover, it is proved that information asymmetries in contracting can lead to additional costs, defined as “agency costs” (Jensen and Meckling, 1976). Mainly, these costs contain control costs, incentives costs and costs of mechanisms put in place to avoid agent’s opportunism regarding principal’s interests.

In order to get information from the better-informed party, the agency theory conceptualized different mechanisms. These mechanisms help to reveal the so-called “private information” of a contracting party. Spence (1973) developed the signal mechanism, where the agent uses its own resources to reveal its private information, through diploma for example, for the principal to select him. Rothschild and Stiglitz (1976) conceived the screening mechanism for insurance markets, where agents reveal their private risk information through the selection of menus of contracts. Thus, the screening mechanism is highly related to the design of contracts. Screening contracts are largely used in different sectors, as they quite efficiently reveal agent’s private information (*e.g.* Bester, 1985; Hasija *et al.*, 2008; Iyer *et al.*, 2005). In procurement, a large body of literature investigates contracts’ design and its impact on information and opportunism, mainly through the use of fixed-price and cost-plus contracts, which offer different incentives to firms (McAfee and McMillan, 1986).

Nevertheless, the screening mechanism in contracting is not always considered as the best way to fight against information asymmetries and opportunism (Bajari and Tadelis, 2001). Indeed, Bajari and Tadelis (2001) also consider competitive bidding, reputation, bonding companies as well as *ex post* adaptations as efficient ways to solve procurement problems. In the same line, Tadelis (2012) highlights the importance of the definition of the need and explains that it would be beneficial to increase “the costs and efforts put into estimating and specifying projects before they are let out for bidding”. Indeed, it is generally acknowledged that public authorities have difficulties to define their needs, as summarized by Chever and Le Lannier (2015). As developed by the authors, public authorities can use competencies from external experts in order to specify their needs and secure the procurement procedure. They can also use market research, as developed in the following paragraph.

The use of market research in public procurement

Considering the asymmetric information problem in public procurement, market research has been identified in the growing literature on innovative public procurement as a solution.

Indeed, the lack of public knowledge is identified as an obstacle to the development of innovative public procurement and the dialogue between suppliers and buyers as a solution to this problem (Georghiou *et al.*, 2013). In this paper, authors study the policy instruments available to foster public procurement of innovation. According to them, a way to support innovation in public procurement is to align supply and demand, which can be done through market research. The paper also highlights, through a survey led on 800 British public procurement suppliers, the fact that suppliers consider the lack of interactions with public buyers as the second most important barrier to innovation in public procurement. In an analysis on risk management of innovative public procurement, Kalvet and Lember (2010) study the case of 5 innovative and complex procurement projects. They identify market research as a way to manage the risks associated with innovative public procurement and describes that it is used in 4 over 5 cases. Another paper develops a case study led in a Dutch public authority, which wanted to procure a more innovative Information Technology system (Corvers *et al.*, 2015). The case describes the successful call published on the European Union's website Tenders Electronic Daily (TED) through a Prior Information Notice¹⁵, the work of selected experts in groups and the results they obtained. Indeed, a paper studying the inclusion of suppliers in the infrastructure procurement process in the United States, the United Kingdom and the Netherlands highlights the fact that market research are encouraged by the Dutch government (Lenferink *et al.*, 2009). Another interesting paper is a survey send to public authorities in Poland, which studies the instruments that could favour the uptake of innovative public procurement (Borowiec, 2016). Author identifies market research, which may help non-specialist public buyers to specify their needs. Nevertheless, the study led on 165 public buyers reveals that none are using this tool.

Outside the literature on innovative public procurement, we found two papers dealing with market research in environmental public procurement. The first paper investigates the European and Polish legal framework concerning green public procurement and identifies technical dialogue as a solution to reduce the deficit of

¹⁵ As defined in the article 48 of the European Directive 2014/24/EU of the European Parliament and of the Council on Public Procurement: "Contracting authorities may make known their intentions of planned procurements through the publication of a prior information notice."

knowledge of public buyers (Kozik and Karasińska-Jaśkowiec, 2016). Nevertheless, authors explain that technical dialogue is rarely used in Poland. The second paper uses the support of circular economy¹⁶ in public procurement to highlight the role of intermediation (Rainville, 2017). The author describes a pilot project for the recycling of textiles for the Dutch Ministry of Defence, which includes dialogues with suppliers through intermediaries, focusing on the nature, roles and function of these intermediaries.

Thus, market research is seen as a way to align supply and demand and to counter asymmetric information inherently presents in public procurement. Nevertheless, its use seems to be rare and reserved to complex projects. Market research is also described as a buyer resource to attain a better value for money (Schooner, 2011). Rendon (2008) identifies market research as a key practice activity for the procurement-planning step. The author even goes further, explaining that the use of market research by public authorities reveals their maturity level in procurement. Concerning public buyers, skills related to the conduct of market research are considered as important ones, according to public procurer's skills taxonomy (Tassabehji and Moorhouse, 2008). Thus, market research is considered as an important skill for public procurers but there is scarce information on their practices, as developed by Rainville (2016).

As described in the literature, market research can take formal and less formal forms. Indeed, public authorities sometimes publish prior information notice but they also tend to contact some identified firms without prior publicity. To our knowledge, the most formalized form of market research is the Request for Information notice. This tool, used in countries such as India, the United States or Israel, consists in publishing a request to get information on specific points.

¹⁶ As defined by the European Union's Action Plan for the Circular Economy (European Commission, 2015): "The transition to a more circular economy, where the value of products, materials and resources is maintained in the economy for as long as possible, and the generation of waste minimised, is an essential contribution to the EU's efforts to develop a sustainable, low carbon, resource efficient and competitive economy. Such transition is the opportunity to transform our economy and generate new and sustainable competitive advantages for Europe."

Generally, the request is published in usual publicity supports and firms answer with a written presentation of their technical solutions and capacities. In rare cases, French public authorities publish notices of advertising for future market research on their buyer profile¹⁷.

Obstacles to market research in public procurement

Three main obstacles could prevent public buyers from using market research: their risk-averse character, public sector specificities and the costs associated with market research.

Concerning public procurers, the literature offers some papers on their characteristics. We can distinguish between studies on public buyers' identity (Callender and Matthews, 2002; McCue and Gianakis, 2001) and on their professionalization and skills (Edler *et al.*, 2005; McKeivitt *et al.*, 2012; Rolfstam and Agren, 2013). Indeed, professionalization of public buyers is a large subject and is seen as a way to make public procurement more efficient (Saussier and Tirole, 2015). According to the latest taxonomy, public procurers skills can be classified in five groups, which are: technical skills, interpersonal skills, internal enterprise skills, external enterprise skills and strategic business skills (Tassabehji and Moorhouse, 2008).

One skill identified several times in the Tassabehji and Moorhouse's (2008) literature review is the risk management skill. Indeed, it is acknowledged that many risks arise through the practice of public procurement. However, studies of civil servants in general tend to show that one of their characteristics is the risk-averse specificity. Indeed, public workers are identified as more risk-averse than workers from the private sector (Bellante and Link, 1981; Brander *et al.*, 2002; McCrudden, 2007; Rolfstam, 2012). Two visions are opposed concerning the risk-averse characteristic of public buyers: some considers that more risk-averse individuals have a propensity to work in public services and other believes that the risk-averse characteristic is due to the legal framework applied to public organizations.

¹⁷ See for example the notice of advertising of the City of Royan for a market research on numerical billboards and street furniture, published on 08/12/2016.

Nevertheless, the result is the same, as public servants are considered as more risk-averse in each case. Regarding procurement, the risk-averse character of public buyers has been identified as a major obstacle to the uptake of innovative public procurement (Harland *et al.*, 2013; Kalvet and Lember, 2010; Uyarra, 2013). Concerning the use of market research, we can draw from this literature that public buyers will be reluctant because it implies relationships with suppliers. Indeed, public buyers face the risk of offence of favouritism, which can be seen as more present as relationships with suppliers increase¹⁸. Moreover, they could see a risk of offense of favouritism in the definition of clauses that could restrain competition¹⁹. Indeed, the implementation of social and environmental clauses frequently reduces competition, as not all firms match with the social or environmental requirements. Lastly, market research can increase the risk of litigation if a firm believes that another firm gained information unavailable to other bidders through the previous market research²⁰.

The aforementioned risks relate to the literature on corruption and favouritism in public procurement. According to the economic wisdom, corruption and favouritism undermine the efficiency of procurement and should be prevented. Indeed, they are accused of lowering procurement's performance, of generating financial loss and of weakening governments' legitimacy and capacity (Graycar and Villa, 2011; Rose-Ackerman, 1997). According to Matthew *et al.* (2013), forms of corruption and fraudulent procurement are diverse and can occur in each procurement steps. Examples of corrupted behaviour and favouritism are common in the news and are also investigated by the academic literature (Hyytinen *et al.*, 2006). Nevertheless, it appears that values such as "lawfulness", "incorruptibility" and "impartiality" are highly estimated by civil servants (Van der Wal *et al.*, 2008), which are motivated by the public interest (Coursey and Pandey, 2007; Perry, 1996; Perry and Wise, 1990). Regarding solutions to corruption and favouritism, it appears that rigidity is not considered as a good one (Rose-Ackerman, 1997).

¹⁸ See for example the recent conviction of the mayor of Rodilhan for a travel to Roma as part of a market research on stadium lawn (Nîmes Criminal Court's decision - March, 21st 2017).

¹⁹ See for example the Administrative Court's decision "CA Bordeaux 17 mars 1997 *Juris-Data* n°1997-042976", in which a public authority was condemned for offense of favoritism for implementing very specific clauses in tender's documents in order to favor a bidder.

²⁰ See for example the Administrative Court's decision « *Cour Administrative d'Appel de Versailles, 5ème chambre, 18/07/2013, 11VE01827, Inédit au recueil Lebon* ».

Instead, organisations should promote and diffuse values of integrity and ethics, in order to guide public buyers' practices (Hunsaker, 2009).

As observed with negotiated procedures, suspicions of favouritism are frequent in cases of contacts with suppliers with a high degree of discretion for the buyer. Indeed, negotiated procedures are generally said to be more subject to favouritism than competitive ones (Chong *et al.*, 2013; Tadelis, 2012; Tadelis and Bajari, 2006). The same worries have been expressed regarding multidimensional auctions (more than one award criteria) as compared to one-dimensional auctions (price is the only criteria). The comparison between negotiated procedures and market research is even more relevant considering that the choice to negotiate is often linked to the buyer's experience and level of information (Bajari *et al.*, 2009; Goldberg, 1977). The governmental guideline on market research especially insists on the prevention of discretion and favouritism. Indeed, it affirms that public buyers need to ensure that market research does not reduce competition or favour some bidders (Direction des Affaires Juridiques, 2017).

Another obstacle could be the implementation of market research in a public authority. Indeed, market research has been developed by the private sector, and is currently used by prospective and marketing departments of private firms to take decisions on firms' orientation (Deshpande and Zaltman, 2010). It has been proved that private tools and practices need to be adapted to the public sector and not simply transferred to it (Bryson and Roering, 1987; Williams and Lewis, 2008). For example, the failure of some New Public Management reforms is partly explained by a lack of adaptation to public sector's specificities (Elias Sarker, 2006). Thus, authors consider that not all governments should implement New Public Management measures (Schick, 1998). Moreover, an important analysis led on the United States Department of Defense (DOD) shows that each public sector authority has its own constraints and that private function tools and practices cannot be implemented equally in all public sector organizations (Searle, 2006). A complementary report explains that the American DOD cannot be managed as a private firm, stating: "the DOD is not IBM" (Bowman *et al.*, 2006).

Lastly, these insights teach us that the lack of incentives might prevent public buyers from doing market research. Indeed, the incomplete contracts theory shows that civil servants have lower incentives to improve quality and reduce costs than a private worker (Hart *et al.*, 1997). According to the literature, the use of market research could depend on public buyers' characteristics. To our knowledge, no such literature exists for public procurers but many papers highlight the link between people's past and characteristics, and their actions. For example studies show the impact of gender on management practices (Jacobson *et al.*, 2009) or the impact of age on environmental orientation (Dietz *et al.*, 1998), as quoted from Boulemia and Klien (2015).

Third, market research in procurement could generate costs. Indeed, following the transaction costs theory (TCT), market research can be considered as a search cost. The TCT develops the idea that every transaction incurs costs, which are linked to transaction's specificities and determine the appropriate governance mechanism (Coase, 1937; Williamson, 1979). The literature identified different transaction costs (Saussier and Yvrande-Billon, 2007) including search and information costs, which are costs linked to the search of the best product and seller (Dahlman, 1979). Indeed, according to Dyer (1997), search costs "include the costs of gathering information to identify and evaluate potential trading partners". Search costs are highly developed in economics through search models with the goal to better understand buyers' information costs and their impact on markets, as illustrated by Hong and Shum (2006) for example. Derived from this literature, the three propositions of the chapter are described in the following section.

1.2.2 Testable propositions

As developed by the literature on innovative procurement, we make the assumption that market research can be used as a way to learn from firms and to reduce information asymmetries.

Proposition 1: Market research reduces information asymmetries for public buyers

Moreover, we make the assumption that the reduction of information asymmetries, through the use of market research, is a way for public buyers to define appropriate sustainable goals.

Proposition 2: Market research helps public buyers to define appropriate sustainable goals for public procurement

Nevertheless, as regards the literature on the risk-averse character of public servants, we also make the assumption that public buyers are reluctant to use market research.

Proposition 3: Public buyers are reluctant to use market research because of fears of having contacts with suppliers

In order to investigate these hypotheses, we used a case study of the City of Paris, which is developed in the following section.

1.3 Case study of the City of Paris

1.3.1 General context of the case

Organizational considerations

This strategic use of public procurement has been impulse by the creation of the Procurement Direction in 2009. Before 2009, each Direction of the City of Paris used to manage its own procurement activities. In order to rationalize the City of Paris' public procurement, the Procurement Direction has been created. Thus, the procurement function has been centralized in order to improve the efficiency of procurement. According to the City of Paris, the goal was indeed to rationalize procurement and to implement a strategic vision. Despite market research, many other tools have been implemented by the Procurement Division in order to improve its

efficiency and accountability such as benchmarks, suppliers' meeting, electronic reverse auctions, scheduling meetings, strategic committees, and monitoring indicators. The creation of the Procurement Direction also reveals a strong will to professionalize public procurement, cutting from the age when tenders were written by legal practitioners, as it is still the case in most local authorities in France. In 2014, the Procurement Direction has been merged with the Finance Direction, creating the Procurement Division, which we will study, inside the Finance and Procurement Direction.

The Procurement Division is composed of public buyers and support functions. There are approximately 140 public buyers in the Procurement Division of the City of Paris, divided into five different Procurement Services. Three Procurement Services concerns supplies and services and two deals with work tenders. The Procurement Service 1 focuses on supplies and services for internal functioning, the Procurement Service 2 deals with supplies and services for Parisians and the Procurement Service 3 buys supplies and services for the public area. Concerning work tenders, the Procurement Service 4 deals with infrastructure work on public area and the Procurement Service 5 buys building work. One support function provides a legal help for public buyers: the Bureau of Tenders²¹ and another one deals with supports concerning technical tools and methodologies of procurement, the Bureau of Purchase's Supports and Techniques²². The Bureau of Purchase's Supports and Techniques is mainly in charge of helping public buyers concerning i. Market research, benchmarks and suppliers' relationships ii. Social and environmental concerns, iii. Innovation and SME's access. Another service is in charge of the administrative and financial execution of contracts.

Strategic procurement and sustainable objectives

The last European Directive (*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*, 2014) and its transposition in French law (*Ordonnance N° 2015-899 Du*

²¹ *Bureau des Marchés (BM)* in French.

²² *Bureau des Supports et Techniques d'Achat (BSTA)* in French.

23 Juillet 2015 *Relative Aux Marchés Publics*, 2015) are strongly in favour of responsible public procurement. Indeed, public procurement is seen as a way to implement public policies objectives and to make firms more responsible. In that sense, social and environmental aspects, as well as innovation and access of SMEs, have been great concerns in the European and national procurement law. In France, social and environmental clauses and award criteria have been consecrated by the 2006 Procurement Code and have been enhanced by the last public procurement decree (*Décret n°2016-360 du 25 mars 2016 relatif aux marchés publics*). Along these legal acts, many courts handed down judgements reinforcing the use of public procurement as a policy instrument²³.

The City of Paris is highly engaged in the use of public procurement in order to implement public policies, especially social and environmental ones. The City of Paris Council recently affirmed this commitment through the unanimous adoption of the Socially and Environmentally Responsible Procurement Master Plan (Ville de Paris, 2015). This Master Plan gives precise objectives for the Procurement Division concerning responsible practices and efficient public procurement. The first chapter of the Master Plan deals with environmental aspects of public procurement, focusing on issues such as recycling, reuse, ban of plastic, circular economy and energy savings. The second chapter is about the social aspects of public procurement with concerns on social inclusion, social economy, access of responsible firms to public procurement and fight against discriminations. The third chapter focuses on the other channels that could be used in favour of responsible procurement such as a strategic management of procurement and the diffusion of good practices among public and private partners.

1.3.2 Methodology of the case study

The goal of the chapter is to study the implementation of market research and its use in responsible public procurement. In order to do so, it appears that the case study is the best methodology.

²³ See for example the European Union Court of Justice's decision Noord Holland C-368/10 of May 10th 2012 or the *Conseil d'Etat* judgement of March 25th 2013, n° 364950, which established a link between social award criteria and contracts' subject-matters.

Indeed, it has been recognised as an appropriate methodology for exploratory questions (Schramm, 1971; Yin, 2003). Moreover, the case study is relevant in order to explain “globally a set of decisions” (Schramm, 1971). The choice of the single-case study is justified by the fact that the studied case is extreme and unique (Yin, 2003). The single-case of the City of Paris is thus relevant, as it is a pioneer and a leader in the use market research in France and in the implementation of responsible public procurement. The single-case study allowed us to deepen the question of the appropriation of market research by public buyers, within their environment.

Data collection

Concerning data collection, the researcher is an observer-participant, being at the time of the study a Ph.D. student at the Finance and Procurement Direction of the City of Paris. This position allows access to internal documents and information, usually unavailable for classical researchers. The methodology of analysis, developed hereinafter, tries to avoid bias due to this position. For this study, internal documents of the City of Paris are used as well as interviews. Data collection of both documents and interviews was led at the City of Paris from May to August 2016.

The data collection process started with the collection of internal documents on market research. In total, we collected 35 documents, from the internal network, that are available for public managers and public workers of the Procurement Division of the City of Paris. The list of documents collected, with information on the author, the date of issue, the format and the number of pages, is available in Appendix (see Table 4 in Appendix). We collected all documents related to market research available on the internal network and that we had access to at the time of the study. Among the collected documents, most are presentations of good practices to adopt (7 documents), training materials (10 documents) and presentations of return on experience from the City of Paris’ public buyers (7 documents). Most documents have been presented to all the Procurement Division in meeting sessions, except for trainings, which are made for newcomers and some notes, which are diffused by email.

The reading of these documents gave us a first view on the practices concerning the use and appropriation of market research, even though all documents are not directly dealing with it. Documents reveal the strong pedagogical process that has been put in place in order to teach public buyers why and how to use market research. Indeed, the documents analysed in the preliminary part of this analysis are ranging from 2011 to 2016, showing the on-going training process in place in the Procurement Division of the City of Paris. According to the classification developed by Bowen (2009), documents are used in this study in order to “provide data on the context within which research participants operate” and to “suggest some questions that need to be asked and situations that need to be observed as part of the research”. Indeed, in a first step of analysis, documents gave us a deeper understanding of the context and the environment of the use of market research at the City of Paris. More precisely, it helped to get a sense of the evolution of the implementation of tools and processes. In a second step, the documents were used to help conceiving and formulating the research questions, the interviews questions and some themes that should be developed during the interview analysis. Following the warnings developed by Bowen (2009), documents were kept in their context during the reading and there were not considered as complete and/or objective. Nevertheless, as these documents are made for the Procurement Division employees with pedagogical goals, we consider that they are reliable.

In the second step of data collection, we run interviews of public managers and public buyers of the Procurement Division of the City of Paris. In total, we interviewed 5 civil servants from support function and 10 public buyers. The 5 civil servants have been selected because of their unique skills and positions, following the non-probability sample approach, whereas public buyers have been chosen randomly, following the probability sample approach (Ritchie *et al.*, 2013). Concerning the randomly chosen public buyers, the sample is representative of the buyers of the Procurement Division. The sample of randomly chosen public buyers is also gender representative. Indeed, the sample includes 60% of women, which is the same proportion as in the 5 Procurement Services.

The list of interviewees, with information on their function, service and the duration of interviews, can be found in Appendix (see Table 5 in Appendix). The number of interviews is consistent with the methodology requirements on case studies, waving from 12 to 25 interviews depending on studies (Bauer and Gaskell, 2000; Miles and Huberman, 1994). The number of interviews has been defined according to the methodology of data saturation. Data saturation is defined in qualitative research as the point where adding new data do not bring any additional information (Fusch and Ness, 2015; Guest *et al.*, 2006). According to authors, the saturation point highly depends on research characteristics and differs from one research to another. For example, a research led to investigate the saturation point of interview data showed that on the 36 themes developed analysing interviews, 34 were found with the first 6 interviews out of 60 (Guest *et al.*, 2006). Data saturation has been reached in our analysis²⁴, following the methodology used in Brod *et al.* (2009).

Interviews were semi-structured and built with clear and non-leading questions, as developed by Ritchie *et al.* (2013), to avoid understanding or interpretation bias. In order to be able to measure data saturation, the same questions in the same order have been asked to the interviewees, following the requirement expressed in the literature (Fusch and Ness, 2015; Guest *et al.*, 2006). They were run at the Procurement Division of the City of Paris in meeting rooms, which are calm and neutral, as recommended by Gavard-Perret *et al.* (2012). Interviews duration stands between 7 minutes and 1 hour 16 minutes. The short duration of the 7 minutes interview is explained by the fact that the interviewee was not using market research a lot because of the market segment's nature. We designed one interview grid, which is available in Appendix (see Annex 1 in Appendix) and mainly deals with the use of market research regarding responsible objectives and the appropriation by public buyers. Following the methodology developed by Ritchie *et al.* (2013), the interview grid starts with opening questions, followed by definitional questions, in-depth questions and explanatory questions and concludes with follow-up questions. During the interviews, relaunch and reformulation were used as ways to develop respondents' answers and to deepen the interviewees' understanding (Gavard-Perret *et al.*, 2012).

²⁴ See Table 6 in Appendix.

In order to highlight the link between the interview questions and the research questions of the study, a table can be found in Appendix (see Table 7 in Appendix), following the methodology described by Anfara Jr *et al.* (2002). The purpose of the research, as well as issues of confidentiality, was reminded at the beginning of each interview. The goal of the interviews, as presented to interviewees, is a university study on their market research practices. The interviews were tape-recorded and then transcribed by hand in order to be closer to texts following the debate on verbatim transcription as described by Halcomb and Davidson (2006). Interviews were transcribed right after they took place in order to avoid transcription and understanding bias (Poland, 1995). Moreover, notes have been taken during interviews and have been compared to verbatim transcriptions in order to strengthen their validity (Fasick, 1977).

Data analysis

The 15 interviews of the study have been analysed with NVivo 10 software through a thematic analysis. Concerning the thematic analysis methodology, we followed the three steps model developed in Miles and Huberman (1994) and summarized in Alhojailan (2012). This methodology consists of three major steps: “data reduction, data display and data conclusion-drawing/verifying” (Alhojailan, 2012). According to this methodology, the first step is data reduction, which consists of developing themes and classifying interview’s parts in these themes. Concerning the elaboration of themes, we followed the methodology described in Corden and Sainsbury (2006), in which the thematic framework “reflected the original matters of enquiry, and any new themes emerging from a reading of the transcripts”. Indeed, we used the literature developed in the chapter in order to build a first thematic framework, highly linked to our interview grid. Going through the reading and coding of interviews, new themes were added to the framework, following the classical qualitative analytic process, described as nonlinear (Ritchie *et al.*, 2013). After a few days, interviews and themes were read again in order to re-adapt and re-organize themes, as developed in Anderson (2007). We thus adopted both an inductive and an *a priori* or deductive approach in order to define themes (Ryan and Bernard, 2003).

Thanks to this thematic framework we were able to code the data and then to extract results. The thematic framework, with more information on the themes development as described by Anfara Jr *et al.* (2002), is available in Appendix (see Table 8 in Appendix). From the reading of interviews, we extracted all the information, in form of quotes or small sentences.

The second step of the model followed deals with data display (Alhojailan, 2012; Miles and Huberman, 1994). Authors recommend displaying data in different forms such as graphs, maps, tables or any other form in order to visualize points of interest. Using this methodology, we mapped the data in different ways and four main domains rapidly appeared: market research objectives, avoided problems, methodology and the risks associated to the practice of market research. Then, we read this material many times and grouped these quotes and small sentences in themes.

The third step of the methodology model used in this analysis deals with data conclusion-drawing/verifying (Alhojailan, 2012; Miles and Huberman, 1994). From the previously developed themes, we extracted and organized the results of the chapter. In line with the development of qualitative research methodology, verbatim will be used as evidence of the findings and will allow us to illustrate and deepen the reader's understanding (Corden and Sainsbury, 2006). Concerning the internal validity of the study, we mainly rely on low inference descriptors and data triangulation as described by Johnson (1997). Indeed, verbatim are considered as reliable material as they are direct quotations with low inference descriptors, as well as researcher's field notes. They are thus said to increase the interpretative validity of qualitative studies (Johnson, 1997). According to qualitative research scholars, triangulation is an efficient tool to test the reliability and validity of qualitative research (Golafshani, 2003; Johnson, 1997; Mathison, 1988). Triangulation of data has been used in our analysis in order to avoid bias and ensure the validity of the study. Thus, results have been found thanks to the triangulation of the collected documents, interviews' transcriptions and fields' notes. Concerning the external validity of the study, which is usually defined as the degree of results' generalization to other contexts (Gavard-Perret *et al.*, 2012), it is quite low.

As developed by Gavard-Perret *et al.* (2012), the study presents a strong interaction between the results and the characteristics of the environment, which reduces *de facto* the generalization possibilities. Indeed, the goal of the chapter is to investigate the special case of the City of Paris and to take into account the characteristics of the environment of the Procurement Division.

1.4 Findings

1.4.1 Market research and information asymmetries

In order to understand why market research is used at the Procurement Division of the City of Paris we investigate in which tenders it is used. All public buyers interviewed are using market research. Indeed, the use of market research is largely encouraged by the City of Paris in general, and by some managers in particular. Interviewed public buyers explained that they use market research for special tenders, including new needs, innovative sectors, and strategic tenders. Market research is also used by public buyers for tenders with low response rate as well as tenders with identical candidates each time, in order to enlarge competition. Market research can also be used if the former tender experienced significant execution problems. Moreover, interviewees explain that market research is a way to develop good and respectful relationships with suppliers, to enlarge competition and to get more qualitative offers. According to the collected data, market research is also used as a communication tool, to inform suppliers on the practices of the City of Paris and to increase its tenders' attractiveness.

More generally, interviewees explained that they are not specialists of what they buy. Indeed, they generally buy goods and services from different sectors. They consider this lack of knowledge as a problem to define needs and to write tenders' documents. They explain that they need to get information and that the best information they can get is directly from firms. Indeed, suppliers have a good knowledge on their products, capacities and constraints as well as on the supplier market.

Through market research, buyers can talk with firms and obtain the information they need. As developed by interviewees, the deepness and length of market research depends on the level of information they initially have.

For the majority of the persons interviewed, it would be better to do a market research for each consultation but it is impossible because very time-consuming. A manager of the BSTA in charge of market research activities confirms this. Indeed, she says that these tools need specific skills and time, so it cannot be done for every tender. The large majority of public buyers also confirm this, one giving the example of a market research that last an entire month.

“We have tenders in many different domains, and we cannot be specialized in each domain, it’s impossible. So the basis is market research.” – Buyer, Procurement Service 1

“On classical road works for example, I don’t do market research. I know there are many suppliers and I know the segment so there is no need. But on specific intellectual services where I have no information, I look on the Internet, I search in the market research tool²⁵ and I call firms to know what is possible.” – Buyer, Procurement Service 4

According to interviewees, market research thus help them to understand the firms’ and sectors’ constraints and specificities and thus to write a tender that will be realistic and attractive for suppliers. According to all interviewed people, market research also helps to implement sustainable goals in public procurement. They explain that market research is a fundamental tool to determine the execution clauses and award criteria in public procurement. Indeed, in order to implement social and environmental clauses and award criteria, interviewees all agreed that one need to know the supplier market constraints and capacities.

²⁵ The “market research tool” is the Supplier Relationship Management tool of the City of Paris.

Concerning social clauses, the goal of market research is first to be sure that social workers are available in the investigated segment. Indeed, before implementing social clauses in its tenders, the City of Paris studies the availability of social workers for the award firm to be able to execute the clause. According to the BSTA, this work is done thanks to a network of social integration organizations and job market experts. As explained by the social expert of the BSTA, the weighting of the social clause will depend on the availability of social workers and on the maturity of the supplier market. Indeed, market research also needs to be done with firms, to know their capacities and constraints regarding employment and social inclusion. This is especially done in new purchase segments, where the BSTA and buyers are poorly informed, as illustrated by the two following quotes.

“For social inclusion, it’s also to be sure that when we decide to put a social clause in a tender, it’s to be sure that if in intellectual services we are looking for surveyors, you need to be sure that in inclusion, one way or the other we can find people linked to the surveyor activity for the supplier to execute the clause. This is also market research; it’s to know what happens among suppliers.” – Social Expert, BSTA

“It was with Laurence H., we met a lot of structures from the adapted sector. It helped us to have an idea of the capacities of these structures in answering to that kind of tenders, or not answering which was the case at that time. It really enlightened us on their capacities.” – Buyer, Procurement Service 1

For environmental aspects, market research is used to be sure that tender’s requirements exist in the supplier market and are realistic, as developed in the following quotes.

“Market research is very important to know until where we can go in the environmental effort we ask to public procurement. There is a limit, which is variable depending on product types. Some products are very common, they have ecologic labels, ecologic guaranties and are widespread, that is the case of

cleaning products for example. It is very common and we can allow ourselves to launch a tender where we only ask for products with an eco-label. And there are other sectors where the supplier offer is nascent or non-existent. This is where you need to be careful and work in a professional manner.” – Environmental Expert, BSTA

“It’s part of our market research, it’s one of the panels, one of the thematic when we question suppliers, there is the sustainable development panel. There are always panels on price, delays, guarantees and questions on sustainable development.” – Buyer, Procurement Service 3

According to them, market research is also a precious tool regarding allotment and SMEs’ access to public procurement. First market research is useful to get a better knowledge of the supplier market structure and of the firms’ characteristics. Second, market research is said to be useful to identify obstacles to SMEs’ access. With this information, buyers can adapt tenders’ clauses in order to ease SMEs’ access to public procurement. Indeed, it will allow them to create well-sized and attractive lots for them to bid. As explained by the BSTA, market research is also important to show to SMEs and other non-traditional actors of public procurement the will to work with them. The following quote shows how market research can be useful regarding allotment and SMEs’ access.

“I take the concrete case of engines lubricant oils. We wanted to know if there were ecological lubricant oils, which is to say not made from hydrocarbons like classical ones. I learned that some substitution products exist but only for specialized uses. (...) But we also learned that among these specialized lubricants, some were ecological and that these ecological lubricants were mainly manufactured by SMEs. (...) I advised to make a lot for traditional lubricants and a small lot for ecological specialized ones (...). So, we did something very useful on the environmental aspect and we gave work to SMEs, all this thanks to market research”. – Environmental Expert of the BSTA

1.4.2 Market research and procurement securing

Data analysis revealed that market research is considered as a securing tool regarding some risks and problems linked to sustainable objectives in public procurement. The first risk identified is the risk of unfruitful procedure, which has been highlighted by all interviewees. They all insisted on the fact that non-adapted or non-realistic clauses and criteria have a direct effect on unfruitful procedure or will lead to excessively costly offers.

“It’s risky, it’s a reason for unfruitful procedure in the case of social clauses for example. I have the case on the renewal of the Velib tender. We will think, ask to the BSTA to study with us the social clause because if we force them to employ too many people compared to their staff, they won’t answer the tender. It’s really a risk of unfruitful procedure; we need to be sure that we are not asking for something impossible.” – Buyer, Procurement Service 3

“I think it’s extremely prejudicial not to listen to the supplier market when we have strong challenges on one consultation or project. It’s cutting ourselves from the reality of the economic world, missing innovations, missing constraints, or make such heavy constraints on the supplier market that suppliers won’t be able to answer or will answer in extremely prohibitive financial conditions.” – Deputy Head, BSTA

Interviewees explained that beyond the risk of unfruitful procedure, there is a risk of writing non-adapted clauses that will create problems during tenders’ execution. They explain that market research is a way to secure tender’s execution, preventing future problems. Buyers interviewed also revealed that market research is a tool to prevent tenders oriented toward one supplier. Indeed, it helps to take information from different sources instead of only taking information from the actual supplier, giving him a huge advantage. A buyer detailed his former work in a small local authority where consultation files were written by technical services and their actual supplier, saying that is a common practice and the only way to do without market research.

“The question we have to ask is how technicians do because they are the ones who have power in small and medium public authorities (...). When they need information, they call their actual supplier. So the supplier has the information and is in good position to answer” – Buyer, Procurement Service 5

Data analysis showed that workers interviewed use market research as a way to reduce information asymmetries and to assign appropriate and secured responsible goals to public procurement. Thus, propositions 1 and 2 of the chapter are validated.

1.4.3 Appropriation and methodology of market research

Public buyers' appropriation

Our analysis of the interviews led in the Procurement Division also allowed us to study the way public buyers manage and use market research. According to the literature, public buyers being risk-averse, they may be reluctant to have practices that imply relationships with suppliers. Interviewees were asked to explain the reasons why few public buyers use market research. All of them expressed that public buyers are afraid of relationships with suppliers, because of the risk of offence of favouritism. They explain that this fear is less existent at the City of Paris thanks to the rules and to the culture implemented. As developed in the following section, they describe the processes and methodology in place, which secures their market research practices. In line with this argument, some interviewees explained that in small public authorities, procurement was led by legal experts, which are very timorous concerning market research. It is only in public authorities where a purchasing culture has been set up, with professional buyers, that market research can be implemented easily. Adding to this argument, they believe the size of public authorities may be an obstacle to market research, as it takes time and resources. Among the interviewees, the appropriation of market research is considered as good, even though variable depending on buyers. Most of the interviewees see market research as a central task, which is inherent to the buyer profession.

Nevertheless, they all believe that the processes put in place are very important for them to practice market research in a secured way. The following verbatim investigate the question.

“I feel we have less and less fear to have contacts (with suppliers), but there are still fears, there are really fears because it’s really not in our habits.” – Buyer, Procurement Service 1

“Market research is an exercise, people are fearful. It’s really risky if a firm says “you call this firm, why didn’t you call me?”. How far can we go in what we say and what we don’t say, the exercise is a kind of tightrope walking. It’s true that it needs to be learned, but it can disturb because we are very exposed.” – Field Deputy Head, Procurement Service 2

“The problem is that the offense of favouritism is characterized even if there is no intention of favouritism. So yes, I can understand that buyers are a bit afraid of having contacts with suppliers.” – Deputy Head, BM

“I think it (market research) became widely accepted. We pay attention to it during strategic committees²⁶; I think it’s a good practice because we systematically ask questions about market research.” - Head of the BSTA

Concerning public buyers’ characteristics, the literature alleges that public buyers may not have the same practice of market research depending on their past experiences. Public buyers who had an experience in the private sector explained that it makes market research easier and more natural for them. Among the 15 interviewees, 8 had a former experience in the private sector, which reflects the management strategy of the Procurement Division to include private sector skills at the time of its creation.

²⁶ Before the launch of each tender by the Procurement Division, public buyers present their procurement strategy to a committee formed by the head of one Procurement Service, the head of the Bureau of Tenders and the head of the Bureau of Purchase Supports and Techniques.

The first verbatim indeed, shows the positive impact of an experience in the private sector whereas the second one illustrates the negative impact of a public-sector experience only, regarding relationships with suppliers.

“Of course, as I come from the private sector it (market research) may be easier for me. Because of course I was negotiating, negotiation which was much deeper, on price and so on. In the private sector you see other things, it’s another area. You negotiate more toughly we can say. It’s not partnerships in the private sector; it’s more about who is the strongest.” – Buyer, Procurement Service 1

“Often, in procurement you see people like me, coming from a legal environment, who have a legal culture highly developed, being very strict on rules applicable to public tenders, and I think many people are fearful because of this, because of the legal risk it (market research) represents because they don’t know how to secure this procedure” – Head of the BSTA

Market research methodology at the City of Paris

The legislation is quite mute on how to run market research in public procurement. Thus, the City of Paris developed its own rules in order to practice market research. The BSTA for the technical aspects and the BM for legal aspects have developed these rules, which are giving a framework for market research practices. These rules are diffused in the Procurement Division through documents available for public buyers and trainings. As developed in the following quote from the Deputy Head of the Bureau of Tenders, the thing is to give the same general information to each firm. Moreover, specific rules have been implemented, such as the market research period. Indeed, market researches are forbidden a month before the launch of tenders and during the rest of the procedure. Buyers are taught to develop a questionnaire, which will be presented in an identical way to all interviewed firms. Before presenting the market research questionnaire, buyers need to present the market research objectives and methodology to firms.

“What you need is to give only general information. You need to target a public as large as possible, the largest numbers of firms, then you have to give general information and not too precise on the future tender in order to avoid that consulted firms get more information than non-consulted ones.” – Deputy Head, BM

Regarding the number of firms to interview, there is no clear rule. The methodology is to open sources as much as possible in order to decrease chances to miss information. Moreover, many interviewed buyers cross-check information to validate them. They stop market research when they obtain concordant information and when they reach saturation.

Along these methodological rules, the City of Paris implemented tools to secure and improve the efficiency of market researches. In order to secure market research and relationships with suppliers, the City of Paris put in place a Deontology Charter, which is signed by every worker of the Procurement Division. This Charter regulates relationships with suppliers and is seen as a securing frame for the workers interviewed. Another securing tool is the Supplier Relationship Tool, as developed by the Deputy Head of the BSTA. This tool gathers every former, actual or potential suppliers of the City of Paris and indicates all the contacts that buyers had with them. The goal of this tool is to secure the relationships, to make them more transparent and also to capitalize on former market researches and to improve procurement's efficiency. In practice, the tool does not seem to be used by every buyer, but all indicates that significant exchanges they have with supplier are always itemised. The third element identified as securing market research are the three pillars of public procurement, recorded in the former Procurement Code as: freedom of access, equal treatment of candidates and procedures' transparency. These three pillars have been identified by many interviewees as a general guideline in their market research practice. Moreover, many interviewees developed the idea that the formal recognition of market research by the last Decree on public procurement (*Décret N° 2016-360 Du 25 Mars 2016 Relatif Aux Marchés Publics*, 2016) will secure buyers' practice.

“The fact to have a Supplier Relationship Management Tool helped to capitalize on the supplier knowledge and to convey a much more professional image (...). There’s another objective beyond capitalization, which is an objective of legal security. Indeed, in order to ensure transparency we indicate in the tool every contact we have with firms (...) so we know when this person had a contact with this interlocutor of this firm on this subject and that the elements exchanged were on this and this item.” – Deputy Head, BSTA

“The thing is that at the City of Paris we are lucky to be more structured, to have a real procedure, we have a market research tool (...) so we have a real strong-willed policy on this subject. (...) And the Decree²⁷ implements it, which is a good thing for buyers, it will secure them, and it shows that it is necessary, that if we want to procure well, we need to know what happens among suppliers.” – Field Deputy Head, Procurement Service 2

Results show that public buyers are indeed scared of having contacts with suppliers but the chapter also reveals that appropriate processes and methodology can secure their practices, leading to a good appropriation of market research. Thus, the third proposition of the chapter is partially rejected.

1.5 Discussion

Concerning the discussion of this chapter, we decided to focus on the recommendations drawn from the analysis. We saw that market research is an important element, considered as mandatory by public servants interviewed, in order to assign strategic goals to public procurement. The discussion thus focuses on the risks linked to the practice of market research and the points highlighted by interviewees as problematic.

²⁷ Décret N° 2016-360 Du 25 Mars 2016 Relatif Aux Marchés Publics, 2016.

One identified difficulty is the lack of legal framework regarding market research. Indeed, the actual legislation of public procurement in the European Union and in France recognises that market research can be used by public buyers. But these articles do not mention how market research can be done. It would be really helpful for public buyers to have a clearer framework, in order to secure their practices. According to our study, there is a lack of clear rules on what can or cannot be said and on the period you can have relations with suppliers. According to our analysis, the lack of clear and protective rules is identified as the major obstacle for the practice of market research by public buyers.

Another point to pay a particular attention to is the influence that firms can have when writing tenders documents. As explained by two public buyers, market research is generally made with sales representatives, who will try to influence public buyers in his sense when writing the tender's documents. Thus, public buyers need to pay attention to these elements and put information they collect into perspective. This is one of the reasons why market research must be as large as possible.

According to public buyers interviewed, another risk linked to the fact that commercials are doing market research is that they will try to get more information on the tender. Indeed, they will ask questions; try to find information in the question asked by public buyers ... As explained by public buyers, it is a very difficult exercise, especially for young or inexperienced public buyers. This is why public buyers need to be trained to market research, suppliers' relationships and negotiation practices.

Concerning the risk of favouritism, public buyers do not seem to believe that market research increases it, if market research is done in a defined framework. Indeed, they insisted on the secured framework of the City of Paris with its Deontology Charter and Supplier Relationship Management tool. Going further, many interviewees explain that market research decreases the risk of favouritism because many firms are met, ensuring a non-influenced consultation file.

Indeed, in public authorities where no market research is done, the risk is to meet only the actual supplier and to write a consultation file completely influenced by its information. Thus, public buyers interviewed see market research as a way to improve the transparency of the writing phase of a tender.

Another insight that can be drawn from this study is that market research is an important tool, even in case of a renewed tender or if the tender usually receives a high number of bids. Indeed, in the case of a renewed tender, the supplier market may have evolved significantly. In the second case, market research can always improve tender's documents by being closer to the reality of suppliers. Thus, even if market research is time-consuming and implies specific competencies, it should be done as often as possible.

Being an innovative element in the procedure, social and environmental aspects especially require market research, in order to be sure that suppliers are able to answer to the consultation. Indeed, it could be very dangerous for a public authority to insert social and environmental considerations without knowing firm's capacities. Before implementing sustainable goals in tenders, public buyers need to be sure that firms will be able to respond. As explained by the environmental expert of the BSTA, market research is also important in order to avoid risk of litigation. Indeed, market research is fundamental to create appropriate execution clauses and award criteria, secure the offers' scoring and to prepare a strong defence in case of litigation. Thus, market research is necessary when assigning responsible goals to public procurement.

1.6 Conclusion

The chapter sheds light on an unexplored side of public procurement, the use of market research to reduce information asymmetries and to implement responsible goals. The study thus highlighted some managerial implications, recalled hereafter.

We showed that market research was used in order to reduce information asymmetries, to reach the strategic goals assigned to public procurement and that it is considered as a mandatory requirement in order to implement these goals. Regarding the propositions of the chapter, propositions 1 and 2 are thus validated. Moreover, we affirm that as long as market research cannot be implemented properly, the use of public procurement as a strategic tool can be considered as dangerous to some extent. We also show that the appropriation by public buyers was good and that a clear and rigorous methodology was needed to practice market research without fears. Proposition 3 is thus partially rejected as public buyers' fears can be contained with a formalized methodology and a secured environment.

The chapter also refers to the transformation of public procurement from a legal activity to an economic one, from the search of legal security to the quest of multi-dimensional performance. Indeed, the interviews showed that the use of market research and the search for efficient procurement was reflecting the transformation of public procurement. According to our knowledge and to the interviewees this transformation is quite embryonic in local authorities in France. Thus, this study on the City of Paris offers a good case on the way a public authority moved from traditional public procurement to strategic procurement. It offers a good reference for other local authorities, who may want to implement the same changes and gives recommendations and points to pay attention to.

The chapter also brings contributions to the literature. First, it gives an illustration of the use of market research in French public procurement, with a focus on its use for responsible public procurement. It thus completes and extends the literature on market research on innovative public procurement (Kalvet and Lember, 2010; Corvers *et al.*, 2015; Lenferink *et al.*, 2009; Borowiec, 2016). Moreover, it offers a view of public buyers' practices, as requested by Rainville (2016). It thus completes the growing literature on market research and extends it to socially and environmentally responsible public procurement. Second, our chapter investigates the use of market research as a way to reduce information asymmetries in public procurement.

It completes a growing literature on the needs' definition and the ways to decrease information asymmetries (Bajari and Tadelis, 2001; Tadelis, 2012; Chever and Le Lannier, 2015). This is an interesting point, knowing that information asymmetries generates important costs in contracting (Jensen and Meckling, 1976). Finally, the chapter shows that the appropriation of this tool by public buyers is quite good. It completes the literature on public buyers' characteristics (Rolfstam and Agren, 2013; McCue and Gianakis, 2001; Callender and Matthews, 2002; Edler *et al.*, 2005; McKevitt *et al.*, 2012) and risk-averse attribute (Bellante and Link, 1981; Brander *et al.*, 2002; McCrudden, 2007; Rolfstam, 2012). Moreover, our results are related to the public management literature, showing that transfers from the private to the public sector are possible when implemented with appropriate tools and processes (Bryson and Roering, 1987; Williams and Lewis, 2008; Elias Sarker, 2006; Schick, 1998; Searle, 2006; Bowman *et al.*, 2006).

Concerning the limits of this work, the first one might be lack of information on firms' point of view on market research. According to our knowledge, firms are generally open and available to discuss with public buyers, but this part has not been studied. The chapter would benefit from statistical analysis, as it would be very interesting to know the exact practices of all the public buyers of the City of Paris. It would also be very enriching to deepen the question of public buyers' characteristics and their impact on the practice of market research. Moreover, analysis on practices by French public buyers would bring clarifications on the use of market research in public procurement. Indeed, there is a need to better understand the trade-off between market research' transparency and the risk of litigation, which might be increased by this same transparency. Third, it would also have been of high interest to complete this analysis with data showing the difference of market research on contracts' execution and contracts' performance. Indeed, it would be interesting to know if market research has impacts on costs of procurement and on the number of unfruitful procedures. It will thus be necessary to estimate the cost of unfruitful procedures and non-adapted clauses of criteria. This was not possible in our analysis and is led to future research.

1.7 Appendix

Table 4. Documents' classification (internal diffusion only)

<i>Type</i>	<i>Title</i>	<i>Author</i>	<i>Date</i>	<i>Pages</i>
PowerPoint	Definition of a process model	Bernard Julhiet Consulting	April 2011	42
PowerPoint	60 minutes on responsible procurement	Bureau of Purchase Supports and Techniques		32
PowerPoint	Return on experience: the social clause	Bureau of Purchase Supports and Techniques	October 2012	27
PowerPoint	Return on experience: looking for suppliers	Bureau of Purchase Supports and Techniques	January 2011	13
PowerPoint	Return on experience: market research and negotiation	Bureau of Purchase Supports and Techniques	October 2012	10
Word	Strategic Purchase Committee Rules	Procurement Division	Mars 2015	5
PowerPoint	Return on experience: mid-term review	Procurement Division	February 2015	36
PowerPoint	Return on experience: reverse electronic auctions	Bureau of Purchase Supports and Techniques	July 2015	12
Poster	Good practices: the market research tool	Bureau of Purchase Supports and Techniques		6
Word	How to do a market research?	Bureau of Purchase Supports and Techniques		3
Word	Methodological form: benchmark	Bureau of Purchase Supports and Techniques	January 2015	3
Word	How to organise a supplier information meeting?	Bureau of Purchase Supports and Techniques	January 2015	4
PowerPoint	The support and information form	Bureau of Purchase Supports and Techniques	August 2011	10
Word	Methodological form: reverse electronic auctions	Bureau of Purchase Supports and Techniques		
PowerPoint	Presentation of an information system for an	Direction of Systems and Information Technologies		20

efficient public purchase				
Word	Procurement policy	Procurement Division		
PowerPoint	Flash Training: work tenders	Procurement Division	March 2016	25
Word	Risk matrix	Procurement Division		1
PowerPoint	Flash Training: challenges, processes and environment	Procurement Division	April 2016	57
PowerPoint	Flash Training: public procurement law	Bureau of Tenders	June 2016	69
PowerPoint	Flash Training: procurement process 1	Procurement Services	April 2016	30
PowerPoint	Flash Training: strategic support to procurement	Bureau of Purchase Supports and Techniques	September 2016	65
PowerPoint	Flash Training: tools in the procurement process	Procurement Division	2016	40
PowerPoint	Flash Training: procurement process 2	Bureau of Tenders	2016	55
PowerPoint	Flash Training: procurement process 3	Procurement Services	October 2016	114
PowerPoint	Flash Training: buyer as a project manager	Procurement Services	October 2016	58
PowerPoint	Flash Training: consumption policies service	Procurement Division	September 2016	52
Poster	Purchase nomenclature	Procurement Division		8
PowerPoint	Return on experience: the responsible procurement Scheme	Bureau of Purchase Supports and Techniques	March 2016	17
PowerPoint	Return on experience: control of the execution of tenders	Procurement Division	July 2012	18
Poster	Good practices: the purchase information system	Procurement Division	July 2012	6
PowerPoint	IS: Tenders programming	Procurement Division	August 2012	70
PowerPoint	IS: planning	Procurement Division	August 2012	92
PowerPoint	Awareness to the process approach	Bernard Julhiet Consulting	June 2011	44

Table 5. List of interviews

<i>Function</i>	<i>Office</i>	<i>Duration</i>	<i>Date</i>
Head	Bureau of Purchase	11 minutes	08/05/2016
	Supports and Techniques		
Deputy Head	Bureau of Purchase	53 minutes	07/12/2016
	Supports and Techniques		
Environmental Expert	Bureau of Purchase	1h 11 minutes	07/06/2016
	Supports and Techniques		
Social Expert	Bureau of Purchase	30 minutes	07/06/2016
	Supports and Techniques		
Deputy Head	Bureau of Tenders	10 minutes	08/11/2016
Buyer	Procurement Service 1	1h 15 minutes	07/27/2016
Buyer	Procurement Service 1	22 minutes	07/26/3016
Field Head	Procurement Service 1	7 minutes	07/27/2016
Field Deputy Head	Procurement Service 2	18 minutes	07/28/2016
Buyer	Procurement Service 2	26 minutes	07/25/2016
Buyer	Procurement Service 3	16 minutes	07/27/2016
Buyer	Procurement Service 4	14 minutes	08/01/2016
Buyer	Procurement Service 4	15 minutes	08/01/2016
Buyer	Procurement Service 5	20 minutes	08/02/2016
Buyer	Procurement Service 5	35 minutes	08/03/2016

Table 6. Data saturation grid (adapted from Brod et al., 2009)

Interviewees / Domains	Group 1 (5 first-tier interviews)	Group 2 (5 second-tier interviews)	Group 3 (5 third-tier interviews)
Use of market research	-lack of knowledge; -strategic, innovative or new need; -increase competition; -tenders with execution problems or few bids;	-depend on sectors and financial volumes;	
Practices/ methodology	-only give general information; -as many firms as possible;	-time-consuming; -Information cross-checking; -social and/or environmental questions in each market research; -trade fairs and conferences; -inherent to buyer's job; -Give same information to each firm;	
Benefits	-allotment, SMEs; -avoid unfruitful procedures; -firms' aware of needs and constraints; -avoid or help to justify choices in case of litigation; -Need's reassessment; -positive impact on prices; -more qualitative offers; -good relations with suppliers; -tenders adapted to supplier's market; -not to be tricked by firms;	-increase consultation's attractiveness; -define clauses and award criteria;	-avoid non-realistic clauses that provoke problems during execution;
Risks	-risk of a breach in the equal treatment principle; -risk of giving too many information;	-influence risk;	
Tools and appropriation	-good appropriation; -legal and technical securing; -Supplier Relationship Management tool; -transparency; -Deontology Charter; -trainings;	-lack of legal frame; -fear of being accused of offense of favouritism; -City of Paris framework is reassuring; -Decree n°2016-360 on public procurement	-hard to handle; -reluctance because of legal culture; -3 pillars of public procurement;

Annex 1. Interview guide

Introduction and presentation

1. What is your educational background?
2. What were your previous jobs?
3. What's your job at the Procurement Division?
4. Since how long do you have this position?

Use of market research

5. Do you use market research in your job?
6. If yes, why are you using this tool?
7. It yes, in which tenders do you use this tool?
8. If yes, what is the frequency of using this tool?

Opinions on market research

9. According to you, what is the impact of this tool on unsuccessful procedures?
10. According to you, what is the impact of this tool on litigations?
11. Which risks linked to this tool do you identify?
12. What are the benefits of using market research?
13. What is the role of the Bureau of Purchase Supports and Techniques?
14. What is the role of the Bureau of Tenders?

Diffusion of market research in the Procurement Division

15. Did you receive a special training concerning market research?
16. Are you encouraged to use this tool by your managers?
17. How would you qualify the appropriation of this tool by public buyers of the City of Paris?

Tools and goals of public procurement (if not addressed in previous answers)

18. Is this tool useful concerning the economic efficiency of public procurement?
19. Is this tool useful concerning the sustainable elements of public procurement?
20. Is this tool useful concerning the risk management of public procurement?
21. Is it possible to reach these goals without using market research?
22. Do you have any additional remark?

Table 7. Interview questions and research questions grid

Research Questions	Interview Questions
1) Does market research reduce information asymmetries between public buyers and suppliers?	Q5, Q6, Q7, Q8
a) Does market research help to define appropriate sustainable goals?	Q18, Q19, Q20, Q21
b) Does market research reduces risks in public procurement?	Q9, Q10, Q12, Q13, Q14
2) How is the appropriation of market research by the City of Paris buyers?	Q1, Q2, Q3, Q4, Q11, Q15, Q16, Q17

Table 8. Thematic framework (adapted from Anfara et al., 2002)

THIRD ITERATION: APPLICATION TO DATA			
SECOND ITERATION: THEMES			
Market research's objectives	Avoided problems	Methodology	Market research's risks
<ul style="list-style-type: none"> • Appropriate and realistic tender's documents; • Numerous and qualitative bids; • New bidders and competition; • Management of the supplier relationship; 	<ul style="list-style-type: none"> • Unfruitful procedure; • Litigation; • Execution problems; • Influence; 	<ul style="list-style-type: none"> • Legal and proceeding securing; • Methodology; • Practices and fears; 	<ul style="list-style-type: none"> • Breach in the principle of equal treatment; • Risk of offense of favouritism; • Risk of collecting biased/influenced information;

FIRST ITERATION: INITIAL CODING

Market research's objectives	Avoided problems	Methodology	Market research's risks
<ul style="list-style-type: none"> -Remedy to the buyer's lack of information; -Consultation files adapted to supplier's offer; -Increase competition – consultation files drafted as everyone can answer; -Development of allotment and SME's access; -Pedagogy to bid; -Good relations and respects of suppliers; -Increase bid's quality; -Need's reassessment; -Costs' control; -Make needs and practices known; -Define adapted clauses and criteria; -Increase consultation's attractiveness; -Get an idea of firm's bidding motivation; 	<ul style="list-style-type: none"> -Avoid unfruitful procedure due to clauses not adapted to the supplier's offer; -Avoid situations where consultation files are written by technical services and their actual supplier; -Avoid litigation thanks to securing clauses and criteria; -Buyers are less subject to be tricked by firms; -Avoid unrealistic clauses which will create problems during execution; 	<ul style="list-style-type: none"> -Buyer's training; -Supplier Relationship Management tool; -Formalized methodology; -Deontology Charter; -Legal securing; -Enlarge market research until information match; -Cross-check information given; -Same questions to all firms; -Also use trade fairs and conferences; -Inherent to buyer's job; -3 fundamental pillars of public procurement; -Open sources; -Only give general information; -Overpass the reluctance linked to the legal culture; -Time-consuming; 	<ul style="list-style-type: none"> -Do not treat each firm equally; -Risk of getting biased/non-exhaustive information; -Risk of being influenced when confronted to sales representatives; -Risk of giving too many information; -Risk of offense of favouritism, which is characterized without intention to favour;

Chapter 2: Cost and Bidding Behaviour in Tenders with Social Clauses: an empirical analysis

*

2.1 Introduction

Partly driven by New Public Management recommendations, roles and goals of public procurement have changed. Because of the financial importance of public procurement expenses (estimated more than 16% of European GDP by the European Commission²⁹) it has long been acknowledged that it could be a good lever to reach plural policy objectives. This trend has a long history (Cummings *et al.*, 2006; McCrudden, 2004), and can be observed largely all around the world (Brammer and Walker, 2007). Indeed, this practice has a strong institutional framework in many countries as showed by worldwide examples such as the Small Disadvantaged Business Preference Programs in the USA, the Sustainable Public Procurement Program in the State of Sao Paulo (Brazil), the Aboriginal Participation in Construction Policy in the State of New South Wales (Australia) or the last European Directives on public procurement (*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*, 2014).

* This chapter is based on a paper co-authored with Stéphane Saussier. We would like to thank, for their helpful comments, Richard Boylan, Antonio Estache, John de Figueiredo, Ricard Gil, Marian Moszoro and Brian Silverman as well as John Moore who helped us dealing with the data. We also thank the participants to the following conferences, for their useful comments and remarks: the 6th International Conference on Contracts, Procurement, and Public-Private Arrangements (2015), the 19th annual conference of the Society for Institutional and Organizational Economics (SIOE 2015), the 14th session of the Institutional and Organizational Economics Academy (IOEA 2015), the 11th Francophone Day of the European School of New Institutional Economics (ESNIE Days 2016) and the Workshop on Innovation in Public Service Delivery (2016).

²⁹ More information can be found here: <http://ec.europa.eu/trade/policy/accessing-markets/public-procurement/>

Many different instruments exist in order to implement responsible public procurement. We can cite the example of Community Benefit Clauses, which have been implemented, among others, in Scotland (Sacchetti *et al.*, 2012) and Northern Ireland (Erridge and Hennigan, 2006). Those clauses, inserted in public tenders, force the winning firm to generate social (or environmental) value through the execution of the contract. Actions against unemployment are generally the objective fixed by public authorities. Another form of social public procurement, which is implemented in the USA (as well as Australia and South Africa), is called Targeted or Affirmative Procurement and can also be known as Bid Preference Programs. Their aim is to help specific kinds of firms to access public procurement, such as Small and Medium Enterprises (SME), minority-owned firms, woman-owned firms or Disabled Business Enterprises (DBE). To do so, those programs allow an increase in cost of generally 5% between offers of favoured firms and the lowest offer of not-favoured firm, the favoured firm winning the award. As developed later in the chapter through empirical studies on these mechanisms, they are mainly implemented in the construction sector, probably because of its huge financial weight.

Despite large practices, concerns are raised on the efficiency of sustainable public procurement, as it is financed by taxation. Thus, public procurement has an efficiency objective and an accountability duty toward citizens (Matthews, 2005). However, "Public procurement is a complex arena where a number of different competing priorities can confuse final goals" (Erridge and McIlroy, 2002). More generally, many criticisms concerning sustainable public procurement's impact on price and competition are coming up (McCrudden, 2004). Indeed, this practice raises several questions such as: Is it efficient to use public procurement to reach other objectives than value for money? How do firms react to this mechanism? What is the cost of such use of public procurement if any?

The economic theory suggests that those questions are difficult ones and generally does not support the premise that exercising buyer power is a more efficient mechanism than (adequate) regulation when it comes to the pursuit of social (or any other) regulatory goal (Saussier and Tirole, 2015).

This is also what is advocated by procurement practitioners, who claim that these goals should be pursued through regulation and not through public procurement (Council of European Municipalities and Regions, 2010)³⁰. Despite the magnitude and controversial nature of social action programs in public contracting, surprisingly little is known about the cost they may impose on governments. As detailed later on, the literature is not clear-cut regarding the impact of social mechanisms on procurement cost. A call has been raised in a recent work on public procurement for researchers to estimate the cost of social practices in public procurement (Piga and Tatrai, 2015).

In this chapter, we shed light on these issues. We investigate the cost of a social procurement policy instrument using a unique data set of more than 500 public procurement contracts signed by the City of Paris between 2011 and 2013. The City uses one particular social clause for some of its public procurement contracts, which commit the winning firm to employ a percentage of workers from specific categories during the execution of the contract. Such categories are for example long-term unemployed people, young without diploma, disabled workers, etc³¹. In France, social clauses are implemented in 8.6% of public procurement contracts (Observatoire Economique de la Commande Publique, 2018a). Depending on contracts specificities developed later, the City decides to implement a social clause or not and if so, calibrates the number of hours the winning firm will have to execute. Before deciding if such clause is to be used, the City proceeds to an internal evaluation and provides an estimation of the tender's price. It is thus possible to see the impact of social clauses on public tenders, by comparing the final bid to the public authority's estimation. In addition, we used information concerning winners as well as bidders for each bid.

³⁰ For a complete literature review on the economic rationality and efficiency of sustainable public procurement see (Boulema, 2015).

³¹ Defined by contracting authorities, the list of people able to be employed for the execution of a social clause includes: long-term unemployed people (more than twelve months), minimum allowances beneficiary, disabled workers, young without diploma (less than 26 years), and other people with distinctive problems diagnose by Unemployment Office.

Our results suggest that there is, on average, no increase in firms' bids and thus no additional cost for the City of Paris when introducing social clause in their call for tenders, even if we found that this effect depends on which sector is concerned. In addition, we also found that if such procurement practices do limit the number of offers received by the City, there is no competition effect in the sense that the reduction of the number of bidders does not impact final prices, even after taking into account the potential endogeneity of the number of bidders.

Our study contributes to the public management literature. To our knowledge, this analysis is the first one to propose an evaluation of a social procurement policy throughout social clauses. We also contribute to the existing literature by proposing an empirical study, based on original and very detailed data. Indeed, our analysis is detailed enough to disentangle the different channels by which such social clauses might influence the final price paid by the buyer (i.e. through a competition or an eviction effect). Lastly, our conclusion has clear-cut policy implications for public managers, suggesting that following social objectives using public procurement tools might not be as expensive as the theory suggests.

The chapter is organized as follows. First, we come back on the previous literature looking at the question of pursuing social objectives through public procurement and develop the propositions of the study. Then we present the case of Paris City and describe our data before to present and discuss our results. Conclusions follow.

2.2 Literature and propositions

2.2.1 Related literature

This chapter is mainly related to two strands of literature: firms bidding behaviour, focusing on the construction industry on the one hand and the strategic use of public procurement and its empirical tests on the other hand.

Firms' bidding behaviour

First, this analysis is linked to the auction theory and its analysis of firms' bidding behaviour. Indeed, the auction theory has been used in order to model bidders behaviour in competitive contracting (Milgrom, 1989; Milgrom and Weber, 1982). A very large literature developed in the construction sector, which describes the determinants of firms' decision to bid and firm's markup. As presented by Bagies and Fortune (2006), three seminal papers can be identified in this literature: Friedman's first model on strategic bidding in competitive environment (Friedman, 1956), Gates' model reinterpreting the one define by Friedman (Gates, 1976) and Ahmad and Minkarah's determination of factors affecting bidding and markup decision (Ahmad and Minkarah, 1988). Starting from these papers, a rich literature has been developed, trying to rank factors through surveys to contractors and to model firm's preliminary bidding decisions (to bid or not to bid and the level of markup). Models developed are not of our main interest but we can still consider some important ones (Dozzi *et al.*, 1996; Liu and Ling, 2005; Shi *et al.*, 2016; Wanous *et al.*, 2003).

Different surveys of contractors ranked these factors, which can mainly be classified in: firm's internal factors, contract's factors and environment's factors. For example, a survey led on 300 top British contractors showed that the three main factors influencing the decision to bid are "the need for work, the number of competitors tendering, and the amount of experience on such projects", whereas the main factors influencing the markup choice are "the degree of difficulty, the risk involving owing to the nature of the work, and the current work load" (Shash, 1993). In a survey send to 153 contractors in Singapore, Chua and Li (2000) divided factors into sub goals and weighted them, revealing that for the competition sub-goal the two most important factors are the "availability of project" and the "time allowed for bid preparation" and that for the risk sub-goal, the two most important factors are the "nature of work" and the "design/build contract". Another paper highlighted the importance of contracts' design and clarity of contracts' clauses in the bid preparation decisions (Enshassi *et al.*, 2010).

This finding is consistent with insights from the transaction costs theory (TCT), which reminds the importance of contract's design, as summarized by Saussier (2015). As a last example of this flourished literature, we can cite a survey led on 81 Australian construction firms, which reveals that the four most important factors are "client financial capability", "project risk", "project future benefits and profitability" and "number of competitors/bidders" (Shokri-Ghasabeh *et al.*, 2016). More in detail, some papers investigate the differences of factors' ranking according to contractor's size. In a survey led on Singapore medium and large firms, authors show that factors affecting markup decision differs depending on contractors' size (Dulaimi and Shan, 2002). They indeed show that medium contractors are more affected by factors on the "economic situation", followed by "company related issues", whereas big contractors are more affected by factors linked to the "projects characteristics category". Moreover, following the general wisdom, it has been showed that project selection is very time-consuming for small and medium enterprises, which do not have specific workers for project selection and bid preparation (Swarnkar *et al.*, 2009). An important insight of the previous literature is that firms are not using statistical models to decide to bid or to determine markup, but they rely on intuition and experience (Ahmad and Minkarah, 1988; Chua and Li, 2000; Dulaimi and Shan, 2002).

Moreover, some papers showed that firms take the complexity and the anticipated difficulties into account when they bid. Indeed, some empirical papers highlight the link between transparency/complexity of the procurement procedure and the cost of procurement. An empirical analysis studies the impact of a reform revealing engineer's cost estimation to bidder's in Oklahoma (De Silva *et al.*, 2008). Authors compare highway procurement contracts from Oklahoma, where the reform has been implemented to highway procurement contracts, to similar contracts from Texas, where no such reform exists. Their results, in line with the auction theory, show that the average bids in Oklahoma declined compared to Texas. Authors explain that as predicted by Milgrom and Weber (1982), the release of public information led to a decrease of the average bid. No impact on competition has been observed in this analysis.

Another paper, on a reform increasing transparency in selection procedures in public work contracts in Japan, revealed a decrease of procurement costs (Ohashi, 2009). In their paper, Bajari *et al.* (2011) investigates the impact of contract incompleteness on bids using data from California highway procurement. They show that bidders are taking the contract incompleteness into account when they build their financial offers, leading to more expensive offers. In the same line, the economic wisdom predicts that more complex contracts decrease competition, as summarized by Chever and Le Lannier (2015). In our case, the social clause can be seen as a complex step added in the procedure, thus reducing transparency and leading to a cost increase.

Nevertheless, bidding on contracts with social (or environmental) clauses can be part of firms' corporate social responsibility (CSR) strategy. CSR can be defined as "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams and Siegel, 2001). The aforementioned paper uses the theory of the firm and investigates CSR through a supply and demand lens. Authors show that CSR is a strategy, for which an optimal level can be defined through a cost-benefit analysis (McWilliams and Siegel, 2001). Indeed, CSR has been identified as a way to create competitive advantages (Porter and Kramer, 2006). A parallel can be drawn with environmental aspects of CSR and the so-called "Porter hypothesis". As developed by Porter and Van der Linde (1995), strict regulation can stimulate firms innovativeness and increase their level of competition. Applied to our research questions, we could consider that social clauses force firms to employ new workers, which creates new dynamics and changes, thus leading to an increase in competitiveness. Regarding the adoption of CSR, it is considered as a response to stakeholders' social preferences as well as a reaction to numerous market imperfections (Crifo and Forget, 2015). Moreover, it appears that CSR can have an impact on firms' financial performance. In a theoretical model, Mackey *et al.* (2007) show that the uptake of CSR can increase firms' value. Regarding the empirical tests, an example is the one of Cavaco and Crifo (2014), which shows that the uptake of complementary CSR actions can increase firms' performance, whereas the uptake of substitutable ones can decrease it. Thus, firms could see contracts with social clauses as part of their CSR strategies.

The creation of competitive advantages and the increase of performance could lead to a specialization of firms. The same effect has been noted in the literature on responsible public procurement. As described by Saussier and Tirole (2015), responsible firms could specialize themselves in contracts with responsible objectives, whereas non responsible firms specialize themselves in contracts without these objectives. Authors explain that it would thus lead to a non-optimal repartition of tenders between firms and to a low-impact mechanism. This effect has been observed especially in the green public procurement literature (Lundberg *et al.*, 2003; Marty, 2012).

Responsible public procurement and its impact on costs

Second, this chapter deals with the evolution of the procurement function and the different goals assigned to public procurement. Impacted as other governmental functions by budget restrictions, public procurement evolved. Public procurement first moved to a reduction cost objective, where price was the only important feature, and is now focused on what is called a life cycle or a best-value approach, mixing concerns for price with others such as quality, durability, environmental impacts ... (Callender and Matthews, 2002; Gordon Murray, 2009). Due to all these changes, public procurement evolved from a pure technical function to a strategic one (Tassabehji and Moorhouse, 2008) and so did the work of public procurers (McCue and Gianakis, 2001). Indeed, public procurers now have to deal with different values from many stakeholders, including politicians, and make a trade-off between these values (Brown *et al.*, 2006). As described by Loader (2007), public procurement is now “a mere function to a strategic activity”. Moreover, the view of the procurement function changed and public procurement is now considered as a “major function of government” (Thai, 2001). To some extent, public procurement is now largely used as a way to implement public policies. If value for money is still considered as the main goal of public procurement (Arrowsmith and Wallace, 2000; Decarolis *et al.*, 2014; Loader, 2007), we can observe that it supports many other goals (Decarolis *et al.*, 2014; Telgen *et al.*, 2007).

Diverse examples in the literature show how public procurement is now used as a policy instrument in the innovation sector (Edler and Georghiou, 2007), in the field of environment (Brännlund *et al.*, 2009) or even in the trade sector (Weiss and Thurbon, 2006). Some are even going farer, saying that public procurement is not only used as a policy instrument but sometimes is the “cornerstone of a policy”, giving the example of green public procurement (GPP) within the European environmental policy (Decarolis *et al.*, 2014). According to the new European Directives, public procurement is now considered as a “policy strategy instrument” (*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*, 2014).

Few empirical studies tried to investigate the cost of pursuing other goals than cost-effectiveness in public procurement. The main empirical literature on this subject comes from analysis of American Bid Preference Programs³², which are mainly applied to construction projects. Among them, the analysis of Marion (2009) shows that the suppression of a measure favouring minority-owned firms and woman-owned firms in California lowered the procurement cost by 5.6%. Another study on bid preference program favouring SMEs in California highway procurement auctions found an increase in cost of 3.8% on auctions using preferences (Marion, 2007). According to the author, this result is mainly explained by a decrease in participation of large firms having lower costs. Those results suggest that the inclusion of social clauses might change the “pool” of firms responding to call for tenders by excluding efficient firms that are not able to meet social targets at reasonable costs. However, some arguments can be found suggesting that social clauses might also decrease the cost of procurement or at least be cost-neutral. One possible reason is that more firms bid when there is a preference in the auction (Denes, 1997). Bidders might also bid more aggressively in those auctions if cost disadvantages between leaders and followers are reduced by introducing new selection criteria (Corns and Schotter, 1999; Hubbard and Paarsch, 2009), or new obligations (De Silva *et al.*, 2012).

³² Even though this mechanism is not exactly similar to social clauses, and the American context is not similar to the French one, Bid Preference Programs constitute, to our knowledge, the only mechanism of socially responsible public procurement which presents that kind of analysis.

This chapter is connected to this previous literature. However, it is the first study, to our knowledge, to propose an evaluation of a social procurement policy throughout social clauses. In the following section, we present our main propositions.

2.2.2 Testable propositions

Being a step added in the procedure, social clauses may increase costs for firms as developed in the literature. Moreover, it is logical to believe that it is costly for firms to find out and hire workers that qualify for social clauses. In addition, those workers have been far from the job market for a long time and may need special training or special controls. Lastly, workers may not be used to work with the winning firm's technical specificities or not used to respect specific rules. This may lead to an additional cost for firms, which may be charged on bidder's offers.

Proposition 1 (Cost Effect): *Social clauses are an additional constraint for firms. As such, they should increase costs incurred to fulfil contractual obligations and bids proposed by firms, all things being equal.*

Besides increasing costs, the introduction of social clauses increases complexity as well as opacity of award procedures and as such might reduce the willingness to propose a bid by competitive firms. On the other hand, if the introduction of social clauses reduces the gap between efficient dominant firms (that previously won without any effort or through cartels) and other competitors, this might lead to more aggressive bids.

Proposition 2 (Competition effect): *The inclusion of a social clause in public procurement contracts should affect the number of bidders and hence the level of competition, all things being equal.*

In the same line, social clauses may have an impact on the identity of bidders, eliminating SMEs or efficient firms for example, as suggested by the literature.

Indeed, surveys concerning SME's access to public procurement show that "administrative burden" and "lack of clarity" are among the obstacles most cited by SME's (European Commission, 2010b). This is what can be called an "eviction effect".

Proposition 3 (Eviction effect): *If the inclusion of social clauses reduces the number of potential bidders to firms specialized on contracts including social clauses, then cost of procurement should increase, all things being equal.*

We believe the case of Paris City is useful in order to understand 1/ what kind of governance mechanisms might limit these costs and 2/ where these costs might come from if any. Indeed, the City of Paris is a pioneer in the implementation of social clauses in France and thus offers an interesting perspective on this matter.

2.3 Context and data

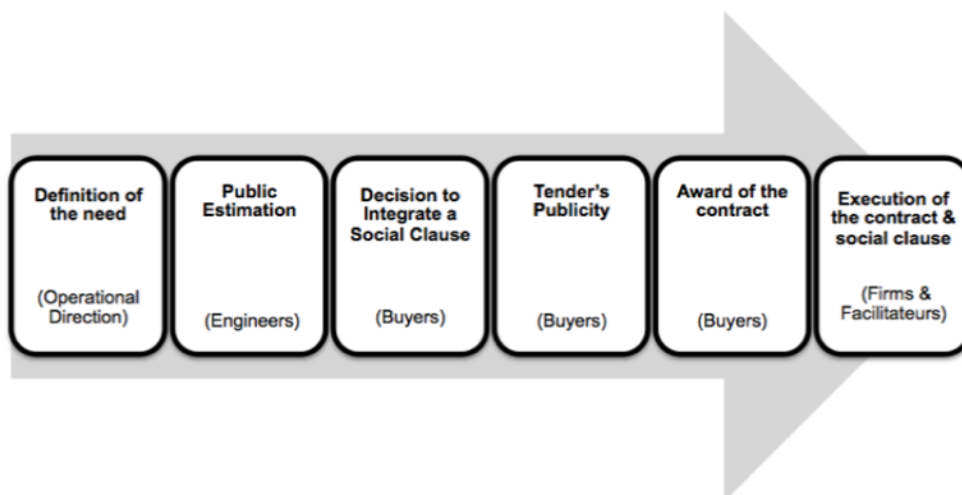
2.3.1 Social clauses at the City of Paris

Implementing social clauses in public contracts is legal in the French Public Procurement Code since 2001. In the same trend, it is a legal obligation for public buyers to justify a reflection on sustainable development objectives before launching any public tender procedure since 2006. Nevertheless, it became a major political objective in Paris in 2008, when the Mayor of Paris decided to make social clauses one of the objectives of its 2008-2014 mandate (Inspection Générale, 2013). This will has been renewed in the recent Socially and Environmentally Responsible Procurement Master Plan, committing the City of Paris to include social clauses in 20% of its tenders by 2020 (Ville de Paris, 2015). This leads to an important amount, as the public procurement of the City of Paris accounted for 1.6 billion euros in 2015 (Ville de Paris, 2015). The creation of one centralized Procurement Direction in 2009, instead of purchasing committees decentralized in Operational Directions, boosted this measure.

In this work we focus on work public procurement contracts from the City Procurement Direction between 2011 and 2013. We collected more than 500 work contracts. The choice of work contracts is intentional, social clauses being implemented in those contracts first, due to the large workforce involved. Some social clauses are now being introduced in service contracts whereas it is more difficult to implement social clauses in supply contracts. The development of social clauses in other sectors is mainly justified by their high unemployment rates.

Concerning the public tender procedure, the City of Paris strictly follows the steps of the French legal framework (See Figure 6 for a description of the process). In a first step, the need is established by Operational Directions. In a second step, buyers, helped by engineers, make a cost estimation of the contract according to elements such as the expected duration of the contract, its complexity, its technical enquiries, its localization, etc. Thus, the public estimation includes every contract's specificities. It is only in the third step of the process, after the public estimation, that buyers decide or not to include a social clause in the tender.

Figure 6. Tender's timeline



As explained beyond, a social clause has been implemented in 20% of the contracts studied. The decision to include a social clause depends mainly on four elements even if it is never automatic: the price, the duration, the sector (i.e. when sector has high unemployment rate, social clauses are easier to implement), the workforce (i.e. hours of workforce in the contract). If all these elements are gathered, buyers more probably implement a social clause in the contract. Social clauses are especially calibrated for the contract (according to previous elements) and give the number of hours of work the award firm will have to implement during the execution of the contract. According to the City of Paris, the number of hours that have to be executed under the social clause represents from 1% to 10% of the whole work hours of the contract, depending on its specificities.³³

When all tender's documents are written, the legal publicity is made. At the end of the publicity delay, accepted offers (based on legal requirements) are marked according to previously determined award criteria with specific weightings. Public buyers can decide to use only the price criteria or to use the economically most advantageous offer criteria, which combine price and quality/technical criteria. Each offer receives a mark and the firm receiving the best mark wins the auction. After the award of the contract, the winning firm has the obligation to complete the clauses during the execution of the contract. If the contract has a social clause, the award firm has to employ workers from specific categories for a specific number of hours, as detailed in the tender's documents.

It is interesting to note that governance mechanisms have been put in place in order to help the award firm to execute the social clause. Indeed, the City of Paris, as well as other contracting authorities, relies on actors called *facilitateurs*³⁴. At the time of the study, the City of Paris relied on four *facilitateurs* for the implementation of social clauses³⁵.

³³ More than 90% of contracts including a social clause specify a target of 10% of the whole number of hours of work. Controlling for the target difference that might exist in few contracts do not change the econometric results that are presented later on.

³⁴ The question of *facilitateurs* is developed in the third chapter of the dissertation.

³⁵ The four *facilitateurs* merged into one in 2016, under the name *Ensemble Paris Emploi Compétences* (EPEC).

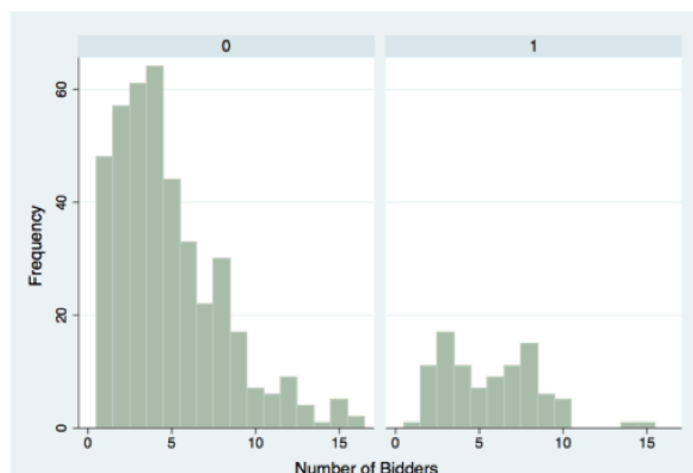
Missions of facilitateurs can be resumed as: assisting contracting authorities to define social clauses, helping firms to find appropriate workers and controlling the execution of social clauses. Facilitateurs report to the City of Paris if the award firm effectively executed the social clause. If the firm did not execute the social clause, the City implements the penalties prescribed by the contract. Nevertheless according to the City of Paris, firms execute social clauses at 138% on average (Ville de Paris, 2014), which means that firms go further the contractual requirements. Thus, the work of facilitateurs is supposed to lower additional costs, especially transaction costs, which could be faced by award firms before and during the execution of a social clause.³⁶

2.3.2 Data overview

Our data set consists of 502 work contracts associated with 2 117 bids made by nearly 300 firms over the period 2011–2013. Figure 7 presents the number of auctions each firm bid for focusing on auctions including social clauses on the one hand (right part of the figure), and auctions without any social clause on the other hand (left part of the figure). Interestingly, firms differ in their willingness to bid for auctions launched by the City. If a majority of firms only made bids for 1 to 3 auctions over the studied period, some of the 298 firms bid for more than 60 auctions over the period.

³⁶ According to the City of Paris, very few contracts we are studying are renegotiated.

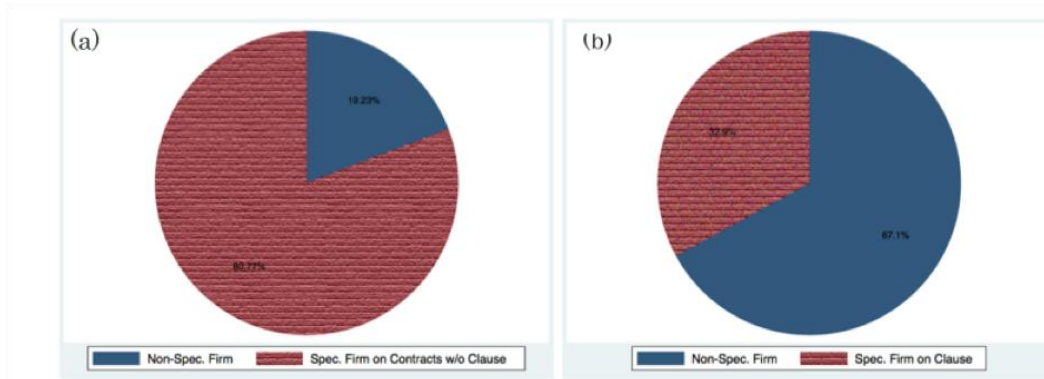
Figure 7. Number of bids placed by firms on auctions



Auctions without social clauses (0) - 248 firms, 413 contracts and 1693 bids / Auctions with social clauses (1) - 50 firms, 89 contracts and 424 bids over the period.

One important question concerns the identity of those firms. Are the firms bidding for contracts including a social clause the same than those that are bidding for contract without such clause? Looking at our data, Figure 8 shows that 83% of auctions that do not include a social clause are won by firms that did not win any auction including a social clause. Only 61% of contracts including a social clause are won by “non-specialized” firms, defined as firms that won at least one contract with a social clause and one without any. This suggests that the inclusion of a social clause in auctions influence the identity of the winners.

Figure 8. Specialized and non-specialized firms - winning firms



a. Auctions without social clauses – 413 contracts and 276 firms / b. Auctions with social clauses – 89 contracts and 61 firms. Specialized firms are defined as firms that won only one kind of auctions (with or without social clause).

2.3.3 Variables

For our empirical analysis, we collected information concerning those 502 procurement contracts signed by the City of Paris between 2011 and 2013. We have information about the final price paid to the City (variable **price**) as well as the engineers' price estimation made before to launch the auctions and before to decide to include or not a social clause (variable **public_estimate**). The initial price estimation done by the City's engineers helps us to take into account characteristics of the project we do not observe but that the City valorises in its estimation. This will be one way to incorporate unobserved heterogeneity between auctions that do and do not include social clauses and that might impact on final bids. Hence, we consider that the variable **public_estimate** takes into account all project specificities.

In addition, we have information concerning the number of bidders (variable **nb_bidders**) and the number of times consultation files, put online by the City of Paris, has been downloaded (variable **nb_downloads**). This last variable reflects the attractiveness of the project for contractors. We also gathered information about the inclusion or not of a social clause (variable **clause**). Lastly, we collected information about bidders concerning their size and their annual turnover.

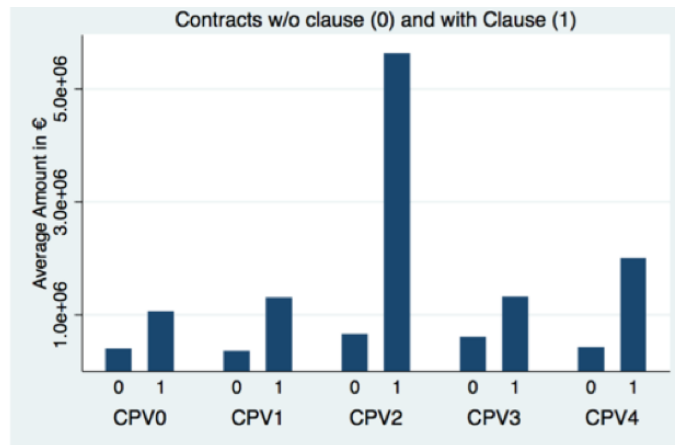
We were then able to distinguish SMEs (Variable **SME**) from big firms for 424 contracts out of the 500 of the dataset³⁷. We also distinguished firms depending on the fact they won only one kind of auctions (with or without any social clause) (variable **Specialized_Firm**) or not (variable **Non-Specialized_Firm**). All those variables, at the exception of **clause** and **SME** that are dummy variables, have been transformed in logarithm.

We also use **CPV** codes, which help us to sort contracts³⁸. CPV codes help us to distinguish contract depending on the specialization of the work needed. CPV0 stands for auctions of all trades construction. This is not the case for other contracts belonging to other CPV Codes. Other CPV codes include work site preparation (CPV1), building and infrastructure work (CPV2), equipment work, mainly electricity, plumbing and insulation (CPV3) and lastly completion work, mainly carpentry and painting (CPV4). Indeed, Figures 9 and 10 suggests that contracts differ from one CPV code to another. We can observe that social clauses are implemented in large amount contracts, especially in CPV2 (building and infrastructure work). An important observation from Figure 10 is that the number of bidders doesn't seem to decrease on average for contracts including a social clause.

³⁷ According to the definition of the European Commission, we consider as SMEs firms complying with two requirements: the number of employees is below 250 and the annual turnover is not exceeding 50 million euros.

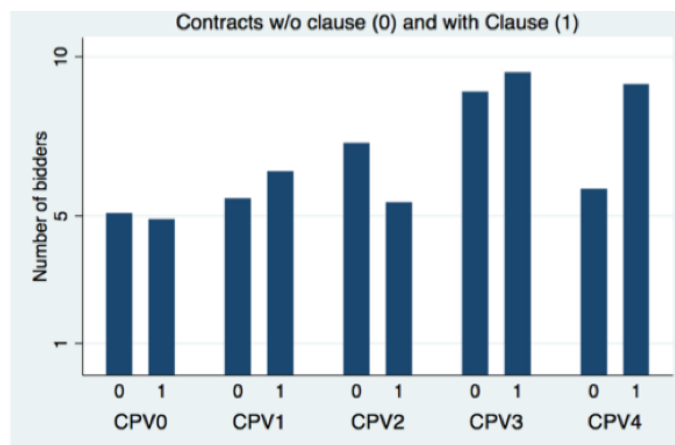
³⁸ As defined by the European Union on its website, "the common procurement vocabulary (CPV) establishes a single classification system for public procurement aimed at standardising the references used by contracting authorities and entities to describe procurement contracts". See "https://ec.europa.eu/growth/single-market/public-procurement/rules-implementation/common-vocabulary_en" for information on CPV codes.

Figure 9. Contract differences between CPV codes (average values) - amount values



CPV codes are established at the European level – All trades construction (CPV0), work site preparation (CPV1), building work (CPV2), equipment work (CPV3), elaboration work (CPV4).

Figure 10. Contract differences between CPV codes (average values) - Number of bidders



CPV codes are established at the European level – All trades construction (CPV0), work site preparation (CPV1), building work (CPV2), equipment work (CPV3), elaboration work (CPV4).

In addition, we have a set of control variables. We control for the **Year** of signature and for the presence of an environmental clause in the auction (variable **environmental_clause**) as well as the type of procedure used in the auction that can include a last round of negotiation or not (variable **negotiated_proc**). We also control for the weighting attributed in the auction to the price criteria (variable **weight_price_crit**).

Indeed, price might be the only one among other criteria that will be used by the City to select offers, strengthening efforts made by suppliers to offer a good price. Lastly, we control for the interdiction, sometimes made by public authorities, for a firm to win all or some lots of an auction, most often because of feasibility questions during the execution of the aforesaid lots (variable **NoCumul** that takes value one when the interdiction is in force). Table 9 presents the variables and their description.

Table 9. Variables' description

Variables	Description
Price	Final price paid by the City of Paris
Public estimate	Engineers' price estimation
Nb bidders	Number of bidders
Weight price crit	Weighting attributed to the price criteria
Clause	Whether or not there is a social clause
SME	Whether or not firms are small and medium enterprises
CPV	Work sector of the contract
Year	Year of signature of the contract
Environmental clause	Whether or not there is an environmental clause
No cumul	Whether or not there is an interdiction to win all or some lots of an auction
Negotiated proc	Whether or not the procedure is negotiated
Non specialized firm	Whether or not firms won both kind of auctions (with and without social clauses)
Nb days to answer	Number of days available to answer to the call for bids
Nb dowloads	Number of time the consultation file has been downloaded

Table 10 provides summary statistics for all those variables concerning bids for auctions without social clauses. Table 11 provides the same summary statistics for bids for auctions including social clauses. We observe that on average, prices are higher when bids are concerning projects with social clauses. However, these projects are also those estimated a higher price for by the City of Paris, meaning they are bigger projects. Interestingly, the number of bidders is on average the same for contracts including or not a social clause.

Table 10. Summary statistics - bids for auctions without social clauses

Variable	Mean	Std. Dev.	Min.	Max.	N
Price	450969.948	545308.201	4796.5	5500000	1693
public_estimate	539311.5	673468.321	6340	6689000	1693
nb_bidders	6.773	3.574	1	16	1693
weight_price_crit	54.69	9.621	25	100	1693
social_clause	0	0	0	0	1693
SME	0.76	0.427	0	1	1457
CPV0	0.076	0.265	0	1	1693
CPV1	0.105	0.307	0	1	1693
CPV2	0.423	0.494	0	1	1693
CPV3	0.138	0.345	0	1	1693
CPV4	0.258	0.437	0	1	1693
Year2011	0.231	0.422	0	1	1693
Year2012	0.253	0.435	0	1	1693
Year2013	0.516	0.5	0	1	1693
Environmental_clause	0.478	0.5	0	1	1693
NoCumul	0.331	0.471	0	1	1677
Negotiated_Proc	0.639	0.481	0	1	1693
Non-Spec. Firm	0.19	0.393	0	1	1693
Nb_days_to_answer	45.617	12.987	7	93	1693
nb_downloads	46.568	31.071	1	164	1693

Table 11. Summary statistics - bids for auctions with social clauses

Variable	Mean	Std. Dev.	Min.	Max.	N
Price	2653586.854	2831035.052	67815.45	15980000	424
public_estimate	3037869.57	3218833.3	84000	18872885.71	424
nb.bidders	6.906	2.964	1	15	424
weight_price_crit	57.479	6.883	40	70	424
social_clause	1	0	1	1	424
SME	0.563	0.497	0	1	382
CPV0	0.068	0.253	0	1	424
CPV1	0.224	0.417	0	1	424
CPV2	0.377	0.485	0	1	424
CPV3	0.222	0.416	0	1	424
CPV4	0.108	0.311	0	1	424
Year2011	0.16	0.367	0	1	424
Year2012	0.542	0.499	0	1	424
Year2013	0.297	0.458	0	1	424
Environmental_clause	0.703	0.458	0	1	424
NoCumul	0.61	0.488	0	1	418
Negotiated_Proc	0.163	0.37	0	1	424
Non-Spec. Firm	0.639	0.481	0	1	424
Nb_days_to_answer	54.526	9.366	30	80	424
nb_downloads	78.007	33.914	2	164	424

2.4 Econometric strategy and results

In order to answer to the research questions defined in the introduction part, we run the following tests. First, we investigate firms' bidding behaviour. Second, we analyse the impact of social clauses on price. In a third step, we use the instrumental variable methodology to get rid of endogeneity issues and get a more robust estimation of the potential additional cost of social clauses.

Bidding behaviour

Conditional on auction participation, how do firms respond to the use of social clauses? As already discussed, social clauses can lead to a fall in procurement costs only if they push efficient firms to bid more aggressively.

This section models the log of the firm's bid as a linear function as follows:

$$\begin{aligned} \ln Price_{ik} = & \beta_0 + \beta_1 NonSpecFirm_i * Social_k + \beta_2 NonSpec.Firm_i \\ & + \beta_3 Social_k + BX_{ik} + \eta_i + \alpha_k + \varepsilon_{ik} \end{aligned}$$

Where $NonSpecFirm_i$ is an indicator variable for companies bidding in both types of auctions, with and without social clause, and $Social_k$ is an indicator for whether auction k includes a social clause. Each specification will include in X_{ik} the log of the engineer's estimate. Together, the estimates of β_1 and β_3 can be used to infer the effect of the inclusion of social clause on firm's behaviour. The coefficient β_3 represents the extent to which firms change their bid in response to the presence of a social clause. For firms that are bidding on both types of contracts (where **Non Spec. Firm** = 1), the coefficient on the social auction dummy is $\beta_1 + \beta_3$.

Some specifications will control for firm effects, n_i , which account for the different participation patterns observed by non-specialized and specialized firms. If relatively efficient firms participate less often when a social clause is used, then the coefficient β_3 will be biased upward. If some firms tend to be consistently weak or strong across auctions, then controlling for firm fixed effects will account for changes in the composition of auction participants.

Finally, as before, the average amount of social auctions is larger than the average amount of non-social auctions, that is why we regress on our whole sample but also on a limited set of auction values, where auctions with and without social clauses are cohabiting. Tables 12 and 13 display the estimates for the whole and the limited set of bids in our sample.

Table 12. Whole set of auctions

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE
	b/se	b/se	b/se	b/se	b/se	b/se	b/se	b/se
public_estimate	0.953*** (0.013)	0.953*** (0.013)	0.952*** (0.013)	0.949*** (0.013)	0.950*** (0.013)	0.944*** (0.013)	0.944*** (0.013)	0.983*** (0.027)
social_clause	0.083*** (0.024)	0.088*** (0.024)	0.075*** (0.022)	0.089*** (0.023)	0.207*** (0.046)	0.263*** (0.049)	0.270*** (0.066)	0.245 (0.171)
weight_price_crit	-0.371*** (0.067)	-0.377*** (0.067)	-0.371*** (0.068)	-0.353*** (0.068)	-0.352*** (0.068)	-0.322*** (0.064)	-0.321*** (0.064)	-0.106 (0.119)
NoCumul	0.119*** (0.027)	0.108*** (0.031)	0.089*** (0.029)	0.114*** (0.034)	0.115*** (0.033)	0.117*** (0.036)	0.123*** (0.038)	0.781*** (0.325)
Negotiated_Proc	0.043+ (0.030)	0.048+ (0.032)	0.045 (0.033)	0.080** (0.035)	0.082** (0.037)	0.089*** (0.033)	0.089*** (0.034)	0.782*** (0.291)
Non-Spec. Firm	0.033+ (0.023)	0.033+ (0.023)	0.038+ (0.023)	0.028 (0.022)	0.027 (0.021)	0.018 (0.019)	0.018 (0.019)	
Non-Spec. Firms*Clause	-0.003 (0.032)	-0.005 (0.032)	0.000 (0.028)	0.005 (0.029)	-0.004 (0.028)	-0.008 (0.036)	-0.012 (0.038)	
Environmental_clause	0.006 (0.037)	0.010 (0.035)	0.004 (0.038)	-0.005 (0.036)	-0.002 (0.038)	0.004 (0.037)	0.004 (0.037)	-0.484*** (0.182)
nb_bidders		0.025 (0.022)	0.034 (0.025)	0.035 (0.025)	0.038+ (0.025)	0.016 (0.021)	0.016 (0.021)	0.067+ (0.042)
CPV1*clause					-0.176*** (0.057)	-0.218*** (0.059)	-0.214*** (0.066)	0.179 (0.136)
CPV2*clause					-0.112** (0.050)	-0.137*** (0.052)	-0.128* (0.067)	0.322*** (0.121)
CPV3*clause					-0.085 (0.065)	-0.132* (0.075)	-0.175 (0.134)	0.042 (0.136)
CPV4*clause					-0.154** (0.071)	-0.155** (0.061)	-0.128* (0.070)	0.164 (0.139)
Constant	1.952*** (0.315)	1.933*** (0.319)	1.873*** (0.309)	1.794*** (0.321)	1.744*** (0.316)	1.623*** (0.325)	1.617*** (0.323)	-0.061 (0.697)
years F.E.	No	No	Yes	Yes	Yes	Yes	Yes	Yes
CPV F.E.	No	No	No	Yes	Yes	Yes	Yes	Yes
Interact Years/CPV	No	No	No	No	No	Yes	Yes	Yes
Interact Years/clause	No	No	No	No	No	No	Yes	Yes
r2	0.818	0.818	0.818	0.819	0.819	0.822	0.822	0.874
N	2091	2091	2091	2091	2091	2091	2091	2084

Model 8 includes Firms F.E.. every variables at the exception of dummies and nbidders are transformed in Log. *** Significance level at 1% ; ** Significance level at 5% ; * Significance level at 10% ; + Significance level at 15%.

Table 13. Limited set of auctions

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE
	b/se	b/se	b/se	b/se	b/se	b/se	b/se	b/se
public_estimate	0.992*** (0.024)	0.992*** (0.023)	0.990*** (0.025)	0.986*** (0.024)	0.990*** (0.025)	0.985*** (0.026)	0.989*** (0.027)	1.013*** (0.036)
social_clause	0.030 (0.023)	0.033 (0.024)	0.018 (0.028)	0.021 (0.028)	0.160*** (0.049)	0.211*** (0.052)	0.272*** (0.083)	0.316* (0.187)
weight_price_crit	-0.357*** (0.078)	-0.359*** (0.078)	-0.358*** (0.078)	-0.357*** (0.079)	-0.349*** (0.078)	-0.329*** (0.074)	-0.327*** (0.074)	-0.154 (0.137)
NoCumul	0.146*** (0.033)	0.139*** (0.038)	0.136*** (0.035)	0.168*** (0.042)	0.167*** (0.043)	0.180*** (0.046)	0.192*** (0.050)	0.875** (0.364)
Negotiated_Proc	0.077** (0.033)	0.079** (0.036)	0.079** (0.037)	0.122*** (0.043)	0.123*** (0.046)	0.138*** (0.046)	0.142*** (0.048)	0.857*** (0.323)
Non-Spec. Firm	0.034 (0.025)	0.034 (0.025)	0.038 (0.026)	0.025 (0.024)	0.027 (0.024)	0.020 (0.018)	0.023 (0.018)	
Non-Spec. Firms*Clause	0.012 (0.037)	0.010 (0.037)	0.020 (0.030)	0.027 (0.031)	0.015 (0.031)	0.005 (0.040)	-0.012 (0.042)	
Environmental_clause	0.004 (0.044)	0.007 (0.042)	0.002 (0.047)	-0.014 (0.045)	-0.009 (0.045)	-0.002 (0.044)	-0.003 (0.043)	-0.468*** (0.179)
nb_bidders		0.014 (0.024)	0.022 (0.027)	0.028 (0.027)	0.032 (0.027)	0.003 (0.022)	0.003 (0.022)	0.122** (0.054)
CPV1*clause					-0.198*** (0.063)	-0.239*** (0.063)	-0.226*** (0.065)	0.070 (0.173)
CPV2*clause					-0.151*** (0.057)	-0.165*** (0.061)	-0.130** (0.065)	0.249* (0.151)
CPV3*clause					-0.095 (0.067)	-0.127+ (0.082)	-0.133 (0.141)	-0.028 (0.160)
CPV4*clause					-0.155** (0.075)	-0.163** (0.066)	-0.106+ (0.068)	0.049 (0.173)
Constant	1.348*** (0.399)	1.339*** (0.404)	1.337*** (0.404)	1.382*** (0.433)	1.261*** (0.430)	1.177*** (0.450)	1.100** (0.456)	-0.419 (0.863)
years F.E.	No	No	Yes	Yes	Yes	Yes	Yes	Yes
CPV F.E.	No	No	No	Yes	Yes	Yes	Yes	Yes
Interact Years/CPV	No	No	No	No	No	Yes	Yes	Yes
Interact Years/clause	No	No	No	No	No	No	Yes	Yes
r2	0.718	0.718	0.718	0.719	0.720	0.725	0.725	0.800
N	1810	1810	1810	1810	1810	1810	1810	1803

The sample comprises contracts for which estimated value is more than 84 000 euros and less than 6 689 000 euros corresponding respectively to the smallest contract value for contracts including a social clause and to the highest value for contracts that do not include a social clause. Model 8 includes Firms F.E.. every variables at the exception of dummies and nbbidders are transformed in Log.

*** Significance level at 1% ; ** Significance level at 5% ; * Significance level at 10% ; +

Significance level at 15%.

In Table 12, we observe that the presence of a social clause increases on average the bids received by the city, by 7.5% to 8.9% depending on the specification. Results also show that contracts with social clause in CPV1 (work site preparation) or CPV2 (building and infrastructure work) are characterized by more aggressive bids than CPV1 (work site preparation), CPV2 (building and infrastructure work) and CPV4 (completion work) contracts without social clause. Contracts with social clause in CPV0 (all trades construction) are characterized by less aggressive bids than contracts with same CPV specifications and without social clause. The **Non Spec. Firm** variable's coefficient is not statistically significant, suggesting that firms that won both types of auctions do not have an advantage in costs.

Social Clause and Prices

If bidding behaviours are influenced by the presence of social clauses, it does not translate automatically to higher prices for the city. Bidders might, on average, bid at higher prices but final winning bids might increase, decrease or stay unchanged. One natural way to analyse the impact of social clauses on prices paid by the city is to relate the final price (*i.e.* winning bid) with the inclusion of a social clause in auctions. A simple empirical approach to identify the effect of the presence of a social clause on the city's procurement costs would be the following. Suppose the \ln of the winning bid, $\ln Price_k$ on auction k is a function of the presence of a social clause and a set of project specific characteristics. Then we have the following equation to estimate:

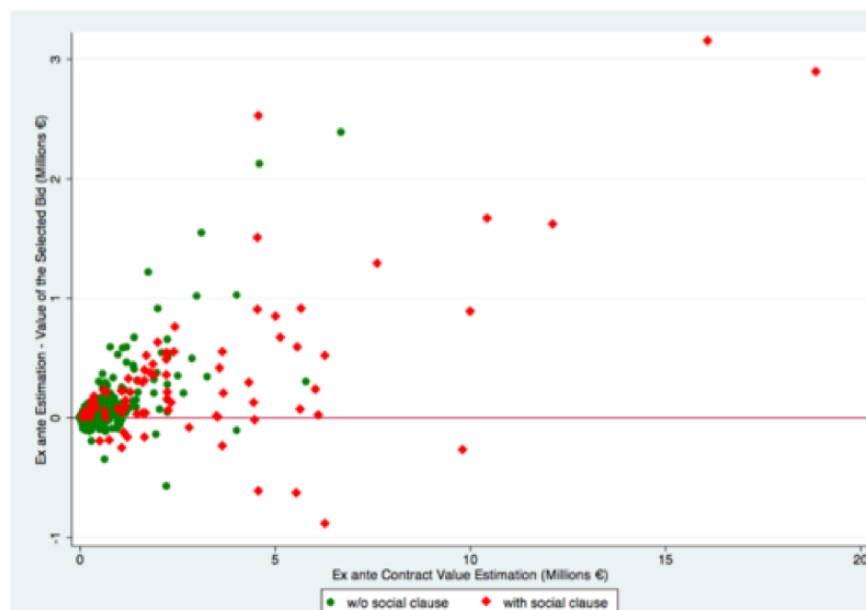
$$\ln Price_k = \beta_0 + \beta_1 Social_k + BX_k + \varepsilon_k$$

Two key aspects of this model must be noted. First, the equation could be estimated with and without including the number of bidders in the vector X_k . Excluding the number of bidders allows the coefficient β_1 to incorporate the correlation between the presence of social clauses and firm participation. Second, this model only identifies β_1 if there are no unobserved components of X_k correlated with **clause**. This is the assumption we make by considering that the evaluation made by city's engineers before the auction incorporates heterogeneity between contracts that we do not observe.

Another issue with such estimation is that social clauses are implemented in big amount contracts, for which the City's engineers have more difficulties to evaluate *ex ante* the value of the contract (see Figure 11). That is not the case for contracts without any social clause that are never implemented for contract's amount over 5 500 000 euros. However, Figure 11 shows that social clauses also concern small amount contracts. The smallest contract including such clause is less than 100 000 euros value. This suggests that, as we discussed above, the decision of including or not a social clause is partly based on contract amount that is anticipated by the City.

Other factors might play a role and might also be correlated with final bids received by the City. If they are not perfectly known and valorised by the City in the *ex ante* contract estimation or if they are known by the City but not taken into account in the *ex ante* cost estimation, this raises endogeneity issues for our estimates. As far as we know, after conducting several interviews at the City of Paris, contracts that are the most probably chosen in order to include a social clause are those that stay for a long period, necessitating general skills and a lot of workforce for social clauses to be easily implemented and to have a real impact. All those elements are taken into account during the estimation phase performed by the City before to decide to include or not a social clause and before to launch the call for tenders.

Figure 11. Estimation errors of Paris City



Hence, we make the assumption that no unobserved heterogeneity generates endogeneity issue with our variable **clause** because the City observes all the heterogeneity that we do not observe. This heterogeneity is included in our variable **public estimate**. In order to take into account the fact that contracts with and without any social clause are not concerned by the same contract amounts, we make our estimates on the whole sample of winning bids and on a reduced size sample including contracts in a range of values where both type of contracts are cohabiting.

More precisely, the reduced sample comprises auctions for which estimated value is more than 84 000 euros and less than 6 689 000 euros corresponding respectively to the smallest auction estimated value for auctions including a social clause and to the highest auction estimated value for auctions that do not include a social clause.

The results of this specification are shown in Table 14 for the whole set of winning bids. Column (1) displays the results without controlling for the number of bidders. The winning bid is found to be 7 percent higher on auctions with social clauses than on similar auctions without social clauses. The specification presented in column (2) controls for the number of bidders. The influence of the presence of a social clause on price vanishes suggesting that the procurement cost effect of the inclusion of a social clause is due to fewer bidders participating on such auctions. Columns (3) and (4) add years and CPV codes fixed effects. Results are unchanged.

Table 14. Winning bids - whole sample

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE
	b/se	b/se	b/se	b/se	b/se	b/se	b/se	b/se
public_estimate	0.986*** (0.012)	0.990*** (0.012)	0.988*** (0.012)	0.986*** (0.012)	0.986*** (0.013)	0.983*** (0.013)	0.981*** (0.013)	0.942*** (0.036)
social_clause	0.070* (0.040)	0.052 (0.041)	0.052 (0.040)	0.056 (0.042)	0.164*** (0.061)	0.173** (0.073)	0.147* (0.080)	-0.032 (0.140)
weight_price_crit	-0.074 (0.076)	-0.062 (0.074)	-0.056 (0.073)	-0.051 (0.073)	-0.043 (0.073)	-0.044 (0.075)	-0.045 (0.076)	-0.015 (0.229)
NoCumul	0.073** (0.030)	0.134*** (0.031)	0.111*** (0.031)	0.116*** (0.032)	0.117*** (0.032)	0.117*** (0.033)	0.115*** (0.033)	0.167* (0.087)
Negotiated_Proc	0.062* (0.034)	0.032 (0.033)	0.026 (0.033)	0.033 (0.034)	0.035 (0.034)	0.033 (0.037)	0.029 (0.037)	0.099 (0.093)
Non-Spec. Firm	-0.020 (0.032)	-0.021 (0.030)	-0.011 (0.030)	-0.015 (0.031)	-0.018 (0.031)	-0.013 (0.032)	-0.013 (0.032)	
Non-Spec. Firms*Clause	-0.004 (0.051)	0.009 (0.049)	0.004 (0.049)	0.002 (0.050)	0.010 (0.053)	0.007 (0.053)	0.003 (0.051)	
Environmental_clause	-0.021 (0.024)	-0.028 (0.023)	-0.030 (0.023)	-0.030 (0.025)	-0.030 (0.025)	-0.039+ (0.025)	-0.038+ (0.025)	-0.113* (0.061)
nb_bidders		-0.109*** (0.016)	-0.103*** (0.017)	-0.103*** (0.017)	-0.103*** (0.018)	-0.102*** (0.018)	-0.103*** (0.018)	-0.110* (0.062)
CPV1*clause					-0.208** (0.083)	-0.213** (0.089)	-0.223** (0.089)	0.019 (0.157)
CPV2*clause					-0.117* (0.069)	-0.122+ (0.076)	-0.135* (0.077)	0.256+ (0.167)
CPV3*clause					-0.062 (0.073)	-0.061 (0.077)	-0.107 (0.081)	0.122 (0.176)
CPV4*clause					-0.085 (0.084)	-0.031 (0.100)	-0.042 (0.102)	0.095 (0.182)
Constant	0.256 (0.371)	0.325 (0.366)	0.260 (0.364)	0.264 (0.367)	0.203 (0.374)	0.197 (0.383)	0.234 (0.392)	0.556 (1.132)
years F.E.	No	No	Yes	Yes	Yes	Yes	Yes	Yes
CPV F.E.	No	No	No	Yes	Yes	Yes	Yes	Yes
Interact Years/CPV	No	No	No	No	No	Yes	Yes	Yes
Interact Years/clause	No	No	No	No	No	No	Yes	Yes
r2	0.969	0.971	0.972	0.972	0.972	0.973	0.973	0.993
N	491	491	491	491	491	491	491	488

Model 8 includes Firms F.E.. every variables at the exception of dummies and nbidders are transformed in Log. *** Significance level at 1% ; ** Significance level at 5% ; * Significance level at 10% ; + Significance level at 15%.

Column (5) interact CPV codes with the presence of a social clause in the auction. It turns out that the impact of a social clause in one auction on the final price received by the City is depending greatly on the type of activity that is concerned by the auction. Column (7) refines this result including interacting terms between CPV codes and years as well as between social clause and years. Results show that contracts with social clauses that specify different CPVs actually differ from contracts without a social clause specifying the same CPVs. Contracts with social clause in CPV1 (work site preparation) or CPV2 (building and infrastructure work) are less expensive than CPV1 (work site preparation) and CPV2 (building and infrastructure work) contracts without social clause.

Contracts with social clause in CPV0 (all trades construction) are more expensive than contracts with same CPV specifications and without social clause.

The fact that these effects greatly disappear when introducing firm's fixed effects (column 8) is consistent with the idea that firms self-select into jobs requiring CPVs that match their capabilities more than firms self-selecting into social clauses.

The results are shown in Table 15 for the reduced sample that comprises auctions for which estimated value is more than 84 000 euros and less than 6 689 000 euros. Qualitative results are unchanged.

Table 15. Winning bids - limited sample

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE	PRICE
	b/se	b/se	b/se	b/se	b/se	b/se	b/se	b/se
public_estimate	1.005*** (0.015)	1.010*** (0.015)	1.006*** (0.015)	1.007*** (0.016)	1.007*** (0.016)	1.001*** (0.016)	0.999*** (0.017)	0.945*** (0.042)
social_clause	0.047 (0.045)	0.022 (0.045)	0.027 (0.045)	0.018 (0.045)	0.128* (0.066)	0.162** (0.067)	0.134* (0.078)	0.008 (0.154)
weight_price_crit	-0.064 (0.076)	-0.030 (0.073)	-0.030 (0.073)	-0.027 (0.073)	-0.019 (0.073)	-0.021 (0.076)	-0.023 (0.077)	-0.060 (0.260)
NoCumul	0.076** (0.034)	0.138*** (0.036)	0.122*** (0.036)	0.130*** (0.037)	0.126*** (0.037)	0.132*** (0.038)	0.129*** (0.039)	0.174* (0.096)
Negotiated.Proc	0.065* (0.038)	0.040 (0.036)	0.036 (0.036)	0.045 (0.037)	0.047 (0.037)	0.040 (0.040)	0.037 (0.041)	0.105 (0.105)
Non-Spec. Firm	-0.019 (0.033)	-0.023 (0.031)	-0.015 (0.032)	-0.021 (0.032)	-0.021 (0.033)	-0.012 (0.034)	-0.013 (0.034)	
Non-Spec. Firms*Clause	-0.004 (0.055)	0.017 (0.054)	0.011 (0.054)	0.014 (0.056)	0.015 (0.059)	0.010 (0.058)	0.007 (0.056)	
Environmental_clause	-0.002 (0.025)	-0.016 (0.024)	-0.015 (0.024)	-0.016 (0.025)	-0.016 (0.025)	-0.028 (0.026)	-0.027 (0.026)	-0.103+ (0.065)
nb.bidders		-0.111*** (0.018)	-0.107*** (0.019)	-0.105*** (0.019)	-0.101*** (0.019)	-0.103*** (0.020)	-0.103*** (0.020)	-0.104 (0.072)
CPV1*clause					-0.224** (0.089)	-0.249*** (0.088)	-0.249*** (0.090)	-0.023 (0.193)
CPV2*clause					-0.101 (0.076)	-0.122* (0.074)	-0.125+ (0.078)	0.217 (0.191)
CPV3*clause					-0.060 (0.078)	-0.078 (0.070)	-0.108 (0.077)	0.072 (0.179)
CPV4*clause					-0.076 (0.089)	-0.055 (0.097)	-0.058 (0.101)	0.057 (0.211)
Constant	-0.045 (0.390)	-0.076 (0.370)	-0.082 (0.373)	-0.061 (0.381)	-0.139 (0.389)	-0.155 (0.391)	-0.109 (0.409)	0.681 (1.265)
years F.E.	No	No	Yes	Yes	Yes	Yes	Yes	Yes
CPV F.E.	No	No	No	Yes	Yes	Yes	Yes	Yes
Interact Years/CPV	No	No	No	No	No	Yes	Yes	Yes
Interact Years/clause	No	No	No	No	No	No	Yes	Yes
r2	0.957	0.960	0.961	0.961	0.961	0.962	0.962	0.988
N	418	418	418	418	418	418	418	415

The sample comprises contracts for which estimated value is more than 84 000 euros and less than 6 689 000 euros corresponding respectively to the smallest contract value for contracts including a social clause and to the highest value for contracts that do not include a social clause. Model 8 includes Firms F.E.. Every variables at the exception of dummies and nbbidders are transformed in Log.

*** Significance level at 1% ; ** Significance level at 5% ; * Significance level at 10% ; +

Significance level at 15%.

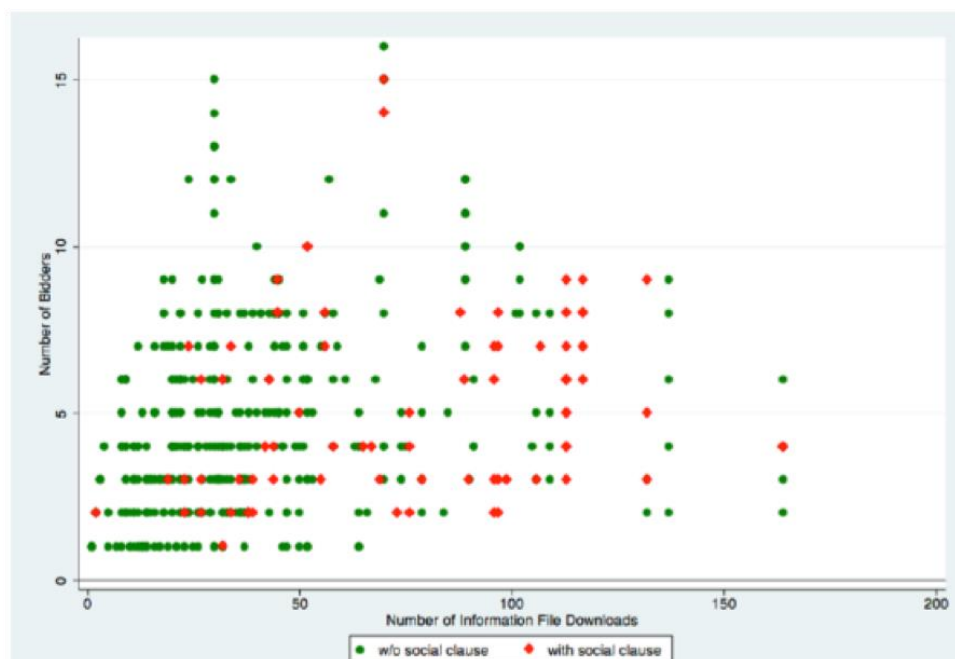
Competition effects

The number of bidders participating in the call for bids is not exogenous and might as well be affected by other elements we do not observe but that might be correlated with final bids. In order to deal with this endogeneity issue, we use the instrumental variable method, as described by Stock and Watson (2012). To do so, we build two instruments so as to estimate the City's cost of procurement and the number of bidders simultaneously, using a two stage least-square (2SLS) methodology. The two instruments are correlated with the variable **nb_bidders** but are not correlated with the error term. The 2SLS model allows us to regress the variable **nb_bidders** on the two instruments and to estimate the main equation with an exogenous variable **nb_bidders**.

The first instrument used is the number of times the call for tenders file has been downloaded: our variable **Nbdownloads**. It is important to keep in mind that competitors do not know before to download this file if the call for tenders includes a social clause or not³⁹. This variable thus reflects how attractive the project put to tender is *a priori*. It is thus a good instrument to understand the number of bidders, as it is clearly not correlated with the final bids' amounts (see Figure 12).

³⁹ It was the case at the time of the study. With the actual website, firms can see if social and/or environmental aspects are included in the tender.

Figure 12. Number of bidders and information file downloads



Our second instrument is the number of days available in order to respond to the call for bid (variable **Nb_days_to_answer**). The city cannot decide to reduce this number below a mandatory minimum, but can decide to extend the period for competitors to bid, reflecting for instance a very complex work or a will to increase the number of bidders. Depending on the procedure chosen, the number of days to answer, that is to say the delay of publicity is legally between 5 and 52 days. In our dataset, the number of days to answer varies between 7 and 93 days (see Table 10). We consider that the number of days to answer is clearly impacting on the number of bidders but do not impact the price.

We estimate the following system:

$$\begin{aligned} \text{LogPrice}_k &= \alpha \text{LogPublicEstimate}_k + \sigma \text{Clause}_k + \beta \text{LogNbBidders}_k + \eta \text{Controls}_k \\ &\quad + \nu \text{CPV}_k + \varepsilon_k \\ \text{LogNbBidders}_k &= \alpha_1 \text{LogPublicEstimate}_k + \sigma_1 \text{Clause}_k + \nu_1 \text{CPV}_k \\ &\quad + \gamma_1 \text{LogNbDownloads}_k + \rho_1 \text{LogNbDaysToAnswer}_k + \varepsilon_{1k} \end{aligned}$$

Tables 16 and 17 displays the estimates for the whole and the limited amounts set of bids in our sample. Looking at Table 16, results suggest that social auctions do reduce the number of bidders for activities belonging to CPV0 (all trades construction), but not for other CPV codes. Taking into account the endogeneity problems of the number of bidders, this variable does not anymore influence final prices received by the city. The positive impact on price of including a social clause in auctions stands only for activities belonging to CPV4 (completion work). Results are not qualitatively different looking at Table 17, displaying results on our limited amounts set of auctions.

Table 16. Number of bidders and winning bids – 2 SLS – whole sample of auctions

	(1) PRICE b/se	(2) NBBIDDERS b/se
nb_bidders	-0.048 (0.045)	
public_estimate	0.973*** (0.013)	0.012 (0.024)
Non-Spec. Firm	-0.016 (0.032)	0.003 (0.074)
Non-Spec. Firms*Clause	-0.002 (0.050)	0.050 (0.131)
social_clause	0.162* (0.083)	-0.605** (0.246)
weight_price_crit	-0.023 (0.073)	0.226 (0.157)
NoCumul	0.082** (0.042)	0.502*** (0.072)
Negotiated_Proc	0.046 (0.036)	-0.036 (0.080)
Environmental_clause	-0.044* (0.024)	-0.121** (0.059)
CPV1*clause	-0.277*** (0.087)	0.508** (0.256)
CPV2*clause	-0.137* (0.078)	0.260 (0.254)
CPV3*clause	-0.135* (0.081)	0.616** (0.282)
CPV4*clause	-0.066 (0.101)	0.689** (0.327)
nb_download		0.176*** (0.041)
Nb_days_to_answer		0.451*** (0.127)
Constant	0.153 (0.380)	-1.923** (0.830)
years F.E.	Yes	Yes
CPV F.E.	Yes	Yes
Interact Years/CPV	Yes	Yes
Interact Years/clause	Yes	Yes
r2	0.973	0.434
N	494	494

Every variables at the exception of dummies and nbbidders are transformed in Log. *** Significance level at 1% ; ** Significance level at 5% ; * Significance level at 10% ; + Significance level at 15%.

Table 17. Number of bidders and winning bids - 2SLS - limited sample of auctions

	(1)	(2)
	PRICE	NBBIDDERS
	b/se	b/se
nb_bidders	-0.056 (0.065)	
public_estimate	0.996*** (0.017)	0.042 (0.033)
Non-Spec. Firm	-0.014 (0.034)	-0.035 (0.078)
Non-Spec. Firms*Clause	0.004 (0.056)	0.144 (0.143)
social_clause	0.169* (0.090)	-0.964*** (0.236)
weight_price_crit	-0.017 (0.073)	0.294+ (0.179)
NoCumul	0.108** (0.053)	0.473*** (0.081)
Negotiated_Proc	0.057 (0.040)	-0.061 (0.090)
Environmental_clause	-0.022 (0.025)	-0.117* (0.066)
CPV1*clause	-0.309*** (0.099)	0.833*** (0.255)
CPV2*clause	-0.144* (0.075)	0.487* (0.259)
CPV3*clause	-0.144* (0.084)	0.827*** (0.267)
CPV4*clause	-0.094 (0.108)	0.928*** (0.312)
nb_download		0.149*** (0.047)
Nb_days_to_answer		0.424*** (0.151)
Constant	-0.183 (0.399)	-2.027* (1.037)
years F.E.	Yes	Yes
CPV F.E.	Yes	Yes
Interact Years/CPV	Yes	Yes
Interact Years/clause	Yes	Yes
r ²	0.962	0.428
N	420	420

Every variables at the exception of dummies and nbbidders are transformed in Log. *** Significance level at 1% ; ** Significance level at 5% ; * Significance level at 10% ; + Significance level at 15%.

2.5 Conclusion and discussion

Our results show that the inclusion of social clauses in Paris City's public tenders doesn't increase procurement costs on average. Nevertheless, we clearly see an effect on cost depending on sectors (CPV codes). Indeed, we find that the social clause increases the price of procurement for all trades construction tenders (CPV0), decreases for work site preparation tenders (CPV1) and building and infrastructure

tenders (CPV2) and doesn't have any significant impact for equipment work tenders (CPV3) and completion work tenders (CPV4). One possible explanation could be that the social clause may be a chance for firms to employ new workers with a lowest wage. However, the cost increase for CPV0 could be explained by cost for training and controlling those new workers, as their skills might be considered as less specialized. We show in this chapter that the cost increase in some sectors is independent from a decrease in the number of bidders.

We also led an analysis on the impact of social clauses on the access of SMEs and see that there is no impact (see Tables 18 and 19 in Appendix). Thus, the presence of a social clause does not reduce nor increase the probability for a SME to win the public tender. This result is interesting, knowing that favouring SMEs' access to public tenders is also a procurement goal of the City of Paris and for many other public buyers. Another important result is the fact that environmental clauses, which we controlled for, do not have any impact on the price of the contract. We analyse this result saying that environmental clauses are less constraining than social clauses. Indeed, environmental clauses are about the respect of City of Paris' charters concerning construction sites, about the use of green materials or about the certification by green labels. Moreover, we believe that public buyers may have implemented environmental clauses earlier and more frequently than social clauses.

Our results complete the literature and to have some implications for public managers. Concerning the literature, our results strengthen the hypothesis that social procurement may not always increase procurement costs, especially because bidders may bid more aggressively. We thus stand in line with most of the studies detailed below. Nevertheless, our analysis is completing the literature in two ways. First, it is important to say that all empirical studies on social procurement we found are based, like our study, on the construction sector. Indeed, a large part of these empirical studies has been led on Californian highway procurement contracts (Krasnokutskaya and Seim, 2011; Marion, 2009; Marion, 2007). The study of De Silva *et al.* (2012) uses a dataset of asphalt procurement contracts in Texas.

Another study analyses the participation of SME's in Japanese public construction projects with set-asides (Nakabayashi, 2013). To our knowledge, the only analysis not using construction tenders offers a comparison of set-asides and subsidies in U.S. Forest Service timber auctions (Athey *et al.*, 2013). The fact that most studies analyses work public contracts can be partly explained by the fact that these mechanisms are traditionally implemented in this sector. Nevertheless, as developed in our analysis, sector specificities are crucial when analysing social procurement. We thus highlight the fact that sector specificities may alter the extension of these empirical results to other sectors of the economy. Second, we add a new effect that explains the impact of social mechanisms on public procurement. Indeed, the literature highlighted the competition effect and the eviction effect. We add the sector effect in order to explain the potential impact on procurement's cost. As explained earlier, this sector effect depends on sector specificities.

Our analysis also highlights the crucial role of public buyers when implementing social procurement. Indeed, the potential additional cost of social public procurement highly depends on the sector. Thus, public buyers have a great role in identifying contracts suited for social clauses. Related to this is the main policy implication we can see from our results: the fact that social clauses should not be implemented automatically in public contracts. We believe that the implementation of a social clause in a public contract should always be done carefully, regarding the sector and its specificities. Indeed, according to our results, the additional cost of social procurement may be higher in other sectors. This managerial implication is highly linked to the general call for the professionalization of public procurers (Brammer and Walker, 2007; McKevitt *et al.*, 2012; Saussier and Tirole, 2015). Public procurers need to be trained on tools and techniques, in order to ensure an efficient public procurement. As shown in the first chapter of this dissertation, public procurers need to be fully aware of firms' and sectors' capabilities and specificities in order to implement social public procurement efficiently.

Concerning our analysis, it would be interesting to look more precisely to different sectors through CPV codes. Indeed, our study only uses the three first numbers of CPV codes out of eight. It would then be possible to identify sectors with cost increase more precisely. Moreover, it is fair to say that we look at only a small part of potential cost increase for the City. As discussed before, the City puts in place facilitateurs that are costly efforts not measured in our study. In addition, it would be interesting to complete our data with some information concerning potential quality issues during the contract execution – such difficulties are found to be frequent in programs that facilitates the access to contracts for SMEs (*e.g.* Cabral, 2015). Moreover, social clauses also generate positive value for society that would be interesting to measure and to include for a more global evaluation of the impact of social clauses in public procurement. Lastly, it would be interesting to compare the social clause mechanism to other employment instruments, in terms of cost and efficiency.

2.6 Appendix

Table 18. Social objectives and SME's probability to win a contract - IV probit - whole sample of auctions

	SME b/se	nb_bidders b/se	athrho b/se	Insigma b/se
nb_bidders	-0.236 (0.273)			
Non-Spec. Firm	-0.664*** (0.191)	0.020 (0.074)		
Non-Spec. Firms*Clause	0.185 (0.422)	-0.050 (0.162)		
public_estimate	-0.132* (0.071)	0.017 (0.027)		
social_clause	0.196 (0.600)	-0.554** (0.248)		
weight_price_crit	0.616+ (0.404)	0.307* (0.157)		
NoCumul	0.623** (0.287)	0.505*** (0.090)		
NegotiatedLProc	0.039 (0.243)	0.011 (0.092)		
EnvironmentalLclause	-0.119 (0.160)	-0.129** (0.061)		
CPV1*clause	0.017 (0.644)	0.431+ (0.265)		
CPV2*clause	-0.483 (0.613)	0.183 (0.255)		
CPV3*clause	1.020 (0.819)	0.524* (0.303)		
CPV4*clause	0.258 (0.808)	0.532* (0.320)		
nb_download		0.188*** (0.040)		
Nb_days_to_answer		0.527*** (0.127)		
Constant	-0.255 (2.003)	-2.587*** (0.872)	0.286* (0.162)	-0.646*** (0.035)
years F.E.	Yes	Yes	No	No
CPV F.E.	Yes	Yes	No	No
Interact Years/clause	Yes	Yes	No	No
r2				
N	417			

Every variables at the exception of dummies and nbbidders are transformed in Log. *** Significance level at 1% ; ** Significance level at 5% ; * Significance level at 10% ; + Significance level at 15%.

Table 19. Social objectives and SME's probability to win a contract - IV probit - limited sample of auctions

	SME b/se	nb_bidders b/se	athrho b/se	lnsigma b/se
nb_bidders	-0.597* (0.326)			
public_estimate	-0.291*** (0.106)	0.047 (0.036)		
social_clause	-0.773 (0.644)	-0.856*** (0.261)		
weight_price_crit	0.372 (0.454)	0.365** (0.175)		
NoCumul	0.836*** (0.289)	0.491*** (0.093)		
Negotiated_Proc	-0.135 (0.244)	-0.016 (0.097)		
Environmental_clause	-0.217 (0.168)	-0.134** (0.065)		
CPV1*clause	1.027 (0.714)	0.765*** (0.287)		
CPV2*clause	0.472 (0.671)	0.407+ (0.275)		
CPV3*clause	1.631** (0.829)	0.673** (0.316)		
CPV4*clause	1.145 (0.863)	0.760** (0.336)		
nb_download		0.156*** (0.041)		
Nb_days_to_answer		0.516*** (0.143)		
Constant	3.822+ (2.451)	-2.795*** (1.026)	0.530** (0.210)	-0.664*** (0.037)
years F.E.	Yes	Yes	No	No
CPV F.E.	Yes	Yes	No	No
Interact Years/clause	Yes	Yes	No	No
r ²				
N	360			

Every variables at the exception of dummies and nbidders are transformed in Log. *** Significance level at 1% ; ** Significance level at 5% ; * Significance level at 10% ; + Significance level at 15%.

Chapter 3: Management and Control of Social Clauses in Public Procurement: an analysis of French facilitateurs

*

3.1 Introduction

As illustrated by recurrent public debates, issues of management and control are of great concerns in public procurement. The last debate in France was on the *Clause Molière*, a potential clause to allow only French language on public contracts' work sites, a roundabout mean to fight against social dumping. Beyond questions on the legality of such clause, issues of management and control immediately arose. Indeed, how can public authorities control the language spoken during the execution of their tenders? The issue of control is commonly opposed to social public procurement, alongside issues on its cost, efficiency, legitimacy, discretion or measurement (McCrudden, 2004; OECD, 2007; Saussier and Tirole, 2015). This example, among others, shows the control difficulties of sustainable clauses, which can be introduced in public contracts. Nevertheless, to our knowledge, little is known on the control practices and issues of social public procurement.

In France, social public procurement is mainly implemented through social clauses. In tenders, these clauses allow public authorities to commit winning firms to execute the contracted service, work or supply with a defined percentage of social workers⁴¹.

* I would like to thank Alexandre Mayol and Stéphane Saussier, as well as participants of EPPP Chair seminars for their useful comments on the preliminary version of this work.

⁴¹ Defined by contracting authorities, the list of people able to be employed for the execution of a social clause includes: long-term unemployed people (more than twelve months), minimum allowances beneficiary, disabled workers, young without diploma (less than 26 years), and other people with distinctive problems diagnose by Unemployment Office.

At first, social clauses were included in work contracts with a long duration, an important amount and a large workforce, in order to have a significant impact on social workers and bring them to employment. Today, social clauses are said to be present in 8.6% of French public tenders above the European thresholds of 90 000 euros (Observatoire Economique de la Commande Publique, 2018b). The management and control of social clauses is executed by workers called *faciliteurs*, which are working whether in not-for-profits organizations or in public authorities. When in public authorities, *faciliteurs* can be in departments or inter-communal structures for the use of different contracting authorities, or can be directly employed for the use of one contracting authority. Put another way, public authorities can ensure the management and control of social clauses or can outsource it.

Faciliteurs are in the news because measures of the current government will lead to important budget cuts for one organism, the *Maisons de l'Emploi*. Moreover, social clauses are more and more developed in private contracts, leading to the development of private and business-oriented “*faciliteurs*”. Despite these current debates, little is known on *faciliteurs* and their practices regarding the management and control of social clauses. More precisely, few things are known on the links *faciliteurs* have with public authorities. Nevertheless, this point is crucial to evaluate the effectiveness of the social clause mechanism.

The main source of information on *faciliteurs* comes from a report ordered by the French Ministry of Labour to the General Inspection of Social Affairs (IGAS) (Inspection Générale des Affaires Sociales, 2015). Mainly using insights from the main network of *faciliteurs*, *Alliances Villes Emploi*, the IGAS report reveals that the assistance missions of *faciliteurs* emerged as a pragmatic response, without any clear legal background. It points the gaps and dysfunctions of the device and concludes with two strong recommendations. The first one is to charge public authorities with the implementation and control of social clauses, for *faciliteurs* to focus on their inclusion missions. The second one is to create a public service of *faciliteurs*, for all public buyers to have a free access to their services.

Nevertheless, the report only offers a general policy perspective and doesn't investigate the contractual and procurement aspects of the question.

This chapter investigates the role and missions of facilitateurs in charge of the management and control of social clauses. Using the agency theory and the stewardship theory we first analyse the relationship between facilitateurs and public authorities, and try to figure out if they act as agents or stewards. This study also focuses on the management and control differences between facilitateurs in public authorities and in other structures, using insights from the transaction costs theory. In order to do so, a national survey was sent to French facilitateurs through their main network *Alliance Villes Emploi*. Our results show that facilitateurs' behaviours are in line with the tenets of the stewardship theory, even though some elements remind the agency theory. Moreover, we show that there is no significant difference between facilitateurs in public authorities and facilitateurs in other structures, regarding relationships with public authorities. As regards the existing knowledge, this work offers a unique description and analysis of facilitateurs' behaviour.

The literature referred to in the chapter is described in section 2 and section 3 presents the case of facilitateurs. Methodology is presented in section 4 and results in section 5. Section 6 serves as a discussion and section 7 concludes.

3.2 Literature and propositions

3.2.1 Related literature

The question of management and control of social clauses is related to different literatures. First, it is related to the agency theory and the stewardship theory in order to investigate the relationship between public authorities and facilitateurs. Second, it is linked to the transaction costs theory, as regards the different governance structures implemented.

Agents or stewards?

It has been noticed in the literature that the agency theory is today dominant in order to explain relationships between individuals (Segal and Lehrer, 2012). As defined by Jensen and Meckling (1976), the agency theory studies a “contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent”. The agency theory relies on different assumptions including opportunism, asymmetric information, and extrinsic motivations. Thus, the agency theory deeply investigates questions of control and incentives in order to make the agent acts according to the principal’s interest. The agency theory identifies two types of opportunism due to information asymmetries: adverse selection, which is related to issues of selection of good agents (Akerlof, 1970; Rothschild and Stiglitz, 1976; Spence, 1973) and moral hazard, which occurs when the principal cannot observe (hidden action) or is not able to evaluate (hidden information) agent’s action during the execution of the contract (Hart and Holmstrom, 1987).

In order to collect information and to control the agent, the principal can do it itself or hire a supervisor, as described in the principal-supervisor-agent model (Tirole, 1986). In this paper, the author develops a model in which there is collusion between the supervisor and the agent, leading the principal not to be efficiently informed. Even in situations where collusion between the supervisor and the agent is possible, models show that the principal still prefers to hire a supervisor (Strausz, 1997). Since then, many papers studied the principal-supervisor-model and solutions to prevent the supervisor and the agent to collude. As an example, Dudko (2002) investigates the principal-supervisor-agent model of “firm ticket-controllers consumers” situation with the aim of avoiding collusion between ticket controllers and consumers. The principal-supervisor-agent model has also been used to investigate the relationships of a firm (agent) hiring an interface (supervisor) in order to be in line with rules of the regulator (principal) (Engel, 2006). The link between collusion and renegotiation is also studied through the scope of principal-supervisor-agent models (Chiu and Chou, 2006; Strausz, 1997).

Besides collusion issues, it has been shown that supervisors can have other harmful behaviours for principals. A model described by Delfgaauw and Souverijn (2016) shows that supervisors can be biased and can push agents to focus on tasks of their own interests. Authors explain that the solution is for the principal to use “verifiable performance measures” to control supervisors. In the same line, supervisor’s behaviour has been found to be subject to collusion and abuse of authority (Vafai, 2005). Moreover, it has been showed that supervisors are subject to a leniency bias when evaluating agents, as developed by Marchegiani *et al.* (2016) in their literature review. Using this strand of the literature, the previous authors show that the supervisor’s leniency bias has a more positive impact on agent’s effort than a severity bias. Concerning the supervision modalities, models show that “(ex-post) auditing should be preferred to (ex-ante) monitoring in all the circumstances in which: (i) the supervisor cannot easily falsify evidence on her own; (ii) inducing the supervisor’s participation is costly” (De Chiara and Livio, 2017). Regarding facilitateurs, the risk of fraud has been clearly identified in the IGAS report (Inspection Générale des Affaires Sociales, 2015). One criticism often made against facilitateurs, is that they might favour placing the workers they are in charge of, despite other workers. Moreover, facilitateurs could collude with firms and avoid reporting non-execution of social clauses to public authorities.

Nevertheless, agency theory hypothesis of opportunism and self-interest motivations are sometimes seen as non-representative of human behaviour (Cuevas-Rodríguez *et al.*, 2012). The stewardship theory has been developed as an alternative to the agency theory and presents another facet of human behaviour in relationships, relying on sociology and psychology insights (Davis *et al.*, 1997; Van Slyke, 2006). Indeed, the stewardship theory develops the idea that a relationship can be ruled by trust and shared goals. Hernandez (2012) defines stewardship “as the extent to which an individual willingly subjugates his or her personal interests to act in protection of other’s long-term welfare”. In his paper, he develops a model of stewardship antecedents, showing that steward behaviours come from structural factors, including specific control and reward systems, and psychological factors, including specific cognitive and affective mechanisms.

Under the stewardship theory, relationships between the principal and the steward are characterized by commitment (Caldwell and Karri, 2005; Hernandez, 2012). As a consequence, the stewardship theory is considered as the best organizational governance theory to build trust, as compared to agency theory and stakeholder theory (Caldwell and Karri, 2005). However, if the stewardship theory is an alternative to the agency theory, it has been proven that the stewardship theory is consistent with the stakeholder theory (Filipovic *et al.*, 2010).

The stewardship theory finds a strong resonance in family business literature and not-for-profit (NFP) literature, where agency theory assumptions were not satisfying explanations. Indeed, the two theories have very different hypothesis on trust, interests, control and motivations. The starting point of the stewardship theory is that the agent (called steward) will act according to the principal's interest because he will have future benefits (Davis *et al.*, 1997) or because of shared goals (Sundaramurthy and Lewis, 2003). This assumption relies on the fact that human beings have intrinsic motivations, as opposed to extrinsic motivations, which need to be fostered by trust and personal satisfaction, as opposed to monetary rewards (Benabou and Tirole, 2003; Deci, 1972; Frey and Oberholzer-Gee, 1997). Donaldson and Davis (1991) investigate the benefits which can be gained from a steward approach, showing that steward CEO governance is more beneficial to shareholders than an agent CEO governance. An interesting example of a stewardship theory behaviour is the one developed by Segal and Lehrer (2012) in their case study of Edmonton public schools. In this paper, they describe a Canadian school district, which implemented trust-oriented management practices and moved from an agency-oriented organization to a stewardship-oriented one. Nevertheless, the stewardship theory is also criticized. One criticism often made against the stewardship theory is that it presents a too positive vision of relationships and human behaviours (Krzeminska and Zeyen, 2017). In the aforementioned paper, authors studied social franchising and highlighted the problems and costs linked to the stewardship theory, called stewardship costs.

Considering these differences, many papers try to figure out if one organization acts according to the agency theory or the stewardship theory and to figure out if people of the organization are agents or stewards. This question is highly investigated in the family business literature (e.g. Chrisman *et al.*, 2005; Davis *et al.*, 2010; Sharma, 2004) and in the not-for-profit literature, in which many papers deal with the research question: “*Agents or Stewards?*”.

Concerning the NFP literature, it has been showed that these organizations rely heavily on their employees’ intrinsic motivations (Leete, 2000). Regarding the commitment to their organizations, a study found that private employees are the most committed, followed by non-profit workers in second position and civil servants in third position (Goulet and Frank, 2002). In a study comparing motivations of employees in not-for-profit and for-profit organizations, De Cooman *et al.* (2011) explain that not-for-profit employees “are primarily interested in and motivated by the organizational mission and their own values that are attained through that mission”. Nevertheless, the question is not clear-cut if NFP organizations and NFP managers act like agents or stewards (Caers *et al.*, 2006). Papers show that their behaviours are explained by insights of both theories, even if some are more relying on the stewardship theory assumptions. In their paper, Vega and Keenan (2016) describes community forestry enterprises in Guatemala where the organization refers to the stewardship theory principles but where opportunistic behaviours are common. In a paper on the relationship between contracting public managers and non-profits delivering social services for the New York State, Van Slyke (2006) shows that both behaviours of the agency and the stewardship theory coexist. To do so, the author investigates behaviours as regards trust, reputation and monitoring. In a paper studying the contracting relationships between New-Zealand government and non-profits in charge of social services, Cribb (2006) shows that these relationships more belong to the stewardship theory, even if not only. Kluvers and Tippett (2011) run interviews in NFP organizations that introduced a bonus reward and conclude their study stating: “stewardship theory has greater explanatory power than agency theory in the NFP sector”.

In order to have a better understanding, some authors are calling for a greater framework using both theories to describe NPF organizations and their behaviors (Van Puyvelde *et al.*, 2016; Van Puyvelde *et al.*, 2013). Moreover, it has to be considered that learning effects might intervene and transform agents into stewards (Pastoriza and Ariño, 2008).

The same studies are done regarding the public sector. Indeed, an entire stream of public management's literature is devoted to public servants' values, motivations and behaviour. Far from the Public Choice's affirmations, the majority of these studies reveal that public servants have specific sets of values and motivations, different from the ones of private sector employees. Civil servants share some values such as "accountability", "expertise" and "reliability" with the private sector but also have specific values such as "lawfulness", "incorruptibility" and "impartiality" (Van der Wal *et al.*, 2008). According to Lyons *et al.* (2006), there is no significant difference between public, para-public and private employees regarding general values, but significant differences can be observed regarding work values. As an example, public servants value less advancements and prestigious work than private employees, and value more work that contributes to society (Lyons *et al.*, 2006). For a complete list of public servants' values, see the work of Jørgensen and Bozeman (2007). Concerning civil servants' motivations, the literature agrees to affirm that public servants have different motivations than private workers. Developed by Perry and Wise (1990), the concept of "public service motivation" (PSM) is now a reference in the public management literature. According to Perry (1996), PSM is composed of four components, which are: "attraction to public-policy making, commitment to the public interest, compassion and self-sacrifice". Since then, the dimensions of PSM have been confirmed and adapted to new public environments (Coursey and Pandey, 2007; Naff and Crum, 1999). Indeed, it appears that civil servants are less extrinsically motivated than private sector employees (Buelens and Van den Broeck, 2007). According to Houston (2005), the theory of public service motivation appeared as a response to the non-suitability of the agency theory to the public sector.

Using a survey on time volunteering, blood donation and money donation, the author investigates the behavioural characteristics of employees in public, non-profit and private organizations. Results show that civil servants are more subject to volunteer and donate blood than private employees, and that NFP employees stand between public and private workers (Houston, 2005). Regarding the agent or steward debate, an analysis of ownership behaviours in New Zealand's public firms revealed that those behaviours more refer to the stewardship theory than to the agency theory (Fox and Hamilton, 1994). In a study led on central government's departments and public agencies, Schillemans (2013) explains that even though the environment reminds of the agency theory, the employees' behaviour remind of the stewardship theory. We draw from this literature that civil servants more behave as stewards than workers in NFP organizations, even though some debates are still active. As developed in the following parts, insights from the transaction costs theory are also useful to understand this matter.

In-house production versus outsourcing

The transaction costs theory (TCT) deeply investigates the governance structures of public services, and the choice to produce them in-house or to outsource them. Following Coase's preliminary work (Coase, 1937) and Williamson's developments (Williamson, 1975; Williamson, 1979; Williamson, 1985), this literature investigates the decision to make or buy, as well as its consequences, using the transaction as unit of analysis. As summarized by Saussier and Yvrande-Billon (2007), the TCT relies on three main hypothesis, which are bounded rationality, uncertainty and opportunism. According to the TCT, each transaction has a governance structure for which transaction costs are minimized. Two types of transaction costs have been identified: *ex ante* (e.g. costs to write the contract, costs to find a contractor, costs to negotiate) and *ex post* (e.g. contracts' management costs, renegotiations' costs) (Saussier and Yvrande-Billon, 2007). The TCT developed three transactions' attributes: the assets specificity, the level of uncertainty and the frequency.

Thus, depending on the transaction's characteristics, it should be executed through the market, through a hybrid form or within the firm. Each governance structure has its own specificities, and goes from non-integrated forms to completely integrated ones, the firms.

This literature has largely been used to explain the externalisation of public services or their production in-house. As summarized by Beuve and Saussier (2015), a transaction in-house and a transaction outsourced produce different effects. According to them, the externalisation of public services should allow some additional competencies, some economies (of scale for example) and different incentives. Indeed, they explain that the externalisation itself, if done through a competitive procedure, generates incentives to win the contract. Moreover, the authors develop incentives related to management practices. As pointed by Williamson (1985), the market acts as a sanction regarding contracts' execution. This is not the case in integrated forms, where actions are ruled by hierarchy through work contracts. Indeed, the TCT presumes that, in case of externalisation, agents will have stronger incentives to perform, as they might be sanctioned at the end of the contract. This has been confirmed by many studies, as the one by Hart *et al.* (1997) on the relative efficiency of governance modes in the case of American prisons. Lastly, the TCT highlighted the fact that externalisations can be an efficient way to fight public organisations' inefficiencies, especially regarding political inferences (Beuve and Saussier, 2015).

Finally, the TCT investigated the effects of organizational choices, especially through the issue of performance. As summarized by Amaral *et al.* (2015), this issue has been studied for many public services such as water supply, waste collection, public transportation or prisons' management. Authors show that the question of relative performance is not clear-cut and also depends on contextual aspects as well as other determinants. Even though the matter of performance is not analysed in this study, it needs to be kept in mind.

3.2.2 Testable propositions

Considering the “agent or steward?” debate in the NFP and public sector literature, we make the proposition that facilitateurs rely more on stewardship theory insights. Indeed, because of their public or NFP status and their inclusion mission, we can believe that facilitateurs behave as stewards regarding public authorities. Thus, we make the following proposition, which will be investigated in the first part of the analysis.

Proposition 1: Facilitateurs behave as stewards regarding public authorities

As developed by the TCT, organizational choices have impacts on practices. We make the proposition that facilitateurs in public authorities will have different practices than facilitateurs in other structures. Taking insights from the TCT and the public sector literature, we formulate the following proposition, which will be investigated in the second part of the analysis.

Proposition 2: Facilitateurs in public authorities more behave as stewards than facilitateurs in other structures

In order to investigate these two propositions, we present the case of facilitateurs in France.

3.3 The case of facilitateurs in France

For the management and control of social clauses, facilitateurs can be in organizations in charge of implementing the employment policy at the local level or in public authorities.

As defined by the Inspection Générale des Affaires Sociales (2013), many different actors, public and private, intervene in the employment policy (see Figure 15 in Appendix). Within this complex structure, the Employment Public Service⁴² is composed by some of these structures (see Figure 16 in Appendix), and is under the authority of the Ministry of Labour. Its goal is to execute the employment policy, as defined by the State. Since 30 years, the employment policy is also developed at the local level in order to take into account local specificities and to offer most tailor-made services (Sénat, 2012). To do so, many organizations have been created, including the *Missions Locales*, the *Maisons de l'Emploi* and the *Plans locaux pluriannuels pour l'insertion et l'emploi* (PLIE). These structures have also been charged to control the execution of social clauses, creating facilitateurs. As observed in Figures 15 and 16 (see Figures 15 and 16 in Appendix), the *Missions Locales* are part of the Employment Public Service, whereas the two others are only “partners” of the State regarding the employment policy. The three structures, which deal with the control of social clauses, are:

- *Missions Locales*: created in 1982, their role is to deal with youth unemployment and their professional exclusion. Indeed, they are in charge of informing and assisting young from 16 to 25 years old. According to the French Ministry of Labour website, there are 445 *Missions Locales* on more than 6500 sites helping 1.5 millions of young people. Since 1984, they are part of the Employment Public Service.
- *Plans locaux pluriannuels pour l'insertion et l'emploi* (PLIE): they have been created officially in 1998⁴³ and were experimented since 1993. Their goal is to ease access to employment to people in high difficulty of social and professional exclusion (Assemblée Nationale - Commission des Affaires Sociales, 2013). According to a report from Alliance Villes Emploi (2016b), there are 150 PLIE in France, covering 4434 cities and nearly 20 million of inhabitants. PLIE are created by local authorities and can involve inclusion

⁴² *Service Public de l'Emploi* in French.

⁴³ Law n° 98-657 du 29 juillet 1998 d'orientation relative à la lutte contre les exclusions.

organizations and local firms' networks. As developed in the *Assemblée Nationale's* report, they are mostly financed by the European Social Fund, the State and by local authorities. Indeed, the European Union dedicated, through the European Social Fund, 6 billion euros to France for the period 2014-2020 in order to implement actions related to 4 themes, which includes access to employment and inclusion⁴⁴.

- *Maisons de l'Emploi*: they have been created in 2005⁴⁵ with the goal of developing local employment, building a local strategy for employment, studying and anticipating economic mutations, and overcoming social and cultural barriers to employment (Assemblée Nationale - Commission des Affaires Sociales, 2013). According to the report, there are 195 *Maisons de l'Emploi* in France, which can take the form of NPF organizations or of public interest grouping. Indeed, they are at least composed of a local authority, the State and *Pôle Emploi*⁴⁶, with generally actors from the civil society and local firms' networks. The *Maisons de l'Emploi* are financed by the State, by the local authorities and by the European Social Fund.

Faciliteurs can also be employed directly in public authorities. Most of the time, they are in inter-communal structures or Department Councils and are used by public authorities of the territory. They can also be directly in municipalities.

Alliance Villes Emploi is the main network of *Maisons de l'Emploi* and PLIE, as recognized by the French Ministry of Labour. The structure is in charge of their representation, development and also works in favour of their practices' harmonization. As developed on its website, *Alliance Villes Emploi* is a NFP organization founded in 1993, which gathers local public authorities and local structures of the employment policy⁴⁷.

⁴⁴ Information taken from the official French European Social Fund's website. "www.fse.gouv.fr"

⁴⁵ Articles L. 311-10 et L. 311-10-1 of the Code du Travail and décret n° 2005-259 du 22 mars 2005 fixant les modalités d'attribution de l'aide de l'Etat aux maisons de l'emploi et complétant le code du travail.

⁴⁶ French national employment agency.

⁴⁷ www.ville-emploi.asso.fr

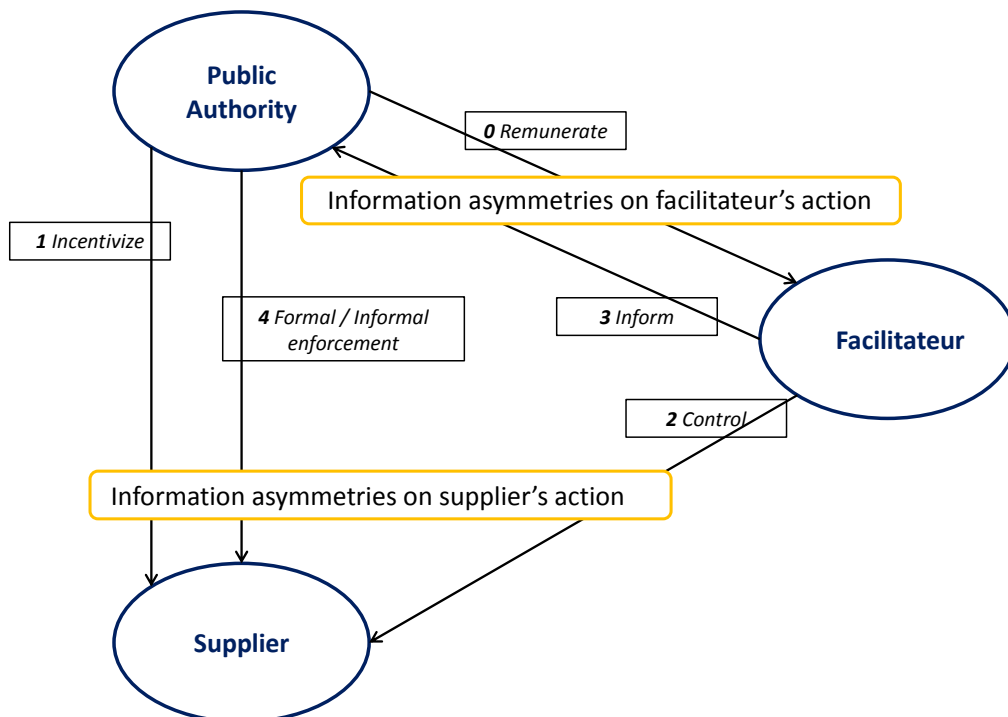
It is the main network of facilitateurs and is, to our knowledge, the only provider of information on their activities. Indeed, *Alliance Villes Emploi* publishes reports on its members' actions such as the annual consolidation report on social clauses, which presents statistics on the execution of social clauses (the number of hours executed, the number of workers employed ...). According to them, there must be around 440 persons identified as facilitateurs in France and 70% of them work in *Maisons de l'Emploi* or PLIE⁴⁸. To date, 318 facilitateurs of 253 structures, whether PLIE, *Maisons de l'Emploi*, other forms or public authorities, are members of *Alliance Villes Emploi* (Alliance Villes Emploi, 2016a). Concerning their tasks, they are listed in reports, as *Alliance Villes Emploi* is working with the State on the creation of a professional title for the job of facilitateur (Alliance Villes Emploi, 2012). For social clauses, their role is mainly to help public authorities to write social clauses in tenders' documents, to help the award firm to find appropriate social workers and to control the execution of the social clause. As an illustration, examples of social clauses are presented in Appendix (see Annexes 2 and 3 in Appendix). Thus, their action is comprehended as assisting public authorities and firms for planning and executing social clauses. Facilitateurs are generally working for different public authorities, and may control social clauses for many of them. Some departments of France decided to create one unique facilitateur in order to simplify the organization, such as the Nord department.

Thus, depending on the organization chosen, the management and control of social clauses can be done by in-house facilitateurs or outsourced to facilitateurs in other structures. In this work, we consider as in-house every facilitateurs in public authorities, even though they might be working for other public authorities. Indeed, we were not able to distinguish between the two kinds of facilitateurs in public authorities (those working only for the one they are in and those working for many). However, we follow Levin and Tadelis (2010) and consider that “contracting to other public agencies appears to be largely a substitute for in-house provision, rather than an analogue of privatization”.

⁴⁸ *Alliance Villes Emploi's* website.

In case of outsourcing (see Figure 13), the public authority is paying directly or indirectly a facilitateur to control the execution of social clauses (0 Remunerate). Firms are incentivized to execute social clauses through penalties, which can be prescribed by tenders (1 Incentivize). The facilitateur controls firms for the employment of social workers (2 Control) and then inform the public authority of the good or bad execution of social clauses (3 Inform). Then, the public authority is free to apply enforcement measures (4 Formal / Informal enforcement). As illustrated in Figure 13, public authorities thus suffer from 2 information asymmetries: regarding facilitateur's action on the control of social clauses and regarding supplier's action on the execution of social clauses.

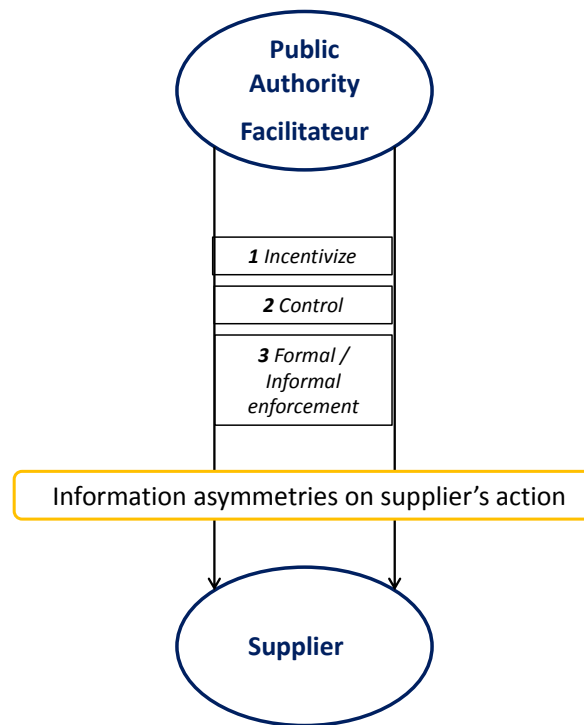
Figure 13. Social clause's actors and actions in case of outsourcing



In cases where facilitateurs are within public authorities (see Figure 14), the aforementioned actions are the same, except for the one of informing. In these cases, only the information asymmetry regarding supplier's actions remains.

Opportunism regarding facilitateurs' actions remain, but is managed within the organization through hierarchy mechanisms.

Figure 14. Social clause's actors and actions in case of facilitateurs in public authorities



According to Patrick Loquet, a French consultant on social clauses, public authorities can require qualitative and quantitative accounting measures from facilitateurs (Réseau des Territoires pour l'Economie Solidaire, 2010). Regarding qualitative measures, he lists the technical coaching, the training, the socio-professional support and the professional qualification of social workers.

3.4 Methodology of the chapter

3.4.1 Data collection

In order to investigate the management and control of social clauses by facilitateurs, we first explored qualitative materials from the internet. Indeed, we collected documents linking facilitateurs to public authorities, such as conventions, charters or calls for tenders, in order to have a view of the relationships between structures. We also collected consultation files of tenders with social clauses in order to see how the management and control of social clauses were defined. The goal of this qualitative exploration was to have a first sense of the research questions. Thus, we did not collect the exploratory qualitative data with a rigorous methodology, contrary to what we did for the quantitative data, as described beyond. Then, we send a survey to French facilitateurs through the national network of facilitateurs, *Alliance Villes Emploi*. The survey methodology was adopted because we wanted to have an idea of the overall situation of a large number of people, herein facilitateurs (Rowley, 2014).

During the phase of data collection, we paid a specific attention to the current errors identified in the survey literature, which are coverage errors, sampling errors, nonresponse errors and measurement errors (Couper, 2000; Groves, 2004). As every facilitateurs in the sample have an email address, we can surely eliminate the coverage error of web surveys, which happens when not all people of the sample can be reached through the internet (Couper, 2000). Concerning the sampling error, we are unable to ensure the representativeness of our sample. Indeed, the sample of the survey is composed of the facilitateurs registered in *Alliance Villes Emplois*, leading to a nonprobability sample which implies "a non-random selection of participants" (Etikan *et al.*, 2016). We may thus have a selection bias, as we are unable to ensure that facilitateurs registered in *Alliance Villes Emploi* are representative of every facilitateurs. Indeed, we were not able to find any information on all facilitateurs which would allow us to test the representativeness of our sample, through matching or propensity score weighting (Mercer *et al.*, 2017).

We also paid attention to nonresponse errors, even though it has been acknowledged in the literature that nonresponse rate was not directly linked nor proportional to nonresponse bias (Groves, 2006; Olson, 2006; Peytcheva and Groves, 2009). In order to increase the response rate of the survey, we investigated the survey participation reasons. The decision to participate to a survey depends both on the design of the survey and on psychological factors (Groves *et al.*, 1992), as well as on social and cultural elements (Johnson *et al.*, 2002). It has also been proven that a high number of survey solicitation decreases response rates for later surveys (Porter *et al.*, 2004). Concerning the psychological and cultural factors, it was not possible to take them into account as we could not find that kind of information on facilitateurs in existing documents. Nevertheless, we can believe that they are subject to solicitations, as their email addresses are freely accessible on the *Alliance Villes Emploi's* website. Concerning the expected response rate, a meta-analysis of papers published in organizational journals revealed that the average response rate for organizations' employees is 35.7%, which is lower than for individuals (Baruch and Holtom, 2008).

As developed in the literature, measurement errors can both come from the questionnaire (bad wording, bad administration ...) or from the respondents (low motivation, understanding problems ...) (Couper, 2000; Groves, 2004). In order to avoid measurement errors, a great time and attention was devoted to the questionnaires' design, as recommended by the survey literature (Couper, 2000; Couper *et al.*, 2001; Dillman, 2017; Rowley, 2014). To do so, we mainly relied on the Gavard-Perret *et al.* (2012) methodology guidebook, which offers useful guidelines and recommendations through an extensive literature review. Following this guidebook, the questionnaire mainly contains yes/no questions, completed with open questions used in order to precise or deepen a yes/no question. As developed in the guidebook, questions wording in the questionnaire is made in order to avoid understanding bias. Indeed, as recommended, we used simple vocabulary and short questions, which do not implied answers. The grid has been designed carefully in order to avoid breakoffs and missing data, as developed by Couper *et al.* (2013).

We also followed the guidebook advices concerning questionnaires' organization, with an introductory part containing insurance of anonymous treatment, in order to avoid anxiety bias. Questions were organized by themes in the core questionnaire, while trying to avoid order-effect bias, where the respondent gives biased answer in order to be coherent with its former answers (Gavard-Perret *et al.*, 2012). The questionnaire was send as a university survey with the communicated objective to collect information on facilitateurs' practices. One reminder was send to facilitateurs who did not answered, following the generally used survey methodology (Rowley, 2014).

The survey investigates the relationship between facilitateurs and public authorities. The survey contains 9 questions on the relationships between facilitateurs and public authorities and mainly deals with monitoring, autonomy, objectives and trust (see Annex 4 in Appendix). The survey was send to the 348 email addresses of facilitateurs available on the online directory of the national facilitateurs' network *Alliance Villes Emploi*. We first send the survey to 348 email addresses on the 11th of July 2017 and then send it a second time to the 258 facilitateurs who did not open the message on the 14th of September 2017. After the sending, 150 emails were opened and we collected 78 answers. Regarding the survey questions' construction, we mainly relied on the insights on the agency theory and stewardship theory developed by Van Slyke (2006).

3.4.2 Data analysis

In order to answer the first research question of the chapter (*Do facilitateurs act as agents or stewards?*) we first led an exploratory qualitative research on the different types of arrangements defining these relationships. To do so, we search documents available on the internet with the key words "charter facilitateurs social clauses", "convention facilitateurs social clauses", "subvention facilitateurs social clauses" and "assistance to the contracting authority (ACA) social clauses"⁴⁹.

⁴⁹ Search in French "charte facilitateurs clauses sociales", "convention facilitateurs clauses sociales", "subvention facilitateurs clauses sociales" and "assistance maitrise d'ouvrage clauses sociales".

In the first Google pages of these searches, we downloaded 4 arrangements between facilitateurs and public authorities, selected for their completeness level. For each document, we extracted elements defining the relationship between facilitateurs and public authorities. This first analysis allowed us to have a view on the different arrangements available for facilitateurs and public authorities and on their major requirements and characteristics.

Concerning the quantitative methodology, we first spend time reading the survey's results and the side comments added by respondents. We then constructed the corresponding variables, which will be developed in the next section.

First, our goal was to observe facilitateurs' behaviour and to see if they behave as agents or stewards regarding public authorities. To do so, we investigate the descriptive statistics and the side comments made by respondents. Indeed, we did not find specific measures in the agent/steward literature. To our knowledge, analysis on this matter are theoretical papers (Caers *et al.*, 2006; Cribb, 2006) or case studies (Kluvers and Tippett, 2011; Van Slyke, 2006; Vega and Keenan, 2016).

Second, we wanted to know whether facilitateurs in public authorities have the same behaviours as facilitateurs in other structures. Regarding the methodology, we run a bivariate analysis in order to estimate the relationship between our two variables on governance and facilitateurs' status and the other variables. The goal is to see if governance structures or facilitateurs' status have an impact on facilitateurs' relationships regarding public authorities. Following the methodology described by Hahn and Macé (2012), we build a contingency table. All variables being qualitative ones with small values, we investigate the relationships through Fisher's exact test. The null hypothesis of independence will be rejected with a 5% significance level α .

The following part of the chapter presents findings regarding the agent/steward debate (3.5.1) and the differences between facilitateurs (3.5.2).

3.5 Findings

3.5.1 Are facilitateurs agents or stewards?

Qualitative exploration

In order to understand the relationship between public authorities and facilitateurs, we first run a qualitative exploratory analysis on the different types of arrangements defining them. The first document is a call for tender from Toulouse Metropole Habitat for assistance to the contracting authority (ACA) missions on social clauses; the second document is an European Social Fund (ESF) call for proposals from the Deux-Sèvres Department for social clauses' missions; the third one is an intercommunal commitment charter between seven public authorities and the "PLIE Guyanne", and the fourth document is a job description of the Allier Department for missions of implementation and monitoring of social clauses. In order to understand the differences between these arrangements, we run a descriptive analysis on their contents. In each document, we looked at the required tasks, selection criteria, accountability measures, firms' control modalities, incentives, duration and access restrictions. Findings are illustrated in the following tables (see Tables 20 and 21).

Table 20. Description of public authorities – facilitateurs’ arrangements – part 1

	Toulouse Métropole Habitat call for tender	Deux-Sèvres Department ESF call for proposals	Guyana public authorities charter	Allier Department job description
Actions/tasks required	-Assistance to the contracting authority for the implementation of social clauses; -Analysis of social inclusion award criteria; -Technical help for firms; -Control of social clauses 'execution.	-Propose adequate employment trajectories to social workers; -Assist local authorities to identify appropriate tenders and follow the execution of social clauses; -Help firms to bid on tenders with social clauses and assist them during execution;	-Technical help for public authorities, firms and social workers -Monitoring of social clauses and social workers -Ensure trainings and coordination with public employment service structures -Control social clauses	Promotion, implementation and monitoring of social clauses -Ensure cooperation and coordination with all actors of social inclusion -Management of social workers
Selection criteria regarding social clauses	-Price (60%) -Technical value (40%); – methodology for the execution control (20%) and instruments implemented to help firms (20%);	-Good knowledge of social clauses; -Experience in assisting public authorities; -Partnerships with other inclusion structures; -Means' geographical proximity with public authorities;	/	-Knowledges of firms, social inclusion and social economy; -Expertise in public procurement;
Access restriction	No	Yes – inclusion structures from Deux-Sèvres Department	Yes	No - open to contract workers
Duration	1 year renewable twice	1 year	1 year	/

Table 21. Description of public authorities – facilitateurs’ arrangements – part 2

	Toulouse Métropole Habitat call for tender	Deux-Sèvres Department ESF call for proposals	Guyana public authorities charter	Allier Department job description
Facilitateurs accountability measures	-Monthly, quarterly and yearly report (on both quantitative and qualitative aspects. A reporting form is given); -The provider needs to be autonomous and deal with execution problems. Major problems will figure in the quarterly report.	-Create a monitoring authority with all inclusion actors to mutualize tenders and social workers; -Yearly report showing the list of social workers by tender and period;	Quarterly evaluation report with at least: number of beneficiaries, typology of beneficiaries, number of contracts, number of work hours predicted and executed, firms' typology, trainings and reasons for non-execution.	/
Definition of control modalities for firms	Strictly defined. The control is on the hours executed and the workers' census. Contractual delays are: 48 hours to produce a summary of executed hours, 2 weeks for analyzing offers and reporting every month, quarter and year.	/	/	/
Incentives	Penalty fee of 100 euros per day in case of late execution or late reporting	/	/	/

Looking at the tables 20 and 21, we can see that the four arrangements are different regarding aspects of the agents or stewards debate, even though they require nearly the same tasks/actions from the facilitateurs. At first glance, we can see that the call for tender is the most prescriptive regarding our criteria, whereas the job description is the less prescriptive. This is consistent with the transaction costs theory, which states that within organizations, relationships are governed by authority through non-detailed work contracts (Saussier and Yvrande-Billon, 2007). Regarding the accountability measures, the call for tender is the most developed, even though the call for proposal and the charter are also precise. The main difference stands in the definition of firm's control modalities, which is very prescriptive in the call for tender and missing from the other arrangements. This is also the case of incentives, which don't appear in the other documents collected. Another difference stands in the access restriction. Indeed, the call for proposal restricts access to facilitateurs from the department and the charter is made for one specific facilitateur.

To our knowledge, the general practice is to call on the facilitateur in charge of the territory in which the tender is executed. As raised in the introduction, the public employment service conception is the one defended in its report by the Inspection Générale des Affaires Sociales (2015). According to our investigation led on French procurement advertising supports, tenders for social clauses' assistance to the contracting authority are rare. Concerning the ESF call for proposals, the ones we saw were launch by departments which are consecrated as ESF intermediary bodies in France⁵⁰. Indeed, departments are in charge of social aid, when regions are in charge of economic development and employment.

Thus, concerning the choice of arrangement, public authorities have the choice to produce in-house (the facilitateur is a public servant or a contract worker) or to contract-out (the facilitateur belongs to another structure, whether through tenders, call for proposals or conventions). Considering French and European law, these 4 arrangements have different implications for public authorities and facilitateurs.

⁵⁰ In the European Union, intermediary bodies are in charge of managing the European Social Fund at the national or local level.

French procurement law requires tenders in case of an onerous contract (as opposed to free contracts) for the execution of benefits in order to answer to defined needs (*Ordonnance N° 2015-899 Du 23 Juillet 2015 Relative Aux Marchés Publics*, 2015). As regards public grants, 3 elements separate them from public tenders (Direction des Affaires Juridiques, 2016): the project initiative⁵¹, the needs definition and the absence of direct consideration⁵². Indeed, even if funded structures implement public policies, calls for projects need to be large and generic, for structures to have latitude to propose and implement their solutions. Moreover, public authorities are not allowed to require any direct consideration from funded structures, even though they can determine the way money is used in case of general interests' reasons. According to Patrick Loquet, a French consultant on social clauses, *faciliteurs* answer to a public service mission with no specifications on their actions, and should thus benefit of subventions (Réseau des Territoires pour l'Economie Solidaire, 2010).

Concerning control and incentives, the modalities are defined by arrangements and there are no legal or generic rules regarding the different arrangements. Nevertheless, it appears that ESF funded projects are subject to high control and that a part of the payment depends on results. Concerning civil servants, we can affirm that they have low incentives in France, even though it is less true for contract workers.

Quantitative analysis

In order to have a clearer view of the arrangements used and on the behaviour of *faciliteurs* as agents or stewards regarding public authorities, we complete this first exploration by a quantitative analysis. To do so, we use answers from the survey (see Annex 4 in Appendix) send to *faciliteurs* on representative items of both stewardship and agency theories.

⁵¹ See for example the court decision: CE, 23 mai 2011, Commune de Six-Fours-Les-Plages, n° 342520.

⁵² See for example the court decision: CE Sect., 6 juillet 1990, Comité pour le développement industriel et agricole du Choletais, n° 88224.

In order to define those items, we mainly used those formulated by Van Slyke (2006) in his analysis of social services contracted to NPF organizations. Thus, we elaborated questions regarding monitoring practices, autonomy, objectives and trust. Contrary to the analysis of Van Slyke (2006), our analysis focuses on one social service which is inclusion and offers only a facilitateur's point of view. Compared to the aforementioned analysis, we investigated the fact that facilitateurs work with firms outside social clauses, which can have an impact on the agent/steward debate. Moreover, we did not investigate the aspects of reputation for the following reasons: they are not supposed to be taken into account in cases of competitive procedures, and neither are they in other cases as facilitateurs are supposed to be a territorial mechanism. As explained earlier, facilitateurs are considered as territorial structures with public service missions. Public authorities are then supposed to work with the facilitateur of their territory (Loquet, 2016; Inspection Générale des Affaires Sociales, 2015). Among the 78 surveyed facilitateurs, 16 (20.5%) are within public authorities and 62 (79.5%) are in other structures. Regarding the repartition in other structures, 40% of facilitateurs are within *Maisons de l'emploi*, 33% are in PLIE, and 2.5% are in public interest groups. The last 4% of facilitateurs are in non-identified structures, probably other structures of the employment policy. Respondents are thus representative of the initial sampling of *Alliances Ville Emploi* regarding these two aspects. The variables used are described in Table 22 (see in Appendix).

Concerning monitoring practices, we rely on 3 different elements corresponding to 3 questions to facilitateur. First, we investigate the facilitateurs/public authorities' relationships looking at the arrangement organizing these relationships, using answers to question 3. Second, we use answers to question 4 to see if public authorities define control modalities or if they are defined by facilitateurs themselves. Third, we try to know if facilitateurs have to report control information to public authorities, using answers to question 8. As described in the literature review, the stewardship theory gives great importance to the sharing of same objectives between the principal and the steward. In order to measure this item, we use answers to question 7 concerning shared objectives with public authorities on social clauses.

Trust is measured using question 5, which investigates if relationships between facilitateurs and public authorities are trust-based or not. In order to investigate the autonomy of facilitateurs, we built a variable, which is measured thanks to question 6. We also investigate the relationships with firms outside the control of social clauses' execution through answers to question 9.

◆ Monitoring practices

In order to investigate the agent/steward debate, we first analyse the facilitateurs' monitoring practices. As described in the qualitative analysis, many arrangements can organize the facilitateurs-public authorities' relationship. According to our results, it appears that at least one quarter of arrangements are unformal. Half arrangements are conventions with public authorities, which can be annual, long-term or by operation. Some are might be competitive (*e.g.* ESF calls for proposal) whether some are not (*e.g.* charters with one facilitateur). The last quarter of surveyed facilitateurs explain that it depends on public authorities, some use formalized documents and some don't. Within this last quarter of mixed-arrangements, two facilitateurs evoked public tenders alongside conventions or no formal arrangements or both. According to the facilitateurs surveyed, arrangements' duration is greatly variable. Some are "one-shot", that is to say only for the duration of a social clause, whereas some are annual or multi-annual. The presence of different arrangements for one facilitateur confirms the fact induced that public authorities choose their arrangements.

Nevertheless, it appears that control modalities and frequencies are mostly defined by facilitateurs. By control modalities, we refer to the control of social clauses' execution which can be done on site, on firms' declarations, with work contracts or with other modalities and the control's frequencies. It could be explained by the fact that control modalities are not defined in the aforementioned arrangements, as suspected through the qualitative analysis. Indeed, 51% of facilitateurs indicate that they define control modalities, whereas 11% of them indicate that public authorities define them. 38% of surveyed facilitateurs explain that the definition of control modalities depends on public authorities, some define them and some don't.

But defining control modalities do not exclude accounting to public authorities. Indeed, all surveyed facilitateurs account controls' results to public authorities, even though they do not account to every public authority. Indeed, some surveyed facilitateurs indicate that not all public authorities were requesting accounting measures. To account to public authorities, facilitateurs use reporting tables or software and statistical reviews. Some of them also have regular meetings with public authorities.

◆ Shared objectives, trust and autonomy

As described previously, the sharing of objectives is an important element in the stewardship theory. Thus, facilitateurs were asked if their objectives regarding social clauses were the same as public authorities' ones. Results are not clear-cut as the stewardship theory would expect. Indeed, it appears that 59% of surveyed facilitateurs consider that they share the same objectives with public authorities on social clauses. The answer to this question is negative for 9% of surveyed facilitateurs and 32% indicates that it depends on public authorities. Thus, it appears that the large majority of facilitateurs surveyed share objectives with public authorities regarding social clauses, even though some don't.

As regards trust, it appears that a large majority of surveyed facilitateurs consider that their relationships with facilitateurs are based on trust. Indeed, 76% of them indicate that they have trust-based relationships with public authorities and 24% that it depends on public authorities (trust-based relationships with only some of them).

According to our results, surveyed facilitateurs perceive their actions with a very high level of autonomy. This is consistent with previous results on the definition of control modalities. Nevertheless, this high level of autonomy can question, especially when put into perspective with the shared objectives and work with firms' items.

◆ Work with firms

Indeed, nearly all facilitateurs indicate that they are working on other projects with firms in charge of social clauses' execution. It can be a problem if facilitateurs execute a lighter control because of their relationships with firms, which our study is not able to establish.

Thus, the agent/steward debate is not clear-cut. It appears that facilitateurs have different relationships with public authorities, which are managed by different arrangements and modalities, even though they seem to be very independent. Items such as trust, shared objectives or autonomy are suggesting stewardship theory. However, some can oppose the fact that facilitateurs work with firms on other projects. Indeed, it questions their role regarding firms' control. Moreover, the lack of defined arrangements and the non-definition of control modalities can suggest that public authorities (principal) are not involved in the relationship (principal – supervisor). It might be confirmed by the high degree of perceived autonomy and the high independency level, as pointed by the Inspection Générale des Affaires Sociales (2015). Thus, proposition 1 is partly validated, even though some points of vigilance have been identified.

3.5.2 Facilitateurs in public authorities versus in other structures

According to the TCT, there should be differences whether the facilitateur is in a public authority or outsourced to another structure. In order to investigate the differences, we built contingency table (see Table 23 in Appendix) and run bivariate analysis. The contingency table displays the variables' frequency distribution depending on the governance structure: facilitateurs in public authorities or in other structures. First line shows the number of facilitateurs' in public authorities for each modality of the observed variable. Second line shows the frequency of facilitateurs in public authorities for each modality of the observed variable. Third and fourth lines respectively show the same results for facilitateurs in other structures.

The p-value obtained with Fisher's exact test allows us to reject (or not) the null hypothesis of independence. A p-value under 0.05 would allow us to establish a statistical significance between the two variables. It would then mean that the distribution of one variable depends on the distribution of the other variable. Results of Fisher's exact tests are described below.

Looking at the contingency table, we can see that the answers' repartition is different whether facilitateurs are in public authorities or in other structures. Facilitateurs in public authorities are 30.7% to have no formal arrangements, compared to 21.1% when facilitateurs are outsourced. This can be explained by the fact that some facilitateurs are directly employed in municipalities. The rest of the distribution is also slightly different, and outsourced facilitateurs have more diverse arrangements. However, Fisher's exact test doesn't allow us to reject the null hypothesis of independence between the governance structure and the arrangements used (p-value = 0.855).

Regarding the definition of control modalities, Table 23 (see Table 23 in Appendix) shows that they are defined more by facilitateurs in public authorities (66.7%) than by facilitateurs in other structures (47.5%). Fisher's exact test presents a p-value of 0.535, which doesn't allow us to reject the null hypothesis. It appears that 78.6% of facilitateurs in public authorities and 71.2% of facilitateurs in other structures account to public authorities. Results for Fisher's exact tests lead to the same conclusion as for previous variables (p-value = 0.744).

The proportion of shared objectives is higher for facilitateurs in public authorities (73.3%) than for others (55.7%), as well as the level of trust (respectively 80% and 75%). Autonomy is also greater for facilitateurs in public authorities (66.7% of them indicate a level of autonomy between 90% and 100%, compared to 50% for facilitateurs in other structures). Nevertheless, Fisher's exact test doesn't allow us to reject the null hypothesis of independence for the three investigated variables. Indeed, p-values are too high to establish a statistical significance for variables objectives' sharing (p-value = 0.343), trust (p-value = 0.488) and autonomy (p-value = 0.531).

All facilitateurs in public authorities work on other projects with firms in charge of the execution of social clauses. This proportion is also high, but slightly different, for other facilitateurs, as 96.7% of them work on other projects with these firms. Fisher's exact test presents a p-value of 0.638, which doesn't allow us to reject the null hypothesis.

According to our results, facilitateurs' governance structures seem to be independent from other studied variables. Nevertheless, we can imagine that other characteristics of facilitateurs might have an impact on these variables. To investigate this possibility, we run the same tests using facilitateurs' status. As described above, 40% of facilitateurs are within *Maisons de l'emploi*, 33% are in PLIE, 20.5% in public authorities, 2.5% are in public interest groups and 4% are in other structures. Thus, we run the same tests on variables arrangement, control modalities, modalities of accounting, objectives' sharing, trust autonomy and work with firms. According to our results, null hypotheses of independence cannot be rejected for these variables either.

Thus, according to our analysis, facilitateurs' governance structures and their status are not significantly dependent on the other variables studied. Thus, proposition 2 is rejected.

3.6 Discussion

This exploratory study highlighted the diversity of arrangements and modalities defining relationships between facilitateurs and public authorities. However, this diversity does not seem to be justified, as no significant difference has been noted regarding facilitateurs' behaviour. Thus, it appears that practices should be harmonized. It will lead to a clearer device and will ease the practice of facilitateurs who work with several public authorities.

As defined in the results, even if facilitateurs' behaviour rely more on stewardship theory insights, some elements also show agency theory insights. These elements call for a reflexion on the role of facilitateurs and on their relationships with public authorities.

As recall by the Inspection Générale des Affaires Sociales (2015), the management and control of social clauses by facilitateurs outside public authorities appeared as a field answer to the lack of knowledge of public authorities. Today, the use of facilitateurs is justified regarding their knowledges on inclusion and local employment. Indeed, they have competencies to support social workers for the construction of their careers and to bring them to long-term employment. Nevertheless, from a legal point of view, there is no justification explaining that contract clauses are *de facto* not managed and controlled by public authorities. Indeed, social clauses, as well as environmental clauses, are classical contract clauses. One could not imagine a place where the control of execution delay clauses would *de facto* be done by another structure. Thus, we consider that public authorities should be in charge of the management and control of social clauses. If public authorities want to outsource these missions, it should be done through public procurement. It first implies that both classical facilitateurs and other structures (including business-oriented ones) could candidate. It also implies that all control and accounting modalities should be defined by public authorities. To do so, public authorities should devote resources to the management of these contractual clauses. Indeed, it has been noted by the literature that contract management is quite low in public authorities (Cohen, 2008; Mobley, 2004; Rendon, 2010; Romzek and Johnston, 2002; Van Slyke, 2006), partly because of lack of resources. Lastly, it implies that structures part of the employment public service will only be in charge of the inclusion aspects, as proposed by the IGAS report (Inspection Générale des Affaires Sociales, 2015). Thus, they should be in charge of supporting social workers in the construction of their careers in order to bring them to long-term employment. This organization has two major advantages. First, as structures of the employment public service focus on inclusion aspects, the efficiency might increase.

Second, as the structure charged to manage and control the social clause has no interest in the results, it reduces the risk of fraud or leniency by the supervisor in case of outsourcing, as developed in the related literature.

3.7 Conclusion

This chapter investigates the roles and practices of facilitateurs regarding public authorities in the execution of social clauses. According to the literature, we made the proposition that facilitateurs behave as stewards (proposition 1) and that there are differences between facilitateurs in public authorities and facilitateurs in other structures (proposition 2). Our results partially validated proposition 1, even if some warnings regarding facilitateurs' independency and contacts with firms have been highlighted. Proposition 2 is rejected, as we were not able to establish a statistical significance between facilitateurs' governance structures and status, and other variables.

This work brings the following contributions, both in terms of literature and public management. Regarding the agent/steward debate, we add an unexplored French case to this literature. Our results show that NPF organizations seem to rely more on stewardship theory insights than on agency theory ones (Cribb, 2006; Vega and Keenan, 2016; Kluyers and Tippett, 2011; Van Slyke, 2006). Our results strengthen the analysis of Caers *et al.* (2006), which shows that the agent/steward debate is not clear-cut. Moreover, we show that the complexity and diversity of facilitateurs calls for a mixed-approach, as already noticed in the literature (Van Puyvelde *et al.*, 2013; Van Puyvelde *et al.*, 2016). The same conclusion can be drawn regarding public servants, following the agent/steward debate in the public management literature (Fox and Hamilton, 1994; Schillemans, 2013). This work also presents a case for which governance structures and status do not significantly impact practices. Indeed, we did not find specific differences between facilitateurs in public authorities and facilitateurs in other structures regarding relationships with public authorities.

This result goes against general insights of the transaction costs theory (Beuve and Saussier, 2015; Williamson, 1985; Hart *et al.*, 1997). It could be explained by the fact that practices are harmonized between facilitateurs members of *Alliance Villes Emploi*. Moreover, this result contributes to the literature on similarities and differences between NFP and public workers (Houston, 2005; Goulet and Frank, 2002).

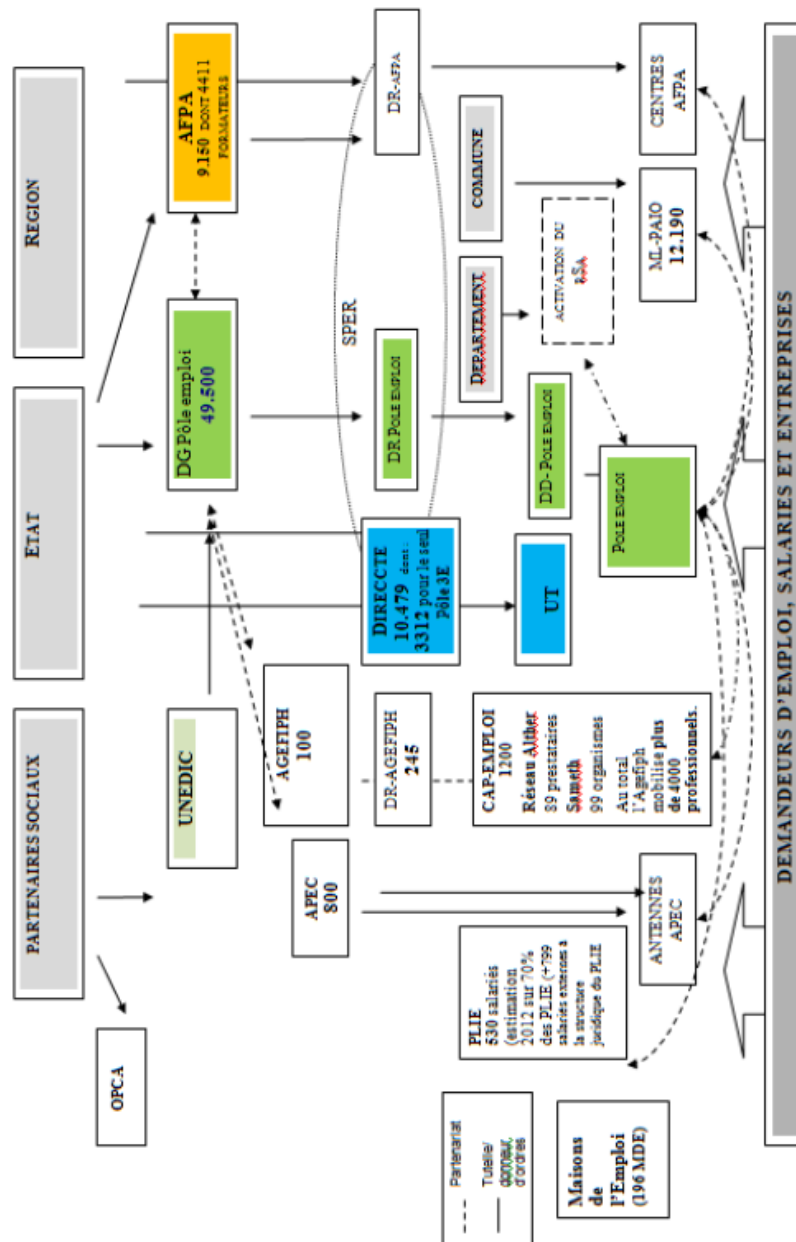
Regarding managerial contributions, we consider that public authorities need to be more involved in the management and control of social clauses. Even if facilitateurs mainly consider that they act as stewards, risks of opportunism are high. Moreover, we found no specific differences between facilitateurs in public authorities and facilitateurs in other structures regarding these aspects. Following the TCT, it could mean that facilitateurs outsourced benefit of the same authority as integrated facilitateurs or that in-house facilitateurs benefit of the same market sanctions as facilitateurs outsourced (Williamson, 1985; Saussier and Yvrande-Billon, 2007). Another explanation could be that facilitateurs are highly autonomous and that public authorities are not involved in the relationship. Thus, we first consider that the management and control of social clauses should be assigned to public authorities, following the Inspection Générale des Affaires Sociales (2015). Thus, if public authorities outsource these missions, it should be done through public procurement. It implies that public authorities define all the outsourcing modalities, including the ones regarding accountability and firms' control. Second, we affirm that a harmonization of public authorities' and facilitateurs' practices would be beneficial. Indeed, it would ease the work of facilitateurs dealing with different public authorities. To do so, a national legal framework is needed.

Nevertheless, the chapter suffers from many limits. Indeed, the focus on facilitateurs taken in this work limits insights from public authorities and firms. First, it would be highly beneficial to investigate public authorities' practices and opinions regarding facilitateurs. Future research could focus on public authorities' view on the agent/steward debate and on cases where there are no facilitateurs to control social clauses.

Second, firms' opinions on facilitateurs' actions of assistance, monitoring and control would enrich the actual knowledge. Moreover, it should be interesting to send similar surveys to facilitateurs who do not belong to the *Alliance Villes Emploi*'s network and to compare their practices to the represented ones. Third, the investigation on arrangements is limited in the study and should be pursued. Indeed, the lack of formal arrangements reveals the potential importance of relational aspects in the governance of facilitateurs and public authorities' relationships. These aspects might represent an important part of the agent/steward debate and should be investigated. The analysis would also benefit from an investigation on the cost of the different structures of governance. It could be crossed with a study on their relative performance. Regarding methodology, an econometric analysis to investigate the causes of facilitateurs' practices and their consequences on social clauses' execution seems necessary. Indeed, we do not take into account potential endogeneity issues linked to the decision to outsource facilitateurs. We do not study public authorities' determinants to outsource facilitateurs. However, these determinants might be linked to our results. Moreover, it could be interesting to investigate the case of facilitateurs through multi-principals' models. This was not possible in this chapter and is left for future research.

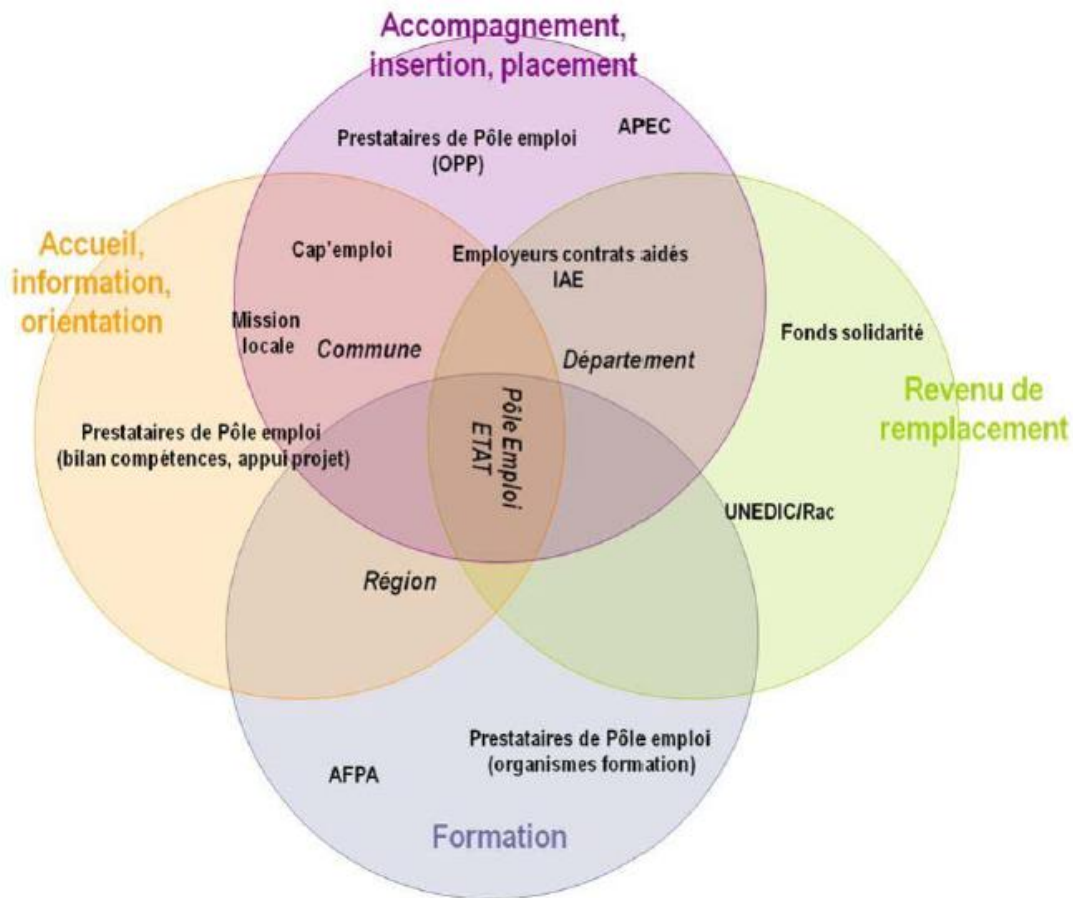
3.8 Appendix

Figure 15. Employment policy's main actors



(Source : Inspection Générale des Affaires Sociales, 2013)

Figure 16. Employment Public Service's main actors



(Source: Inspection Générale des Affaires Sociales, 2013)

Annex 2. Ville de Paris' social clause – Service tender: Assistance to the contracting authority for projects with computing aspects for the Human Resources Department

1.5.1 Clauses sociales

Le présent accord-cadre inclut une obligation de promouvoir l'emploi de personnes rencontrant des difficultés particulières d'insertion professionnelle, dans le cadre de son exécution.

Conformément aux dispositions de l'article 38-I de l'ordonnance n°2015-899 du 23 juillet 2015 relative aux marchés publics, la clause d'insertion professionnelle constitue une condition d'exécution de l'accord-cadre pour le titulaire comme pour ses éventuels sous-traitants.

Cette obligation concerne les deux lots. Cette clause obligatoire comporte les éléments suivants dans le cadre de son exécution :

○ Public bénéficiaire :

L'action d'insertion professionnelle s'applique aux publics suivants :

- les demandeurs d'emploi de longue durée (plus de 12 mois d'inscription au chômage);

- les allocataires du R.S.A. (en recherche d'emploi) ou leurs ayants droits ;

- les publics reconnus travailleurs handicapés au sens de l'article L 5212-13 du code du travail, fixant la liste des bénéficiaires de l'obligation d'emploi ;

- les bénéficiaires de l'Allocation Spécifique de Solidarité (ASS), de l'Allocation d'insertion (AI), de l'Allocation de Soutien Familial (ASF), de l'Allocation Adulte Handicapé (AAH), de l'Allocation d'Invalidité ;

- les jeunes de Niveau infra 5, c'est-à-dire de niveau inférieur au CAP/BEP ;

- les personnes prises en charge dans le dispositif IAE (Insertion par l'Activité Économique), c'est-à-dire les personnes mises à disposition par une Association Intermédiaire (AI) ou par une Entreprise de Travail Temporaire d'Insertion (ETTI), ainsi que des salariés d'une Entreprise d'Insertion(EI), d'un Atelier et Chantier d'Insertion (ACI), ou encore des Régies de quartier agréées ainsi que des personnes prises en charge dans des dispositifs particuliers, par exemple « Défense 2ème chance » ;

- les personnes employées dans les GEIQ (Groupement d'Employeurs pour l'Insertion et la Qualification) et dans les associations poursuivant le même objet ;

- d'autres personnes rencontrant des difficultés particulières peuvent, sur avis motivé de Pôle Emploi, des Maisons de l'Emploi, des Plans Locaux pour l'Insertion et l'Emploi (PLIE), des Missions Locales, ou des Maisons Départementales des Personnes Handicapées (MDPH), être considérées comme relevant des publics les plus éloignés de l'emploi.

- les personnes de plus de 50 ans justifiant de plus de 6 mois d'inscription au chômage.

Les bénéficiaires de l'action d'insertion doivent impérativement relever de ces catégories. L'éligibilité de ces personnes doit être validée par l'entreprise sur présentation des justificatifs, qui lui auront été remis par les partenaires emploi/sociaux.

○ Objectif d'insertion professionnelle :

Le titulaire réserve à ces personnes, pour l'exécution des prestations, sur la période des accords- cadres d'une durée de quatre ans :

Pour le lot 1 : au minimum 2537 heures de travail d'insertion idéalement réparties sur toute la durée de l'accord-cadre.

Pour le lot 2 : au minimum 726 heures de travail d'insertion idéalement réparties sur toute la durée de l'accord-cadre.

Le volume d'heures indiqué ci-dessus, constitue un minimum obligatoire. Le titulaire peut, le cas échéant, réaliser un volume d'heures plus important.

Cet objectif doit être respecté et fait l'objet d'un contrôle.

Au-delà de l'exigence du volume horaire minimum, le pouvoir adjudicateur souhaite que l'exécution de la clause d'insertion apporte une réelle plus-value que ce soit à l'entreprise ou au(x) bénéficiaire(s) de la clause.

Ainsi cette clause doit permettre au(x) bénéficiaire(s) d'acquérir une expérience professionnelle réelle sur la base non seulement de formations apportées (par l'entreprise en interne ou par des organismes extérieurs), mais aussi des tâches confiées pour évoluer professionnellement.

- Modalités de l'insertion :

Le recrutement direct, avec l'appui de :

Ensemble PARIS Emploi Compétences (EPEC)

Adresse : 209 rue Lafayette - 75010 Paris

Tel: 06 82 90 42 53 / 01.53.09.94.30.

Correspondant : Nadine MICHEL

Courriel nadine.michel@epec.paris

Les salariés en insertion peuvent être recrutés sous la forme :

- **d'un contrat de droit commun : CDD ou CDI ou d'un contrat aidé de droit privé : CUI (CIE)**
- **d'un contrat de professionnalisation ou contrat d'apprentissage.**

Le titulaire fournit à chaque personne en insertion ayant donné satisfaction un certificat témoignant de la qualité du travail exécuté dans le cadre du lot concerné.

Les heures effectuées par des personnes embauchées en CDI par le titulaire (personnes répondant aux critères d'éligibilité précités) pourront être comptabilisées dans les heures d'exécution de la clause d'insertion pendant la durée restante à courir de l'accord-cadre (maximum 4 ans).

Le recrutement indirect (mise à disposition de salariés)

Le recrutement indirect s'effectue par l'intermédiaire d'une Entreprise de Travail Temporaire d'Insertion agréée par l'État (E.T.T.I.), d'une Association Intermédiaire (A.I.) ou d'un Groupement d'Employeur pour l'Insertion et la Qualification (G.E.I.Q.). Ces structures mettent à la disposition du titulaire, pour l'exécution des prestations considérées, des personnes dont le profil aura déjà été sélectionné et qui resteront salariées de la structure.

Toutefois, le titulaire s'engage à embaucher en priorité, pour ses besoins supplémentaires de main d'œuvre, des personnes sous contrats directs et n'avoir recours au travail temporaire que dans les conditions prévues par la loi du 12 juillet 1990 favorisant la stabilité de l'emploi.

La sous-traitance

La sous-traitance auprès d'une Structure d'Insertion par l'Activité Économique (S.I.A.E) agréée par l'État (Entreprise d'Insertion, Régie de Quartier). Dans ce cas, le titulaire de l'accord-cadre s'engage à faire respecter la condition d'exécution relative à l'insertion par son sous-traitant si celui-ci est concerné au vu des prestations qui lui sont confiées.

En tant qu'entreprise principale, il reste responsable globalement de l'exécution du marché.

Le titulaire indiquera le montant sous-traité avec le nombre d'heures travaillées au titre de la clause d'insertion professionnelle et le coût horaire.

La liste des structures d'insertion par activité économique parisienne figure sur:
http://www.paris.fr/pro/Portal.lut?page_id=9565&document_type_id=4&document_id=60998&portlet_id=23542

L'annuaire des Structures d'Insertion par l'Activité Économique (toutes les entreprises ou associations tous secteurs d'activité confondus) : <http://socialement-responsable.org> Le site entrepreneurs-ensemble.fr (développement de partenariat entre entreprise et SIAE) Les fédérations du secteur de l'insertion par l'économique Les entreprises d'insertion : <http://www.urei-idf.org> Les régies de quartiers : <http://www.cnlrq.org>

L'entreprise attributaire du lot garde une totale liberté de choix des modalités

d'insertion présentées ci-dessus pour l'exécution de la présente clause sociale.

Dans tous les cas, le titulaire désigne un « référent insertion » qui est le correspondant du pouvoir adjudicateur et de l'EPEC, l'opérateur territorial en matière d'insertion.

Les heures effectuées par des personnes embauchées en CDI par l'entreprise attributaire (personnes répondant aux critères d'éligibilité précités) peuvent être comptabilisées dans les heures d'exécution de la clause d'insertion pendant la durée restante à courir de l'accord-cadre (maximum 4 ans).

Mise en œuvre :

Pour la mise en œuvre de cette clause sociale, l'entreprise peut bénéficier d'un service d'accompagnement spécifique (recrutement, orientation, suivi, reporting).

Dans le cadre du présent accord-cadre, l'entreprise peut prendre contact avec l'opérateur territorial suivant :

Ensemble PARIS Emploi Compétences (EPEC)

Adresse : 209 rue Lafayette - 75010 Paris

Tel: 06 82 90 42 53 / 01.53.09.94.30.

Correspondant : Nadine MICHEL

Courriel nadine.michel@epec.paris

L'EPEC proposera des outils de suivi à l'attributaire.

Pour **toutes informations générales sur l'application de la clause sociale**, le titulaire peut prendre contact avec le facilitateur désigné ci-dessus. Les autres questions relatives à la compréhension de la rédaction de la clause sont traitées par le donneur d'ordre.

Vérification des prestations/suivi du dispositif et bilan :

Tout au long de l'exécution des prestations de l'accord-cadre, le titulaire doit répondre à toute demande relative à l'état d'avancement de la mise en œuvre de la clause sociale.

Il présente au pouvoir adjudicateur un bilan annuel du dispositif d'insertion mis en œuvre, sur la base du document fourni par le facilitateur. Pendant l'exécution des prestations, le bilan du dispositif d'insertion mis en œuvre par le titulaire, doit comprendre les annexes justificatives suivantes :

Annexes justificatives

- En cas de recrutement direct
 - Le justificatif de l'éligibilité à l'insertion pour chaque personne recrutée ;
 - Le contrat de travail ;
 - La fiche salaire de décembre ou de fin de contrat.
 -
- En cas de recrutement indirect
 - Le décompte déclaratif des heures (détermination de la récurrence) ;
 - La facture d'achat d'heures ;
 - Le justificatif de l'éligibilité à l'insertion pour chaque personne recrutée.
- En cas de sous-traitance
 - La facture ;
 - Le justificatif de l'éligibilité à l'insertion pour chaque personne recrutée.

Annex 3. Bordeaux Métropole's social clause – Work tender: Commune de Bègles – Work on the street Marc Sangnier

1.2. Clauses d'exécution à caractère social

En application de l'article 38-I de l'Ordonnance n°2015-899 du 23 juillet 2015, le titulaire du marché s'engage à réaliser, pour son exécution, une action d'insertion qui permette l'accès ou le retour à l'emploi des personnes rencontrant des difficultés sociales ou professionnelles particulières.

Les personnes concernées par cette action sont :

- Les demandeurs d'emploi de longue durée,
- Les bénéficiaires du revenu de solidarité active (RSA)
- Les travailleurs handicapés reconnus par la CDAPH,
- Des jeunes ayant un faible niveau de formation ou n'ayant jamais travaillé

A ce titre, pour la réalisation des travaux, le titulaire du marché devra obligatoirement réserver aux personnes concernées par cette action d'insertion, 5 % du temps total de travail nécessaires à la production des prestations.

Pour la réalisation des travaux, le titulaire du marché devra obligatoirement réaliser un volume d'heures d'insertion sociale **égal à 400 heures.**

Il sera procédé, par tous moyens, au contrôle de l'exécution de l'action d'insertion

pour laquelle le titulaire s'est engagé.

A la demande de Bordeaux Métropole, le titulaire fournira, dans le délai qui lui sera imparti, tous renseignements utiles (par exemple, date d'embauche, nombre d'heures réalisées, type de contrat, poste occupé, etc.) propres à permettre le contrôle de l'exécution et l'évaluation de l'action.

L'absence ou le refus de transmission de ces renseignements entraîne l'application de pénalités.

En tout état de cause, le titulaire doit, dès leur survenance, informer le maître d'ouvrage par courrier recommandé avec accusé de réception, qu'il rencontre des difficultés pour assurer son engagement. Bordeaux Métropole met en place un dispositif pour renseigner et accompagner les opérateurs économiques dans la mise en œuvre de la démarche d'insertion.

Le référent à contacter est :

M. Elouajidi, Direction performance de l'achat - Service achats

Tél : 05.56.93.68.28

Fax : 05.56.99.87.83

Email : melouajidi@bordeaux-metropole.fr

Dans ce cadre, cette personne a pour missions :

- D'informer les opérateurs économiques sur la démarche d'insertion,
- De proposer des personnes susceptibles de bénéficier des mesures d'insertion avec le concours des organismes spécialisés,
- De proposer à partir de la connaissance de la date prévisionnelle de démarrage des travaux des actions de formation professionnalisante préalables à l'embauche, en lien avec les financeurs publics de la formation professionnelle,
- De fournir, à titre indicatif, la liste des opérateurs de l'insertion par l'activité économique concernés par le marché,
- De suivre l'application de la clause d'insertion et d'évaluer ses effets sur l'accès à l'emploi en liaison avec les opérateurs économiques,

En cas de manquement grave du titulaire à son engagement d'insertion, le maître d'ouvrage peut procéder à la résiliation du marché dans les conditions prévues à l'article 49 du CCAG Travaux.

Annex 4. Survey

1. In which department are you working? (*Open question*)
2. For how many public authorities do you manage the execution of social clauses? (*Open question*)
3. On which documents are your relations with public authorities based concerning social clauses? (*Open question*)
4. Are social clauses' control modalities and frequency decided by public authorities? (*Yes/no question*)
5. Do you have trust-based relationships with public authorities? (*Yes/no question*)
6. According to you, what is the degree of autonomy you have regarding the control of social clauses? (*Rating scale question*)
7. Are your objectives concerning social clauses the same as public authorities? (*Yes/no question*)
8. Do you have to report information to public authorities on the control of social clauses? (*Yes/no question*)
9. Do you work on other projects with firms charged to execute social clauses? (*Yes/no question*)

Table 22. Collected variables

Collected variables	Survey questions' number
- Type of arrangement	3
- Definition of control modalities	4
- Perceived trust	5
- Perceived autonomy	6
- Perceived sharing of objectives	7
- Accounting measures	8
- Work with firms outside the social clause	9

Table 23. Contingency Table

	<i>Type of arrangement</i>							Total
	No document	Convention	Charter	Convention and charter	Convention and no document	Charter and no document	Convention and tender	
Faciliteurs in public authorities	4 30.7%	7 53.8%	1 7.7%	0 0%	1 7.7%	0 0%	0 0%	13 100%
Faciliteurs in other structures	12 21.1%	27 47.4%	2 3.5%	4 7%	9 15.8%	1 1.7%	2 3.5%	57 100%

<i>Control modalities defined by public authorities</i>				
	No	Yes	Depends	Total
Faciliteurs in public authorities	10 66.7%	1 6.7%	4 26.7%	15 100%
Faciliteurs in other structures	28 47.5%	7 11.9%	24 40.7%	59 100%

<i>Objectives shared with public authorities</i>				
	No	Yes	Depends	Total
Faciliteurs in public authorities	0 0%	11 73.3%	4 26.7%	15 100%
Faciliteurs in other structures	7 11.5%	34 55.7%	20 32.8%	61 100%

<i>Perceived trust</i>				
	No	Yes	Depends	Total
Faciliteurs in public authorities	0 0%	12 80%	3 20%	15 100%
Faciliteurs in other structures	0 0%	45 75%	15 25%	60 100%

<i>Perceived degree of autonomy</i>							
	40-49%	50-59%	60-69%	70-79%	80-89%	90%	Total
Faciliteurs in public authorities	0	1	0	0	4	10	15
	0%	6.7%	0%	0%	26.7%	66.7%	100%
Faciliteurs in other structures	2	1	4	6	17	30	60
	3.3%	1.7%	6.7%	10%	28.3%	50%	100%

<i>Defined modalities of accounting</i>				
	No	Yes	Depends	Total
Faciliteurs in public authorities	0	11	3	14
	0%	78.6%	21.4%	100%
Faciliteurs in other structures	0	42	17	59
	0%	71.2%	28.8%	100%

<i>Work with firms outside social clauses</i>			
	No	Yes	Total
Faciliteurs in public authorities	0	15	15
	0%	100%	100%
Faciliteurs in other structures	2	58	60
	3.3%	96.7%	100%

General Conclusion and Policy Implications

This dissertation contributes to a better understanding of social clauses in French public procurement. It investigates the three main actors of social clauses – public buyers, firms and facilitateurs – at the three main stages of public procurement – planning phase, bidding phase and execution phase. The dissertation offers an analysis of social clauses through a contractual and procurement point of view. It gives keys to understanding and recommendations regarding the implementation and the management of social clauses by public authorities. This work also fuels the growing literature on responsible public procurement, offering new materials and conclusions to general research questions investigated by this literature.

In order to conclude this dissertation, the present section is organized in three parts. The first part resumes the main findings and contributions of the dissertation. The second part develops the identified policy implications and the third part outlines the limits of the dissertation and the paths for future research.

Main findings and contributions

Chapter 1. Reducing Asymmetric Information in Responsible Public Procurement: a case study on market research at the City of Paris

The first chapter of the dissertation deals with the implementation of responsible clauses in procurement regarding the asymmetries of information faced by public buyers. Using a case study of public buyers from the City of Paris, it shows how market research can be used to reduce these asymmetries and implement responsible clauses in procurement. The chapter tests three propositions, developed in Table 24.

Table 24. Summary of propositions: chapter 1

Propositions	Status
<i><u>Proposition 1:</u> Market research reduces information asymmetries for public buyers</i>	Validated
<i><u>Proposition 2:</u> Market research helps public buyers to define appropriate sustainable goals for public procurement</i>	Validated
<i><u>Proposition 3:</u> Public buyers are reluctant to use market research because of fears of having contacts with suppliers</i>	Partially rejected – appropriate processes and methodology can secure their practices.

Indeed, it appears that market research is used to know firms' capacities and constraints regarding social and environmental clauses. It allows public buyers to implement appropriate objectives to public procurement and to avoid unfruitful or extremely costly procedures. Results also show that public buyers' appropriation is quite good, and that they are reassured by the tools and processes developed by the City of Paris.

The main conclusion of the first chapter is expressed as follow:

Conclusion 1: Market research reduces information asymmetries and allows public buyers to implement appropriate social and environmental clauses.

The chapter offers organizational and managerial recommendations to secure the process of market research. The chapter also brings contributions to the literature. First, it gives an illustration of the use of market research in French public procurement, with a focus on its use for responsible public procurement and on public buyers' practices, as requested by Rainville (2016). It thus completes the growing literature on market research (Kalvet and Lember, 2010; Corvers *et al.*, 2015; Lenferink *et al.*, 2009; Borowiec, 2016; Schooner, 2011; Rendon, 2008) and extends it to responsible public procurement (Kozik and Karasińska-Jaśkowiec, 2016; Rainville, 2017).

Second, this work investigates the use of market research as a way to reduce information asymmetries in public procurement. Indeed, the literature identified information asymmetries and the lack of needs' definition as an important problem in procurement (Bajari and Tadelis, 2001; Tadelis, 2012; Chever and Le Lannier, 2015). This is important, as information asymmetries are known to generate agency costs (Jensen and Meckling, 1976). Finally, the chapter shows that the appropriation of this tool by public buyers is quite good, completing the literature on public buyers characteristics (Rolfstam and Agren, 2013; McCue and Gianakis, 2001; Callender and Matthews, 2002; Edler *et al.*, 2005; McKeivitt *et al.*, 2012) and risk averse attribute (Bellante and Link, 1981; Brander *et al.*, 2002; McCrudden, 2007; Rolfstam, 2012). Our results show that the risk-averse character of public buyers can be overcome with appropriate tools and processes. This is particularly important as public buyers' risk-averse character has been identified as a major obstacle to the uptake of innovative public procurement (Harland *et al.*, 2013; Kalvet and Lember, 2010; Uyerra, 2013). Also, our chapter contributes to the literature on transfers from the private to the public sector, showing that it is possible with appropriate methodology (Bryson and Roering, 1987; Williams and Lewis, 2008; Elias Sarker, 2006; Schick, 1998; Searle, 2006; Bowman *et al.*, 2006). The policy implications and the limits of the chapter are developed in the following sections.

Chapter 2: Cost and Bidding Behaviour in Tenders with Social Clauses: an empirical analysis

The second chapter of the dissertation investigates the impact of social clauses on procurement's cost and bidders' behaviour. Using an empirical analysis on work contracts of the City of Paris, the chapter tests three propositions developed in Table 25.

Table 25. Summary of propositions: chapter 2

Propositions	Status
<i><u>Proposition 1 (Cost Effect):</u> Social clauses are an additional constraint for firms. As such, they should increase costs incurred to fulfil contractual obligations and bids proposed by firms, all things being equal.</i>	Rejected
<i><u>Proposition 2 (Competition effect):</u> The inclusion of a social clause in public procurement contracts should affect the number of bidders and hence the level of competition, all things being equal.</i>	Rejected
<i><u>Proposition 3 (Eviction effect):</u> If the inclusion of social clauses reduces the number of potential bidders to firms specialized on contracts including social clauses, then cost of procurement should increase, all things being equal.</i>	Rejected

As regards the tested propositions, the main conclusion of the second chapter is expressed as follow:

Conclusion 2: On average, social clauses have no impact on procurement's cost. However, the effect seems to be sector-dependent.

The chapter contributes to the growing literature on the financial impact of socially responsible public procurement (Corns and Schotter, 1999; Denes, 1997; Marion, 2007; Marion, 2009; De Silva *et al.*, 2012; Hubbard and Paarsch, 2009). Indeed, it adds the case of social clauses, which have not been investigated so far. It thus answers to the call for more empirical analysis of the costs of social mechanisms in public procurement (Spagnolo, 2012; Piga and Tatrai, 2015). Our results contribute to the literature by investigating the effects which might increase costs in socially responsible public procurement.

Indeed, we show that the potential increase in costs doesn't come from a competition effect or an eviction effect. Moreover, we add a sector effect in order to explain the cost impact of these mechanisms. This finding is consistent with and highly contributes to the literature, as nearly all the studies on this matter are on the same work sector. Our results also contribute to the call for the professionalization of public buyers (Brammer and Walker, 2007; McKevitt *et al.*, 2012; Saussier and Tirole, 2015). Indeed, our results show that social clauses can generate a cost increase, and thus need to be managed with care. Finally, this work contributes to the literature on complexity in public procurement, showing that an increase in complexity does not automatically lead to an increase in cost (De Silva *et al.*, 2008; Ohashi, 2009; Bajari *et al.*, 2011; Chever and Le Lannier, 2015). The chapter is also related to the literature on firms' bidding behaviour in the construction industry, enriching the link between projects' specificities and firms' decisions to bid and mark-ups (Shash, 1993; Chua and Li, 2000; Enshassi *et al.*, 2010; Shokri-Ghasabeh *et al.*, 2016). At last, our results contribute to the literature on SMEs access to public procurement, showing that an increase in complexity is not necessarily linked to a decrease of SMEs' access (Dulaimi and Shan, 2002; Swarnkar *et al.*, 2009; European Commission, 2010b). The policy implications and the limits of the chapter are developed in the following sections.

Chapter 3: Management and Control of Social Clauses in Public Procurement: an analysis of French facilitateurs

The third chapter of the dissertation focuses on the management and control of social clauses, which can be done in public authorities or by facilitateurs in structures linked to the employment policy. Using a survey send to facilitateurs, it studies the relationships of facilitateurs and public authorities. The chapter tests two hypotheses, as developed in Table 26.

Table 26. Summary of propositions: chapter 3

Propositions	Status
<i>Proposition 1: Facilitateurs behave as stewards regarding public authorities</i>	Partially rejected
<i>Proposition 2: Facilitateurs in public authorities more behave as stewards than facilitateurs in other structures</i>	Rejected

The main conclusion of the third chapter is expressed as follow:

Conclusion 3: Facilitateurs consider that they behave more as stewards, even though high risks of opportunism are observed.

The third chapter brings the following contributions to the literature. First, it adds an unexplored case to the agent/steward debate in the not-for-profit literature. Our results strengthen this literature, showing that facilitateurs behave more according to stewardship theory insights than on agency theory ones (Cribb, 2006; Van Slyke, 2006; Kluvers and Tippett, 2011; Vega and Keenan, 2016). However, our results also highlight the fact that this debate is not clear-cut, following Caers *et al.* (2006). We thus join the call for a mixed-approach regarding the agent/steward debate in not-for-profit organizations (Van Puyvelde *et al.*, 2013; Van Puyvelde *et al.*, 2016). We bring the same results to the literature on the agent/steward debate in the public sector literature (Fox and Hamilton, 1994; Schillemans, 2013). Second, we present a case in which governance structures and status do not have an impact on practices. This result goes against the general wisdom of the transaction costs theory (Williamson, 1985; Beuve and Saussier, 2015), and is thus interesting. As developed later in the General Conclusion, this could be caused by endogeneity issues. However, it also could be caused by harmonized practices between facilitateurs members of the network *Alliance Villes Emploi*.

Third, the case presented contributes to the literature comparing workers of the public and not-for-profit sector (Goulet and Frank, 2002; Houston, 2005). The policy implications and the limits of the chapter are developed in the following sections.

Policy implications

This dissertation also gives policy implications regarding the implementation of social clauses, and more largely responsible objectives, in public procurement. First, this dissertation calls for a careful implementation of responsible objectives. It appears that charging public procurement with responsible goals is not a free lunch for public authorities. Indeed, it needs organizational and managerial changes (chapter 1) and can be costly (chapter 2). In order to avoid excessively costly or unfruitful procedures, responsible objectives should be implemented only after a careful investigation. This requires the use of specific tools, including market research, and the training of public buyers.

Policy implication 1: The implementation of social clauses is not a free lunch and can be costly for public authorities.

Policy implication 2: Public buyers should be specifically trained and provided with specific tools in order to implement appropriate objectives to public procurement.

Second, it appears that appropriate responsible objectives have to be grounded on the reality of firms' practices. Thus, we encourage public buyers to have contacts with firms and potential suppliers, through market research and other tools, in order to have tenders close to reality. As described in the dissertation, public buyers are afraid of having contacts with firms, notably because of the risk of offence of favouritism. It appears that a clear external and internal framework can minor these fears. Thus, we recommend a legal framework for market research, describing what is allowed and what is not.

Policy implication 3: A legal framework on market research should be defined, in order to encourage contacts between public buyers and firms.

Finally, policy implications regarding the management and control of social clauses are also developed in this dissertation (chapter 3). Indeed, it appears that the actual organization is unclear and raises questions. We consider that the public service of facilitateurs should be restricted to inclusion's questions. Other missions such as management and control of social clauses should be executed by public authorities, which are free to outsource these missions to facilitateurs (or other structures) through a regular competitive procedure. As structures of the employment public service focus on inclusion aspects, the efficiency might increase. Moreover, as the structure charged to manage and control the social clause has no interest in the results, it reduces the risk of fraud by the supervisor in case of outsourcing.

Policy implication 4: Public authorities should be in charge of the management and control of social clauses, and should outsource these missions through regular procurement procedures, if need be.

Policy implication 5: Structures from the employment public service should only be in charge of the inclusion and employment support of social workers.

Nevertheless, contract management in public authorities is most of the time neglected. This is observed in the literature (Cohen, 2008; Lamothe, 2004; Mobley, 2004; Rendon, 2010; Romzek and Johnston, 2002; Van Slyke, 2006) and confirmed by practitioners met during this dissertation. Indeed, it appears that the lack of contract management is mainly caused by a lack of resources and competencies. For the management of social clauses to be effective, we consider that resources should be devoted in contracting authorities. Indeed, as for other clauses, there is a break in the equal treatment's requirement if some firms are aware that there is no management and control.

Policy implication 6: Resources should be devoted to the effective management and control of social clauses in public authorities.

However, this dissertation presents limits and path for future research, which are developed in the following section.

Limits and further research

As expressed in each chapter, this work is limited and would gain from complementary investigations, which are let for future research. The following section recalls the main limitations and areas for future research for each of the three chapters, and for dissertation.

Through a case study, the first chapter investigates the use of market research by public buyers to reduce information asymmetries and implement appropriate responsible objectives. Regarding this analysis, two major limitations have been identified. First, this analysis would benefit from quantitative data on the use of market research, at the City of Paris and by other public buyers in France. Indeed, only little information is available on the practices of public buyers regarding market research. This analysis could investigate the determinants of the use of market research and the different practices. Moreover, the work will be improved with a deeper investigation on public buyers' characteristics regarding the use of market research and the uptake of responsible clauses and criteria. Second, it will be of great interest to study the impact of market research on different aspects of procurement, such as its cost or the percentage of unfruitful tenders. This empirical analysis will allow a better understanding of the role of market research and its impact on responsible public procurement. The chapter also needs to investigate the trade-off between transparency of market research and the risk of litigation. Indeed, why would public buyers be transparent regarding their market research practices if it increases risks of litigation?

The second chapter offers an empirical analysis on the impact of social clauses on procurement's cost and firms' bidding behaviour. This chapter mainly suffers from the following three limitations. First, the chapter would benefit from a deeper analysis on the CPV codes. It would also gain from an extension to other sectors and other public authorities. Indeed, this analysis is limited in space, time and sector. This complementary study would give a more accurate view of the impact of social clauses in public procurement. Second, it would be interesting to complete our data with some information concerning potential quality issues during the contract execution. Indeed, social clauses might be difficult to execute and might have other impacts, which are not investigated in this chapter. Third, this analysis on the cost of social clauses would be more complete with an overall cost analysis, which includes all related variables, including the time spend by civil servants per contracts or the cost of facilitateurs. Likewise, an investigation on the benefits of social clauses is fundamental in order to run complete costs-benefits analysis.

The third chapter deals with the management and control of social clauses and the link between facilitateurs and public authorities. This analysis suffers from three main limitations. First, it would be interesting to have complementary information from public authorities and firms regarding facilitateurs. Indeed, our results only rely on perceived items from facilitateurs, which might not be the reality. It would also be beneficial to have data from facilitateurs not involved in the *Alliance Villes Emploi* network, to run a comparison. Second, an analysis on the determinants and impacts of facilitateurs' practices on the execution of social clauses would be a good add-on. Indeed, we do not observe the reasons regarding the choice to outsource facilitateurs. These reasons could cause endogeneity issues affecting our results. Moreover, we did not investigate relational aspects of the relationships in this study. According to ours results, it could be interesting to investigate this aspect. Third, the chapter would gain from an analysis on the efficiency of the management and control of social clauses. Indeed, a comparison on the efficiency of the different status and governance structures would be a plus. Moreover, an investigation on the cost of the different structures seems necessary.

More largely, this dissertation on social clauses would benefit from the five following points, which are left for future research. First, an analysis on the determinants of the choice to implement social clauses in public procurement would enrich the study. Indeed, the literature on green public procurement's determinants is quite developed (Boulembia and Klien, 2015; Walker and Brammer, 2009; European Commission, 2006), but it is less true for social public procurement. Thus, it would be interesting to investigate the case of social clauses. This analysis could specifically focus on the procurement organization and the procurement maturity of different public buyers.

Second, a general analysis on the way public buyers deal with the different objectives of public procurement is needed. Indeed, it appears through this work that public workers have to deal with many different objectives: value-for-money, legal security, responsible aspects... As identified by Erridge and McIlroy (2002), these objectives are a risk to blur and confuse the main goals of public procurement. Moreover, these different goals are said to come from different principals (Brown *et al.*, 2006). According to public buyers met during this dissertation, the objectives' diversity can be difficult to manage, even though some see them as complementary. This analysis would also enrich the literature on goal diversity and goal ambiguity in the public sector (Dixit, 2002; Jung, 2012; Jung and Rainey, 2011; Lee *et al.*, 2009; Tirole, 1994).

Third, our understanding of social clauses calls for qualitative analysis on firms regarding their management of social clauses. Indeed, it is important to know how firms see social clauses and organize themselves to answer to contracts with social clauses. This point can be studied through the organizational and managerial point of view, as some firms develop a specific organization to answer to these clauses.

Fourth, our two first chapters focus on the case of the City of Paris. Even if this choice is justified regarding the research questions, the data and the results. However, the results are limited to one geographical zone and one period of time. Thus, it appears that an extension to other local authorities in France is needed. It would be highly beneficial to compare our results to cities with similar characteristics (Lyon, Marseille) and to other cities which develop similar processes and organizations (Nantes, Toulon).

Finally, it is of great interest to investigate the efficiency of social clauses to bring people to employment. Some studies exist regarding the percentage of social workers who found a job after they worked through the social clause mechanism (Alliance Villes Emploi, 2016a; Havet *et al.*, 2016) but they are incomplete. Indeed, they do not allow the comparison with workers who did not benefit from the social clause mechanism. This analysis requires a counterfactual, which is extremely hard to obtain. Anyhow, this would enable us to establish the efficiency of social clauses and to compare it to other employment mechanisms. This was not possible in this dissertation and is left for future research.

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