

Outsourcing: what's happening and why

Public sector outsourcing has become big business. In 2008, the public services industry employed 1.2 million people and accounted for 6% of GDP. Its turnover was estimated at £79 billion. This represented a growth of 126% from the figures in 1995-6.

Public service outsourcing is also increasingly dominated by transnational corporations (TNCs). According to UNCTAD figures, 1 in 5 of the world's biggest TNCs were public services providing companies.

This growth has been driven by lobbying pressure from big public services businesses and their finance capital backers coupled with the dominance of the idea that marketisation and the introduction of competition from private providers makes public services more efficient.

This has intersected with the development of new technologies that enable the digitisation and standardisation of work.

Typically, outsourcing begins in 'non-core' support services like IT, support services, security, estates, cleaning, human resources, payroll and marketing.

But it can expand into so-called 'core' areas where it is possible to 'unbundle' professional roles and package them up in standardised units.

The pursuit of 'austerity' policies in Britain and the eurozone is giving a further boost to the businesses that have profited from outsourcing. In further and higher education, for example, outsourcing is being actively promoted as a way of cash-strapped universities and colleges making their money go further or expanding their capacity without capital investment.

- Sussex University has embarked on an ambitious and hugely controversial project to outsource large sections of its support services.
- Some colleges, like Norwich City College, have experimented with projects to outsource and offshore parts of their administration.
- Salford University attempted to outsource its 'core' provision in English language teaching, so far without success, and others have flirted with outsourcing new online learning courses and modules to companies like HE Online Ltd.

This is taking place at a time when the growing weight of evidence suggests that outsourcing has failed to live up to promised cost savings and represents a hugely risky, potentially costly strategy that can lead to serious reputation damage.

Further reading

Fighting privatisation - 'Making the Case Against Outsourcing' UCU factsheet.

Steve Jeffreys, 'Shared business services outsourcing: Progress at work or work in progress?' *WLRI Working Paper 11*, May 2012. http://www.workinglives.org/londonmet/fms/MRSite/Research/wlri/Working_Papers/WLRI_Working_Paper_no_11_Progress_at_work_or_work_in_progress.pdf

Ursula Huws, 'Outsourcing and the fragmentation of employment relations: the challenges ahead', *ACAS Future of Workplace Paper discussion paper*, August 2012, <http://www.acas.org.uk/media/pdf/p/8/Outsourcing-and-the-fragmentation-of-employment-relations-the-challenges-ahead.pdf>

Dexter Whitfield, *Cost overruns, delays and terminations: 105 outsourced public sector ICT projects* (European Services Strategy Unit, December, 2007). <http://www.european-services-strategy.org.uk/outsourcing-ppp-library/contract-and-privatisation-failures/105-public-sector-ict-contract-failures>

Lost in Translation: the internal privatisation of our colleges and universities and the threat to the public interest (UCU, May 2013).