The Blurring of Control and Responsibility.

A response to the Acas paper ‘Outsourcing and the fragmentation of employment relations’.

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If there is anything to learn from history it is to be cautious about using the word “new”. Our own age has a particular enthusiasm for describing current events as “unprecedented” or hailing radical breaks with the past. So researchers into important trends such as outsourcing have to tread warily around their subject, acknowledging the fundamental model of outsourcing has deep historical roots (remember the “putting out” system of 19th century textile manufacture), but suggesting that there may be a degree of novelty in its scale, in the sectors being affected or in its international character – and thus justifies writing about. Here lies a basic difficulty with research and policy on outsourcing: it is hard to be sure of one’s ground.

The dearth of reliable statistics on outsourcing is notorious. Measuring how many workers have been affected by it is well nigh impossible using the usual statistical categories. Influential shock-horror accounts of the potential of offshore outsourcing to erode hundreds of thousands of middle class jobs, having already frisked developed countries of traditional working class manufacturing jobs (Blinder, 2006; Brown et al 2011), have prepared us for a jobs flight. But we cannot yet see an outsourcing effect in either the unemployment data or in the trade data. Policymaking therefore starts from a problematic place: we lack hard evidence of the
consequences of outsourcing, but have some grounds for prospective concern. In its paper, Acas acknowledges these evidential difficulties, but describes international outsourcing as “the most visible tip of a very large iceberg” (Huws and Podro 2012). In my view “iceberg” is precisely right: it’s big, hidden, and implies a threat to at least some of the parties to the employment relationship.

The old adage that “if you want something done do it yourself”, has been more or less turned on its head by outsourcing. Power seems to be no longer about direct control, but about the ability to co-ordinate a network (Singh Grewal, 2009; Castells, 1996). “Getting something done” involves an intricate web of organisations, contractors, sub-contractors, bit-part-players and middlemen known as a supply chain and held together less by authority, personal loyalty, psychological attachment or other qualities we sometimes associate with organisations, and rather by market mechanisms and service contracts.

In theory, the more specialist actors in the network the greater the risk of something going wrong somewhere in the chain and the higher the transaction costs. But for organisations, the flexibility and ability to deliver goods and services with the right balance of cost and quality appears to tilt the calculus of risk in favour of outsourcing. Part of this calculus - and often presumed (though we cannot be sure) to be an important incentive in outsourcing decisions – is the ability to off-load employment related risk. Indeed, critics would argue the efficiency case is underpinned by the transferring of risk to workers in the form of lower pay, weakened job security and worse terms and conditions (Boltanski and Chiapello, 2005). Standing (2010) argued that the more work is resourced by market mechanisms, the more workers are exposed personally to the ups and downs of markets and the risks that are inherent in them. Today’s contract winner may well be tomorrow’s loser.

So is outsourcing good for employers and bad for workers? The Acas paper is too sophisticated a piece of work to say so. But it certainly raises some concerns. “The fluidity that allows businesses to seek the most cost effective means of production is, in many cases, impacting on job security, terms and conditions, autonomy and job satisfaction, levels of engagement and employee voice amongst the workforce.” It would be an unnaturally glossy prospectus that pitched outsourcing as a “win-win”.

The central reason for this is that outsourcing is a means to separate the control of work from the responsibility for workers – a classic distancing technique. Or more accurately, to blur control and responsibility. The employer may be legally responsible for employees, but they may not really be calling the shots.

Many workers have amusing tales to tell of the extended supply chain in action. Getting a faulty lock changed in an office can involve server-crashing email exchanges between tenants, landlords, “hard” facilities management companies (buildings) and “soft” facilities management companies (security) about responsibility – before a fifth company is called to change the lock. Sometimes staff wear the uniform and purport to represent one company but are in fact employed by a completely different one – let’s call it “chugger syndrome”. Or they sit next to a colleague doing the same job for the same customers but working for another company and paid different wages.
Networked arrangements can have a darker side, though. When an outsourced worker is injured on a client’s site, the moral responsibility is immediately confused. Outsourcing has been fingered as a contributory factor in the spread of hospital acquired infection due to disputes about the authority of nurses over external cleaning contractors.

The way these tangled commercial relationships play out in the day-to-day experience of work points to perhaps the fundamental implication of outsourcing as it affects employment. We have become familiar with the notion of a “bi-polar” world of work, in which two key groups, employers and employees, share or contest power. Outsourcing invites us into the “multi-polar” workplace in which power over work shifts between different stakeholders, both inside an organisation and outside it, in a more complex and confusing pattern.

Intriguingly, however, when workers themselves are asked where control over their work comes from, they point to their customers and clients and not their bosses. According to the Skills Survey series, while employees feel more “controlled” than they used to 20 years ago, the source of this control does not come from employers or from peer pressure, nor, indeed, from new technology. As employees see it, clients and customers are the most dominant source of control (Felstead et al, 2007). There is more behind such answers than outsourcing alone; after all, we are sometimes said to live in a “consumer society” (Bauman, 1998).

But outsourcing is a clear and dramatic illustration of how power over work can be exercised from outside the employing organisation and tends to form the basis of case studies in “fragmented work” (Marchington et al, 2004).

Viewing the employment relationship as a two-way dynamic between employers and employees (and their unions) is almost certainly too narrow a perspective today. Arguably, even the term “employment relationship” speaks of a bygone era. Staff operate multiple employment relationships (suppliers, clients, investors, stakeholders...) which have a direct and profound bearing on their work and deal with the ambiguity and uncertainty of where decisions affecting their future are ultimately taken. In practice it can be hard to know where one organisation ends and another begins. In the multi-polar workplace, some of the old players are finding their relevance tested.

Who should unions bargain with? Employer, client or client’s client? And who should they partner with? They have had some success organising down the value chain and teaming up with organisations such as London Citizens to campaign for a living wage for outsourced staff (see Hirsch and Moore, 2011; see also Pennycock, 2012), but the examples are relatively limited thus far and the resource implications onerous. Hirsch and Moore report that just 10,000 workers are believed to have benefited (Hirsch and Moore, 2011). What is the future of HR when authority may reside outside the workplace? Large parts of HR itself are eminently outsourceable. Will HR professionals become the technicians of distance? Or will they become sidelined and accused of lacking the necessary commercial acumen to operate in a management environment that involves greater segmentation of a workforce into “core” and “non-core”, “talent” and “non-talent”?

It is not hard to see how in intensely competitive markets, job security and employment terms can be the casualties of outsourcing. Yet as the Acas paper
demonstrates, the complexities go much wider – to voice, engagement, autonomy and job satisfaction. Although the paper hints at the effect of outsourcing on wages – it does not go into any detail of what is a highly complex subject (see National Audit Office, 2008).

Regarding voice and engagement, outsourcing presents a structural challenge to dialogue within and between organisations – after all, to engage with one’s employer, one needs to feel some sense of rootedness in a workplace. But it could be argued it is a mistake to get too hung up on structures: the real issue is how organisations “do change”. Successful outsourcing involves good management practice amid organisational flux: visible and accountable leadership, open communication channels, procedural fairness in terms of redundancies and appointments. An organisation that inherits outsourced staff (with or without TUPE) will want to engage them in their new, perhaps more specialised roles, with great urgency, while the original outsourcer will want to recover quickly from the negative aspects of restructuring exercises.

In my view, while this behavioural approach is undoubtedly to be encouraged, it may be dwarfed by the depth and scale of the outsourcing iceberg. We know from research that “progressive” or “high performance” people management is in patchy and relatively short supply across British workplaces; what growth there has been over a 30-year period is habitually described as “modest” (Kersley et al 2006, Brown et al 2009; see also Wood and Wall, 2005). When faced by the additional people management challenges of outsourcing, the need for “more and better engagement” is not building on entirely convincing foundations.

The question of why employee autonomy should be affected by outsourcing takes more explanation. We associate outsourcing with organisational flexibility. Are we to understand that this organisational flexibility is acquired at the expense of individual flexibility? The Acas paper makes the point that “standardisation” is a pre-condition for outsourcing: common ICT systems, common skills to operate the systems and common procedures are all necessary prior to the transmission of functions between organisations. Increasing standardisation may imply less of a role for professional or craft judgements or individual initiative. But in addition the paper notes standardisation may also be a consequence of outsourcing.

In theory, the propensity to manage workers by results or key performance indicators (KPIs) under outsourcing contracts ought not to dictate the means by which those results are achieved. Yet, in practice, KPI-culture “makes it increasingly likely that work processes are standardised, whether they are carried out internally or externally,” the paper contends (p14). Here the paper offers a potentially important contribution to the debate on outsourcing: restrictions on professional, craft or individual flexibility may be both a pre-condition and an outcome of outsourcing.

This chimes with another finding from the Skills Survey. Employees who most feel under pressure from clients and customers are also those whose “task discretion” has declined sharply (Felstead et al, 2007). According to some writers, “digital Taylorism” names the process of extracting knowledge from workers and codifying it in manuals, software packages and automated pre-scripts so that tasks are standardised, skills are more interchangeable (and cheaper), and work can be off-shored or outsourced more easily (Brown et al,
2008, 2011)**. We lack evidence on the impact of so-called digital Taylorism. But it becomes possible to see how the drive to outsource in some sectors may necessitate strategies that depend less on expanding human capital and skilled human judgement – the knowledge worker ideal, as it were – and more on pre-packaged, controlled, tightly specified “working knowledge”.

The Acas paper concludes somewhat apologetically by saying it has raised more questions than it answers. However, asking the right questions is the bedrock of all sound public policy. In the current recessionary environment and in the light of the difficulties regarding the evidence base outlined above, it would seem a rational position to take. Furthermore, there has been neither the anguished public outcry about offshore outsourcing in the UK that there has been elsewhere, nor any obvious appetite for regulatory intervention. Indeed, Coalition policy is explicitly directed towards easing burdens on employers and building business confidence.

Employment policy options break down into four broad areas: defending the status quo; information and guidance; exhortation; and regulatory or deregulatory interventions. It appears most likely that UK public policy may be focussed on information and guidance in the immediate future. If so, there are several models as to how this could be done so as to assist public understanding of the nexus of issues involved in outsourcing. These include: promoting data gathering, research and information; encouraging high quality people management in outsourcing decision-making; informal advisory groups (eg., an outsourcing equivalent of the National Task Force on Health, Work and Wellbeing); and advocating more formal advisory bodies (eg., modelled on the Migration Advisory Committee). As the paper suggests, though, the need for greater understanding of the consequences of outsourcing is becoming more urgent. All the right questions can ultimately be reduced to one: to what extent does outsourcing serve the common good?


**After Frederick Winslow Taylor, the creator or scientific management in the early 20th century, who argued all jobs could be analysed to establish the “one best way” they could be done most efficiently.
References


