



Somebody else's problem

Cleaners and security staff at blue chip firms have been almost universally outsourced. Critics allege their rights have been forgotten, but are HR leaders at client organisations guilty of turning the other way or merely being pragmatic?

Words Robert Jeffery

It has become the pre-eminent HR anecdote of modern times. President John F Kennedy is touring NASA's facilities when he pauses to speak to a janitor and asks him what he does. The reply – 'I'm helping put a man on the moon' – is held up as the acme of organisational purpose in action. Except not only is there no evidence it ever happened, it is also, more than 60 years on, an anachronism. Almost no blue chip organisation today directly employs its facilities staff. The average janitor might put in shifts in multiple workplaces in a week, so could be forgiven for being confused about whether they were mopping up after astronauts or diners at the local Denny's. NASA itself has long subcontracted cleaning, waste management and insect extermination, most recently in a \$35m multi-year contract.

The outsourcing of support services is baked into modern business practice by necessity. Not only have most organisations been forced to trim incidental costs simply to keep pace, they have systematically dismantled the internal infrastructure that supports such functions, leaving them increasingly reliant on procurement. In the UK, outsourcing is a £17bn industry spanning everything from cleaning and security to catering and warehousing. It has undoubtedly driven efficiencies of practice and economies of scale, but in many cases it is also linked to degradation of conditions – including low wages, ill treatment, insecurity and lack of access to sick pay and other benefits – among some of the most vulnerable members of the workforce.

"Outsourcing is segmentation of HR practices under the veil of procurement," says Damian Grimshaw, professor of employment studies at King's College London and author of a landmark report into the conditions of outsourced workers. He is among many who question whether outsourcing has given client organisations a moral free pass, where the legalities of transferring roles to a third party act as a fig leaf for being unable, or unwilling, to intervene in workers' treatment. This gives rise to the troublesome situation where a management consultancy famed for the duty of care it affords its own employees might have its offices cleaned by individuals whose experience of work could not be more different. Should an HR leader not feel the same responsibility for the wellbeing of both groups? Or is most outsourcing a relatively benign activity and most criticism of it politically motivated?

The phenomenon has been a notable driver of industrial relations disputes in the UK for some time. To take just a few post-Covid examples: outsourced staff at three government departments staged 14 days of strikes in 2024 over pay offers and lack of sick pay; more than 300 cleaners

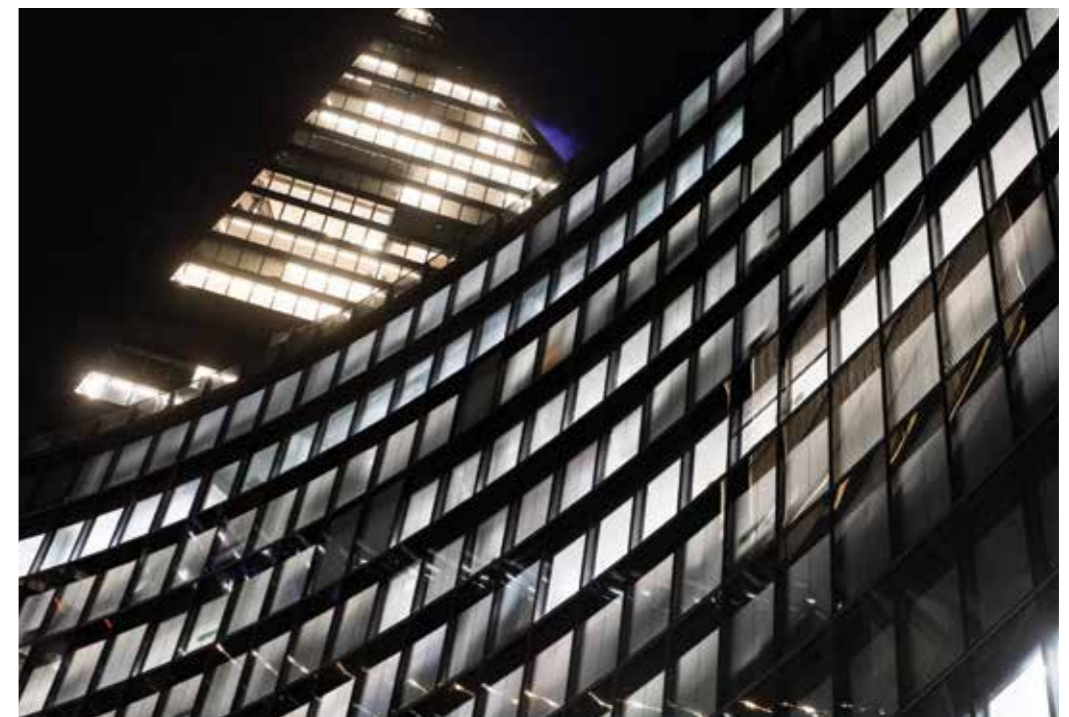
and catering staff in London hospitals walked out for four days over contractual differences with NHS employees; and cleaners at one of the country's leading girls' schools went on strike after their contracts were 'unfairly' reduced by five hours a week.

The common denominator in these cases is the huge outsourcing conglomerates that act as the ultimate employers (or, at least, contractors) of cleaners and security staff. Mitie, ISS, Compass Group, Sodexo and the ubiquitous Serco and Capita all optimise economies of scale across multiple contracts while offering customers cost savings. All of which is possible because their margins are wafer thin. "A lot of these are labour-intensive occupations," says Stephen Mustchin, senior lecturer in employment studies at the University of Manchester. "If you take cleaning, for example, where 85-90 per cent of the cost to provide services is staff pay, that becomes where you generate the margin – and that has a downward effect on pay and often a very negative effect on working conditions, which end up essentially at the bare minimum."

Outsourcing of tasks has existed since labour was first rudimentally organised. There is a strand of Egyptology, for example, which asserts that the Pyramids were primarily built not by slaves but by labourers in the pay of a group of subcontractors. Less brutally, the UK spurred the growth of outsourced services in the 1980s, when the spirit of Thatcherite decentralisation inspired local authorities to begin hiving off their support functions to third parties. In many ways, outsourcing is the perfect manifestation of neoliberalism, a mantra that suggests the market will drive efficiency, particularly in public services, if left largely to its own devices. Some would say we are now nearing the end point of that experiment: most of the services outsourced in early waves have been through multiple contract rounds, which have tightened the margins to the point there is precious little slack left.

If you want to see the effects of outsourcing in action, visit the financial centre of any major UK city as the office →

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Work. tasked photographer Sean Pollock with a specially commissioned series capturing cleaners at work in the City of London's towering office blocks, from around 6.30pm when cleaning teams typically start arriving (and before he was likely to attract the attention of security)

lights begin blinking off in the evening. A small army of cleaners and security guards in the monotone colours of outsourced providers moves smartly between the buildings, mingling with departing office workers (one of the effects of outsourcing has been to move cleaning, once a mostly daytime activity, into the small hours). There are 3.3 million people in the UK employed via outsourcers, according to the TUC. The majority of facilities management tasks in the developed world by volume have been outsourced. In the US, according to David Weil – a former Obama official and author of *The Fissured Workplace* – 80 per cent of individuals working in major hotel chains are now employed by third parties. Behind each of the statistics, as Martin Cavanagh, national president of the Public and Commercial Services union, points out, is a human being: “A lot of them do jobs that a lot of us wouldn’t entertain doing... they are difficult jobs; skilled jobs that not just anyone can turn their hand to. It takes a particular mindset to continue to get up every day to carry out these roles.”

Kate Griffiths-Lambeth, an experienced chief people officer, saw this in action when she outsourced the admin function of a law firm. “A lot of people who were secretaries for a lawyer had worked one on one with them for a very long time. There’s a really strong bond and relationship there.” The resulting ‘survivor syndrome’ of those who are not outsourced can be akin to mass redundancy, she says, not to mention the trauma inflicted on those exited during the process. “If you want your remaining people to not be distracted by the change, you need them to feel that the people they liked and went for a coffee with are being treated well and fairly. If they feel you’re treating people like a commodity, you can really upset your entire workforce.”

Any critical reading of why outsourcing has flourished despite such human-centred difficulties comes back to →



money. For organisations dependent on an ever-more elusive hunt for growth, it simply becomes too expensive not to crunch your cost base in the same way your competitors have. The costs are not just the obvious ones, either: while TUPE legislation in the UK and Europe protects worker benefits if roles are outsourced, by the time you are years or decades away from the original contract change, there are no original workers left to benefit, saving client organisations the ancillary costs of employment such as healthcare, perks or travel allowances. At the same time, however, much criticism of outsourcing is ideological – left-wing academics and unions oppose the dismantling of the state and dislike outsourcers' profits. This stance gives private sector outsourcing a bad name by association and overlooks evidence it has saved taxpayer money in many instances.

Despite the furore, the UK is among the most enthusiastic of outsourcers anywhere in the world (in part, Mustchin says, because of how “convoluted and multi-layered” we have made the process of unpicking contracts). But at the end of the chain is a combination of factors that make some British outsourced workers vulnerable: principally a high incidence of zero-hours contracts or self employment, as well as large numbers of migrant workers (many of them lacking English skills) and an increase in pay-per-task practices, whereby self-employed hotel cleaning staff might be rewarded per room rather than per hour, which can easily push them below the national minimum wage. Mustchin's research on security staff in the UK has found they are twice as likely to be on zero-hours contracts if they are outsourced, and enjoy significantly less flexibility.

Sick pay is the most common area where workers get a raw deal, according to campaigners. “They [outsourcers] are notoriously bad at sick pay,” says Cavanagh. “Even at the height of the pandemic, when the legislation of the land said if you had Covid you had to stay away, none of these companies adjusted their sickness policy to reflect that. They were still making people choose between coming in with Covid or impoverishing themselves.”

Many of the stories that reach the public consciousness about outsourcing represent the extremes – the Ecuadorian cleaner allegedly sacked from her role after a partner in a London law firm caught her eating a tuna sandwich that had been discarded after a meeting, or the hospitals where outsourced cleaners had to work without PPE during the pandemic on the same wards as NHS staff with full protective equipment. But what unites many claims of worker mistreatment is that they occur in the locations of organisations that regard themselves as exemplary employers and are fiercely protective of their brand and product. It seems relevant to ask whether some of them are trying to have their

cake and eat it. As Weil puts it in *The Fissured Workplace*: “While a major restaurant brand may set out standards and guidelines that dictate to a minute degree the way that food is prepared, presented and served, and specify cleaning routines, schedules and even the products to be used, it would recoil from being held responsible for franchisees' failure to provide overtime pay for workers, for curbing sexual harassment of workers by supervisors or for reducing exposure to dangerous cleaning materials.”

This is particularly problematic when the employer is the public sector. *What a Waste*, a study from University of Manchester academics, found that outsourcers generally make better margins from public sector than private sector clients. It warned of what it called the ‘co-dependence’ of contractors and the state, and said reliance on outsourcers had spread from relatively mundane activities to the ‘foundational economy’, including adult social care. The Yarl's Wood immigration removal centre in Bedfordshire, the subject of huge controversy surrounding escapes and detainee deaths, has been subcontracted to outsourcers since it opened. Councils have entered multi-year contracts for waste management, facilities management and IT services. And the NHS has become a huge contractor of services, which Grimshaw says has begun to fracture crucial aspects of its culture – he points to hospitals where nurses and cleaners would once have worked together to fight infection but now have different employers and simply do not communicate.

And yet there is a compelling and sensible case for outsourcing, built around the concept of core competence – that an organisation cannot, and should not, attempt to excel in every area, leaving some functions to those with deep expertise in them. Shaun Stacey, chief HR officer at Serco UK & Europe, points to opportunities for development and advancement across a larger business as a major plus for outsourced staff. “We want good retention and we want people to come and work for us rather than selecting one of our competitors,” he says.

Serco, continues Stacey, is not engaged in a race to the bottom. It has invested in voice mechanisms including a range of surveys that get acted on and which are linked to senior leaders' incentives. The business has 50 collective bargaining agreements, works with every major trade union and runs employee councils for those not covered by unions. It has boosted sick pay where it felt it was falling behind the market. It is a similar story at Mitie, where Jasmine Hudson, chief people officer, names newly introduced carers' leave, an employee assistance programme and virtual GP access

as just some of the benefits on offer to frontline staff. “Our ambition is to remain a destination employer and enable our colleagues to thrive,” she says. Stacey adds: “I meet unions once a quarter for a natter and they're pretty clear that their desire is to see as many people in direct public employment as there can be. Why? Because that drives their membership model and gives them national-level ownership rather than dealing with local, contract-driven collective bargaining. That said, I'd hope they would recognise we try very hard to be the best we can.”

Viewed holistically, it is not clear outsourcing can be considered a bad idea, even in the public sector. An Institute for Government study in 2019 found that while the outsourcing of sensitive services such as care had been problematic, in other areas – particularly facilities management – it may have made UK public services more efficient over time. Amanda Arrowsmith, chief people officer at the CIPD, who has been head of HR for outsourcing firms during her career, points out that it simply is not in outsourcers' interests to be bad employers: “If you talk to major outsourcers, their turnover of staff can be very high, so actually having a good employment offer is really important to them.”

But outsourcing often puts client HR teams in the middle of competing forces including senior leaders, the labour market and their own employees, while lacking control. Griffiths-Lambeth recalls outsourcing a catering team with relatively few issues – until Covid hit. “Because [the outsourcing provider] had other clients and they wanted to reduce overall headcount, they were looking at the whole swathe of their workforce and the people who transferred across from us fell into the risk zone. There was nothing we could do about it – I could raise concerns, but ultimately they needed to apply what they saw as a fair process.”

The counterpoint here is a commercial reality HR teams will be only too aware of. “We'd like everybody to feel they are fairly rewarded and recognised and supported in the work they do, but that needs to be relevant and reflective of the role and profession they're in,” Arrowsmith says. “Market forces are going to be market forces. Should an electrical engineer be benchmarked against an employment lawyer or another electrical engineer? We still want a culture that is fair, that is equitable where possible, but recognising you're benchmarking against that role and that sector rather than the company.”

Academic studies have borne out the idea that pay progression principles have been eroded severely in western economies in recent decades. But it isn't outsourcing that started this, even if it has accelerated it. What is concerning for many is the number of outsourced employees claiming benefits while working; when the client organisation

involved is the public sector, this effectively amounts to the saving to the public purse becoming illusory. The new UK government clearly has this problem in its sights: it has already mooted ensuring outsourced staff are included in client organisations' gender pay reports, and encouraging insourcing of public services. Its plan to enforce day-one employment rights may improve conditions for the most precarious workers, but only those who are fully employed.

There is, in truth, no legal panacea to the worst side effects of outsourcing, though attempts have been made. Spain modified its workers' statute in 2016 to better align subcontractors' pay and conditions to those of clients. Australia is encouraging cleaning outsourcers to sign up to an accountability framework. The US has a ‘joint employer’ system that creates legal parity between outsourcers and clients, but with patchy minimum wage legislation its effects have been limited. Instead, it needs HR leaders to take an active interest in outsourced contracts. That starts, says Arrowsmith, with being upfront with potential partners about how employees should be treated: “Don't surprise them down the line. Talk about what you expect from them and allow them to price that into their provision. And once you're in that relationship, you need to understand where those lines are – who's managing who? How does it work?”

“Perhaps you have a line manager who's not speaking to employees in the way you want. You can deal with that through contract management but, if you have an HR to HR relationship, you can work together while recognising that the employment relationship is between the employee and employer.”

There are signs things are indeed changing. KPMG insisted some years ago that its outsourcers commit to paying the living wage, and the Scottish government has written it into all outsourced public contracts. Half of NHS trusts that outsourced cleaning have since insourced it. The Clean for Good initiative, which bills itself as a Fairtrade-style British outsourcer, has good intentions but relatively few clients.

It can feel like those raising concerns about the uncomfortable nature of some outsourcing are trying to turn around a juggernaut. “We've turned work into a collection of tasks rather than a collective responsibility,” says Griffiths-Lambeth. “Outsourcing is fragmenting tasks that had been independently performed by somebody. You can see a map between this fragmentation and a flatlining of productivity, increases in mental health issues, dissatisfaction with jobs.” Outsourcing, by this reading, is the symptom rather than the problem in itself – but that is no reason it should remain in the shadows. ■

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