

When the job is put out to tender. Outsourcing of cleaning services in the Armed Forces

In this study we have attempted to elucidate three issues. First, we have investigated the intentions behind the decision to subject the cleaning of premises belonging to the Norwegian Defence Estates Agency (NDEA) to competitive tendering. Second, we have examined the way in which the interests of the cleaners concerned were looked after by their employer until the contract was transferred, and third, we have explored what the new job situation looks like for those cleaners who were part of the transfer to ISS. This chapter discusses and summarises the main findings of the study.

Ideology and efficiency

The choice to outsource the cleaning services from the NDEA was a political decision that came as a big surprise to most of our informants. Many cleaners describe it as a ‘bolt from the blue’.

Any incumbent government will aim to manage the taxpayers’ money in a way that ensures provision of efficient and high-quality public services. In Norway, there is rarely any disagreement on the ends, but on the means. The political platform of the Solberg government, adopted in 2013, the so-called Sundvolden platform¹, emphasises competition as a key policy instrument. Its Article 7, ‘Renewal, administration and church affairs’, reads as follows:

‘The Government takes the general view that the provision of welfare services is not very different from the provision of other services. Competition stimulates value creation, better services and rationalization. It is therefore essential that competition becomes an integral part of all public activity.’

In Chapter 2, we described various arguments for and against competitive tendering in the public sector. Ideology was one of these, and both adherents and opponents may use ideological arguments. Ideological arguments in favour of competitive tendering are recognisable in the Sundvolden platform: competition will by itself ensure that the public sector produces more

¹ The political platform for a government consisting of the Conservative Party and the Progress Party, signed at Sundvolden on 7 October 2013.

efficient and better services. In this respect, the political platform represented a clear change of pace. During the red-green government, a number of major processes of outsourcing from public enterprises had been put on hold (Trygstad et al. 2006). The decision to outsource the cleaning services from the NDEA in 2014 was thus in line with the policies of the Solberg government.

How cost-effective is it really?

As we have noted, the Minister of Defence claimed that this outsourcing would free up funds to be transferred to so-called 'sharp missions'. The amount that could be assumed to be saved by leaving the responsibility for cleaning to an external party varies a lot, depending on what informants were interviewed. In Chapter 3, we referred to the estimates made by the Ministry of Defence, of total savings of NOK 99 million for 2017. Many of our informants have questioned the methods used by the Ministry to arrive at this amount.

The advantages and disadvantages of subjecting the cleaning services in the NDEA to competitive tendering were assessed in four studies conducted prior to the decision. Three of these came to an ambiguous conclusion. As described in Chapter 3, the study by Ernst & Young (EY) drew the clearest conclusion that money could be saved by outsourcing the cleaning services. Reference was made to how the special collective agreement between the NDEA and the Norwegian Civil Service Union helped drive up the costs.

As of today, it is difficult to determine how cost-effective the outsourcing of the cleaning services has been for the Armed Forces. The reason is that no figures are available and also because the answer depends on whether focus is placed on cost-effectiveness in the short or the long term.

On the one hand, the outsourcing has meant that the Armed Forces no longer needs to concern itself with the operation of the cleaning services and the welfare of the workers, since this responsibility now lies outside the organisation. Thus, resources spent on management and administration can be allocated elsewhere. The government also saves on pension costs, since it no longer needs to pay for expensive pension schemes for the cleaners, and it also procures services from a supplier with lower pension costs, which has an effect on the price paid.

On the other hand, we have seen that shortfalls in the quality and provision of cleaning services have given rise to a lot of irritation and complaints in the Armed Forces. There was also dissatisfaction when the NDEA was responsible for the cleaning, but the level of complaints has risen dramati-

cally since the services were outsourced. The administration and handling of the numerous complaints have given rise to high transaction costs at times.

Questions have also been raised regarding security issues. In the cleaning industry, ethnic Norwegians are in the minority. Approximately 70 per cent of the workers have an immigrant background, and the staff turnover is high (Trygstad et al. 2011, 2018). Providing security clearance of workers who are of foreign origin or have a foreign spouse can require large resources. A number of cleaners found other jobs after the outsourcing of the cleaning services, while others were paid off. There has thus been a need to subject new cleaners to security clearance. We do not know whether these workers will remain employed by ISS. However, given the high rate of employee turnover in the industry, we may assume that more security clearances will have to be made now, compared to when the cleaning services were managed internally.

Another issue worth mentioning is the extent to which the Armed Forces and the government have demonstrated corporate social responsibility in this process. Prior to the decision to outsource all cleaning services, approximately 30 per cent of the total volume was taken care of by external suppliers. Trade union representatives in the Norwegian Civil Service Union had expected that a larger proportion could be made subject to tendering, but not that the Armed Forces would outsource these services in their entirety. A more gradual solution could have been chosen, which would have enabled better protection of older workers, those with a reduced ability to work and those living in regions where there are fewer job opportunities and where the Armed Forces is a dominant employer. It is also likely that this would have helped avoid the court proceedings. When questioned about the limits that were imposed on the opportunity to remain employed by the Armed Forces (60 years with 15 years of service), the Minister of Defence referred to the need for keeping people in the workforce, the so-called 'workfare' policy. It is questionable, however, how familiar the Armed Forces were with the industry to which the employees were outsourced. As we described in Chapter 2, the average age of the employees is far lower in the private cleaning industry than among the former employees of the NDEA. While 38 per cent of the cleaners in the central government sector were 55 years or older in 2014, the corresponding proportion in the private cleaning industry was just 10 per cent. The workload in the cleaning industry is considerable, and it is reasonable to assume that there is a correlation between age and tolerance of work-related stress over time.

In the total calculation of costs, it is questionable whether sufficient account has been taken of expenses linked to various social security benefits. In Chapter 3, we referred to how the reorganisation of Norway Post into

English summary of Fafo-report 2018:32

Når jobben settes ut på anbud

Elin Svarstad og Sissel C. Trygstad

© Fafo 2018

an independent enterprise and the outsourcing of service production by the Norwegian Public Roads Administration with the establishment of Mesta pushed up the sickness absence. In the case of Norway Post, there was also an increased rate of retirement on disability.

Taking care of the employees' interests

Eighteen months passed from the announcement of the outsourcing of the cleaning services to the actual transfer of the service contract. The cleaners we interviewed felt that their employer showed little concern for their situation. Many of them felt that the NDEA 'let go' of the responsibility for them at the time when the decision to outsource the cleaning services was taken, and they called for information and follow-up. Many of them felt great uncertainty about the future and described this as a difficult period for them. For example, an entire year passed before they were made aware of the conditions for remaining in the NDEA, and this had a very predictable effect on their working day. The cleaners' immediate superiors were largely unable to take care of the personnel they were responsible for, most likely because they themselves had no information and could not predict what would happen to their own jobs. This is acknowledged by the cleaners, who tend to blame the top management of the NDEA. Many told us stories of indifference on the part of the management, and this was considered unnecessary and negative.

Most of the cleaners felt that the Norwegian Civil Service Union was largely alone in providing support at the time, and others felt that Armed Forces staff were very supportive of them.

The new job situation

One year after the transfer of the service contract the job situation of most of the cleaners changed considerably. Increased workload is one keyword, but the feeling of having a secure job was also weakened.

As described in Chapter 2, competition for tenders in the cleaning industry is tough. Unscrupulous cleaning enterprises that operate on the edge of or outside the law compete for the same assignments as bona fide suppliers. Although measures such as general application of the collective agreement for the cleaning industry and the certification scheme for cleaning-industry enterprises have had a certain effect, unscrupulous suppliers continue to represent a problem. Assignments are frequently allocated to such operators because of the clients' lack of awareness. When bona fide businesses are forced to compete against unethical operators who depress prices, this has an effect on the competitive situation in the industry as a whole, causing,

for example, a pressure on performance levels. Approximately one in three employers and the same proportion of employees report that the workloads are higher now than they were two to three years ago. In other words, the cleaners must do more work than previously in the same number of hours. In this picture, public enterprises that procure cleaning services constitute a key element. In their one-sided emphasis on pricing when choosing a supplier, public enterprises exacerbate the tough competitive conditions in the industry (Trygstad et al. 2011; Berge & Sønsterudbråten 2011; Trygstad et al. 2016, 2018). In the same way as customers do in general, public procurers have an effect on the wages and labour conditions of the cleaners in the way the tenders are designed, the criteria applied to them and their weighting when suppliers are chosen, the requirements defined and the way in which they are followed up (Berge et al. 2013:120).

Are the employees paying the price?

One key issue is the way in which the Armed Forces' logistics organisation acts as a customer. We have no information regarding how the Armed Forces weighted the price in relation to other criteria, such as H&S, in the call for tender for cleaning services in the ten defence regions. Some have pointed out, however, that ISS must have priced their services too low.

As described in Chapter 6, the suppliers were given few details about the premises to which the tender applied. This means that it was difficult to prepare a price estimate that took the peculiarities of the Armed Forces into account. Cleaning premises where soldiers come in after field exercises is a different matter to cleaning offices.

As a private enterprise, ISS obviously does not want its accounts to go into the red. Limiting losses caused by wrong pricing will thus be essential. One possible strategy will be to increase the workload on the employees, and this appears to have been the case here. Consequently, any savings made by the Armed Forces by outsourcing the cleaning services must be seen in light of the fact that the cleaners' working day has become a lot tougher than what it was when they were NDEA employees. As described in Chapter 6, their job security has also been weakened. For example, in Northern Norway, a total of 17 cleaners were paid off in 2017, although at least a few of them were offered temporary work contracts with their employer. We have no figures for the number of employees who lost their jobs after the transfer of the service contract, but since we have been told that employees in several regions have been paid off we can assume that this pertains to many more than the 17 who were paid off in Troms county.

English summary of Fafo-report 2018:32

Når jobben settes ut på anbud

Elin Svarstad og Sissel C. Trygstad

© Fafo 2018

As described in Chapter 7, we asked our informants to state their opinion regarding the likelihood that the Armed Forces will insource the cleaning services again, given the numerous complaints. Only very few believe that this will happen. What may happen, though, is that a possible new tendering process will take into account how overly strict pricing demands will have a negative effect on the working day of those who perform the cleaning services for the Armed Forces. Moreover, if ISS chooses to submit a new tender, the enterprise will be better able to set a correct price for the assignment.

Where are the trade union representatives – where are the safety delegates?

The cleaners who were transferred to ISS came from a sector with a high unionisation rate, a well-established H&S organisation and a trade union system with broad experience. In the private cleaning industry, a different situation prevails. Previous studies indicate that recruitment of trade union representatives and safety delegates is challenging in the cleaning industry, and that turnover is high among those who hold such elected offices (Trygstad et al. 2012; Andersen et al. 2016). The same studies show, however, that the trade union representation system works best in large enterprises (with collective agreements), which also tend to have a functioning H&S service. The transfer of this particular service contract, however, appears to have entailed some complications, since the previous members of the Norwegian Civil Service Union needed to go over to the Norwegian Union of General Workers.

The cleaners we interviewed reported to have come from ‘orderly conditions’ in the NDEA. They knew who the trade union representative and the safety delegate were, and knew whom to turn to when they needed help and assistance, and they felt well taken care of. At the time of the interview, the informants did not have the equivalent information regarding trade union representatives and safety delegates in ISS. For those cleaners who were paid off in 2017 this may have entailed major consequences.

In Chapter 6, we noted that five cleaners contacted the regional office of the Norwegian Union of General Workers for assistance in the context of their employment termination. They were unaware that help was available from trade union representatives in ISS. We have no information regarding the correctness of this information or how frequently this occurred. The cleaners were provided with assistance and argued that the downsizing had not been conducted in accordance with the principle of seniority (see Section 8-2 of the Basic Agreement between the Norwegian Trade Union Confederation

and the Confederation of Norwegian Enterprise), and that there were no reasonable grounds to waive this principle. Nor did it speak in the employer's favour that the cleaners who lost their jobs could prove that the enterprise was announcing vacancies. As a result, these five were reinstated.

We have been informed that there were others whose employment was also terminated on false grounds, but who had not made any contact within the stated deadlines. Trade union membership did not improve job security for this group. Some of these cleaners are now temporarily employed by ISS or unemployed.

There seems to be a clear potential for improvement when it comes to getting the transferred cleaners to know their trade union representatives. The same appears to apply to the H&S service. Many were unaware of who the safety delegates were, and we have also noted that in one section both the safety delegate and the chief safety delegates were managers. Contacting the safety delegate to report a problem with your manager would then be out of the question. Moreover, as revealed by this study, many perceive the management as controlling and 'bossy', while others report that the management is largely absent. Very few, if any, have described the management as supportive.

None of our informants had seen that any safety walk-throughs had been undertaken after the transfer of the service contract. Safety walk-throughs are time-consuming and labour-intensive, but in light of the major increase in workloads and the numerous complaints to ISS concerning deficient cleaning, a walk-through would most likely have provided the safety delegates and management with information regarding the employees' actual working conditions.

What lessons can be learned from this? One question that can be raised against the background of the findings in this study is whether the trade union organisation in ISS was sufficiently able to take care of its new members. On the whole, the employees are satisfied with the assistance provided by representatives of the Norwegian Civil Service Union during this process (with some exceptions) as well as in the time after the transfer of the service contract. The trade union representatives in ISS, on the other hand, are described as not very visible.

The same applies to the H&S service. So how have the new employees been taken care of in the time after the transfer of the service contract? While the employer has the main responsibility for ensuring that the H&S services function well, the trade union is responsible for ensuring a well-functioning system of elected representatives that protects the interests of

the employees. In a process such as this one, both of these functions should be discussed.

Another issue that ought to be raised is whether the government and the Ministry of Defence have attended to their corporate social responsibility in this process. The decision to outsource the cleaning services in the NDEA has placed many older employees in a vulnerable situation. It is not unreasonable to expect public employers to incorporate such concerns in processes like this one. Experience indicates that this responsibility has not been sufficiently taken into account.