

# From outsourcing to ethical sourcing: How to buy in services without selling out



**By Tim Thorlby**

**Foreword by Dr Eve Poole**

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Pictures: All photographs in this report, including the front cover, are portraits of members of our cleaning team, with the photographs taken by Rosie Wedderburn Photography for our 2019 Portrait Exhibition. More information about our Portrait Exhibition can be found on our website.

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Clean for Good is a pioneering and award-winning ethical cleaning company which has been cleaning offices and workspaces across London since 2017. We believe it is possible to deliver a high-quality professional cleaning service whilst also meeting high social and environmental standards. We are a different kind of cleaning company. Our mission is to change the cleaning sector in the UK for good.

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## Our Contributors

### Foreword

#### Dr Eve Poole

**Author of Leadersmithing and Ethical Leadership**



Dr Eve Poole is the Third Church Estates Commissioner for England, and Chairman of the Board of Governors at Gordonstoun. She has a BA from Durham, an MBA from Edinburgh, and a PhD in theology and capitalism from Cambridge. She is the author of several books, including Leadersmithing, which was Highly Commended in the 2018 Business Book Awards and described by Joanna Lumley as 'inspirational, practical and fascinating.'

For 15 years she taught leadership at Ashridge Business School, where she pioneered a new approach to the accelerated development of leaders, using ground-breaking neurobiological research into how leaders really learn. Before she joined Ashridge, she worked for the Church Commissioners and for Deloitte Consulting, where she specialised in change management for the Financial Services sector. She is a regular contributor to Thought for the Day for BBC Radio Scotland.

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Tim is the Managing Director of Clean for Good and has been involved in the business since its inception.

Tim has worked across the public, private and charity sectors and has helped to lead the development of several businesses and charities. He has also authored many research reports. His core passion is building organisations to have a positive social impact.

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## Foreword

Brands are so terribly fragile. All it takes is one off-key remark, one bad decision, one mis-handled complaint, and the power of social media kicks in to bury the brand entirely. This has been the case for a while now, but Covid-19 has been brutal for those brands who are not perceived to have played fair.

This zeitgeist, coupled with our new-found national appreciation for key workers, makes Clean for Good a God-send. Now more than ever we need to know that our working spaces are pristine, and we need to trust those cleaning for us to do a great job. They are more likely to thrive at work and perform to the highest level if they are not exploited, so in buying ethically you buy into a service culture that is about partnership, dignity and respect. You also reduce the risk of dirty little secrets about working conditions tarnishing your brand, and affecting not only your ability to attract and retain customers, but your talented employees too, who increasingly will not work for companies whose values they cannot admire. Investing in quality throughout your organisation will shine through everything that you do.

Everyone has heard the famous story of the NASA janitor with the mop, who met President John F. Kennedy when he visited the space centre in 1962. "What are you doing?" he was asked. "I'm helping put a man on the moon," the janitor replied. It's a story that reminds us that we're all part of the same endeavour at work.

But there is another story that I think is more relevant to those of us now living in a Covid-19 world. Captain Charlie Plumb was a navy pilot who flew 75 successful combat missions in Vietnam before he was shot down. He ejected and parachuted into enemy hands, where he was captured and spent six years in prison. Years later, after his release, a man came up to him in a restaurant and introduced himself. He seemed to know all about Plumb's service record and about his capture. When he was asked how he knew so much, he said: "I packed your parachute. I guess it worked!" We all need to know who is packing our parachute in a pandemic.

**Dr Eve Poole**

## Summary

- The UK has seen unprecedented challenges in 2020, prompting much discussion about how we as a nation can 'build back better'. We believe that every employer has the power to effect significant social change right now – through their purchasing and outsourcing decisions. This report sets out why outsourcing matters and how it can be done better.
- No organisation is self-sufficient. Every employer relies on a network of suppliers. Outsourcing is a huge market. Done well, it can deliver innovation, efficiency and positive outcomes. Done badly, it can cause serious reputational damage.
- The key risk with outsourcing is that an employer may find themselves buying a service that is produced in a way which is seriously out of step with their own standards of behaviour. How? Because procurement often lacks transparency – it can be a 'black box'. Too many employers don't just outsource a service, they unwittingly outsource their values and responsibilities.
- The litmus test when outsourcing a service is to look inside the 'black box' and understand how the workers involved are being employed, paid and managed – and how this compares with your own practices in-house. There are three key questions:
  1. **What wages are the workers being paid?** Do they receive a Living Wage? Today, five million workers in the UK still earn less than this.
  2. **What is their employment status?** Employed workers benefit from more protections (like paid sick leave) as well as having a more predictable income. Zero-hours contracts and self-employment offer less protection.
  3. **What are their terms and conditions – particularly sick pay, holidays and pensions?** The statutory minimum employment conditions allowed by law are low. We have seen the tragic consequences – and the serious risks to the employer – of employing workers on terms and conditions offering such limited protection.
- The 'black box' is inconsistent with ethical purchasing: it has to be opened. Social and environmental responsibility requires intelligent and well-informed procurement.
- This report also defines a full **Checklist for purchasing Ethical Cleaning** (see page 11)
- The UK's employers - of all sectors – between them have tremendous power to deliver lasting social change – through their purchasing. We do not have to wait for Government action. Join us.



## 1 – Introduction

2020 was the future once.

It hasn't turned out to be so enjoyable. The UK has been rocked by the unprecedented global pandemic of Covid-19 – we have seen and experienced lives lost, livelihoods and dreams shattered, and well-known businesses and charities brought to the brink of ruin – and sometimes beyond. And we don't know how or when it will end.

There has been much talk of 'building back better'. We have seen the deep divides in our country cruelly exposed – our entrenched inequalities have never been so obvious. Those who have worked so hard during the Lockdown to protect us and feed us and heal us have also often been from the worst paid professions in the country. And it is those workers who have borne the brunt of Covid-19.

It is surely right to work hard on ways we can bridge these social and economic divides in the UK, to create a more just, equal and ethical society.

And the good news is that it does not need to wait for a Government Commission or new laws or some new initiative. Every organisation in the country with a budget has the power to begin making change today. Not only directly, but through the decisions made through purchasing and outsourcing. No employer is an island – every organisation chooses how it uses its resources as it buys what it needs.

Let us commit to a new resolution – to intentionally use our purchasing and outsourcing decisions to make this country a fairer and better place. We're using this opportunity to set out why outsourcing matters so much, and how it can be done better, and challenge you to consider how you and your organisation will help to 'build back better'.

We are a cleaning company, so we have used examples from our own experience in the cleaning sector, but have identified principles which we believe extend across all sectors. We hope our reflections are helpful.

**“Those who have worked so hard during the Lockdown to protect us and feed us and heal us have also often been from the worst paid professions in the country. And they have borne the brunt of Covid-19.”**

## 2 – Outsourcing? We need to talk

No organisation is self-sufficient. Every employer – whether a business, charity or public service – relies on a network of suppliers of goods and services in order to do its work.

Whether it is buying IT equipment for an office, or commissioning a payroll service or procuring a contract to clean the office at the end of the day, there is a ‘hidden network’ of providers supporting and supplying every organisation. This informal team of organisations (usually businesses) provides essential expertise and support. The outsourcing of goods and services is an unavoidable part of life for every employer.

### “No organisation is self-sufficient”

Across the UK, the outsourcing of goods and services of all kinds accounts for billions of pounds of expenditure every year – from IT network support and facilities management to HR and financial services, even to just the tea and coffee

supply for an office. According to recent research by YouGov, some 83% of businesses in London have outsourced a key service to a third party<sup>1</sup>.

There is, of course, an important discussion to be had about whether sometimes a service might be best delivered in-house or outsourced. There is not always a simple right answer. Where there is a choice, every employer needs to weigh the pros and cons in relation to service performance, cost of delivery and management implications.

Done well, outsourcing can deliver innovation, efficiency and positive outcomes. It can help small organisations access expertise they could never afford to hire in-house. It can help large organisations achieve efficiencies and enable them to focus on their core business.

But done badly, outsourcing can not only cause a serious operational headache, it can unravel an organisation’s hard-earned reputation.

Sadly, in recent years, outsourcing has developed an increasingly poor reputation. More and more stories have surfaced in the media of instances where outsourcing has been used to cut costs – and corners – sometimes with tragic consequences for the workers involved. This in turn has led to serious reputational damage for the companies involved – both the suppliers and their ultimate customers.

### The risk

There are practical challenges and risks with outsourcing; how well will a service be delivered? Will it be value for money? Is it responsive to the customer’s changing requirements?

But the most dangerous risk with outsourcing is the reputational risk. If it is done badly, an employer may find themselves buying goods or services produced in a way which is seriously out of step with their own standards of behaviour. High street fashion brands have found this out to their cost.

Procurement may be done with the very best of intentions, but can still lead to a significant risk to reputation, and even resultant damage.

How? Because procurement often lacks transparency.

Many employers buy a service as though it was a ‘black box’. They may have full details on the inputs and outputs of ‘what’ service is to be delivered – the cost, the specification and the outcomes expected - but they know very little about ‘how’ the service is to be delivered – in particular, the people delivering the service and their employment conditions. And as we will see, the contents of these ‘black boxes’ can be very murky indeed.

Too many employers don’t just outsource a service, they unwittingly outsource their values and responsibilities too. By doing so, they put their reputation with both staff and customers at risk.

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<sup>1</sup> YouGov (2019) *Which services are businesses most likely to outsource?* YouGov White Paper

## 3 – Why outsourcing has a bad name: Inside the black box

To be able to assess the core risks from an outsourced service, it is essential to look inside the 'black box' and understand how the service is being delivered. In particular, the litmus test for most outsourced services is how the workers involved are being employed, paid and managed – and how this compares with your own practices in-house.

This kind of information may seem like unnecessary detail to some, or even perhaps intrusive – is it really any of my business? Surely we're just buying a service or product?

**“The companies which are coy about their employment practices are usually the ones with the most to hide.”**

But if you are commissioning a service from a third party, and they are delivering it in your name, perhaps even on your premises, and it is entirely paid for by you – then you are fully entitled to ask how they operate.

Some suppliers can be very reticent to share this information with their customers, even when asked directly. Such responses should set alarm bells ringing. Any employer with decent standards will

be proud of how they treat their staff and happy to share information about terms and conditions (and no-one is asking for personal or confidential information here).

The companies which are coy about their employment practices are usually the ones with the most to hide. In some sectors, driving down wages and the accompanying terms and conditions has been a primary tactic in managing costs and keeping prices competitive. Their prices are not low because of efficiencies or innovation but because they have cut labour costs to the absolute minimum.

Suppliers may be operating within the law, but, as we will see, that is a relatively low threshold. Many employers operate well above this threshold and will be expecting suppliers to do the same.

Every employer who outsources a service needs to understand three things about the employment practices within that service:

- Wages
- Employment status
- Terms and conditions

When you have this information, you can then compare it with your own behaviour as an organisation and check that your supplier's values are consistent with yours.

### 3.1 – The wages

The first and most obvious question is to ascertain what the service deliverers are being paid.

Many commentators, and indeed politicians, now agree that the Government's national minimum wage (called the 'national living wage') is not actually high enough for someone to live on. It is presently £8.72 per hour for an adult aged 25 and over. It is a poverty wage – that is, a wage that would leave even the average full-time worker living in poverty.

Over the last 20 years, the Living Wage Movement in the UK has developed a well-researched, evidenced and independently calculated hourly wage which is based on the cost of living; it is set each year at a level which would enable someone to live above the poverty line.

Today, the Living Wage in the UK is £9.30 per hour, or £10.75 per hour in Greater London. It is set by the Living Wage Foundation<sup>1</sup>. It is significantly higher than the Government's Minimum Wage, particularly in London where it is 23% higher.

Over 6,000 employers (business, charity and public sector) have already voluntarily signed up to become 'Living Wage Employers', publicly agreeing to always pay the Living Wage or more to all of their employees – and also every supplier.

KPMG have recently estimated that 1 in 5 jobs in the UK still pay less than the Living Wage<sup>2</sup> - that is over 5 million jobs. And in some sectors – facilities management, retail, hospitality – the Minimum Wage remains prevalent. In the cleaning sector in 2020, it is estimated that 60% of workers still earn less than the Living Wage.

**“In the cleaning sector in 2020, it is estimated that 60% of workers still earn less than the Living Wage.”**

So, is your service provider relying on the Minimum Wage? Are the workers delivering this service to you actually living below the poverty line? Is this consistent with your organisation's values?

<sup>1</sup> More information can be found at [www.livingwage.org.uk](http://www.livingwage.org.uk)

<sup>2</sup> IHS Markit (2019) *Living Wage Research for KPMG* Living Wage Foundation

### 3.2 – Employed or not employed?

The hourly wage is only one factor driving a worker's employment experience – their other employment conditions are actually just as important.

The second key issue is whether workers are employed by the supplier on contracts which deliver regular hours (and income) or whether they are self-employed or on zero-hours contracts. All of these modes of employment are, of course, entirely legal, and each may be appropriate in certain circumstances – the question for someone commissioning a service is to determine which one applies to your outsourced contract and whether this matches your expectations or not. While legal, they can be used to drive down costs, to the detriment of the worker.

- A **self-employed worker** is of course not entitled to paid holidays or paid sick leave or pension contributions – they just get paid for the hours they work, and nothing more.
- A **worker on a zero-hours contract** is employed, but is not guaranteed a set number of hours (and therefore a set income) each week – and their hours can often be varied at very short notice, sometimes on the day itself.
- An **employed worker** on a standard employment contract will have both regular hours (and a predictable income) as well as paid holidays, sick leave and pension contributions.

All of these options are legal and used by many employers in the UK today. The challenge is to ensure that anyone commissioning a service does so with their eyes open, ensuring that the employment mode suits the service and the organisation's values.

The key issue with self-employment is that workers have a much lower level of protection – e.g. no payment if they are sick, no paid holidays, no pension. For people working in well remunerated sectors (e.g. a self-employed accountant), their earned income may be high enough to cover all of this, but for low-paid occupations (e.g. cleaners or couriers) their income may be too low to allow the building up of savings. This means they can afford few holidays in practice and may have a strong incentive to continue working even when sick. At the present time particularly, continuing to work while unwell can pose a significant organisational risk.

Zero-hours contracts have the same challenges, but with the added problem of an unpredictable income. Again, for some people in some parts of society, this may be perfectly manageable; but for lower paid work, such precarious income can leave workers and their households dipping in and out of income poverty if they do not have savings to rely upon – and many do not.

For workers in low pay occupations, therefore, their hourly wage is an important factor in their

wellbeing, but the **nature of their employment** is also crucial: they benefit greatly from being on employment contracts, because these deliver predictable incomes and the important additional social benefits that go with employed status. So, for any organisation outsourcing a service – what level of protection are you expecting to see for the workers you are paying for, and what level of risk are you exposing your organisation to?

### 3.3 – Terms and Conditions: the small print

For workers who are employed on a regular contract, there is a third and final question to investigate – their terms and conditions. Such small print might seem trivial, but again, these operational details can be crucial both for the workers themselves as well as the customers relying on their services.

Another way that some companies keep costs (and prices) down is to strip employee terms and conditions down to the legal minimum – the statutory minimum terms and conditions allowed by law. This obviously saves money (less holiday, less pension, less sick pay), but it can also lead to significant problems.

During the Coronavirus Lockdown in the spring of 2020, a number of stories came to light of people who were ill but who felt obliged to continue going to work – not only risking their own health, but also potentially putting others at risk. One media story<sup>1</sup> covered the tragic story of Emmanuel Gomes, a cleaner at the Ministry of Justice in Whitehall, employed by outsourced cleaning company, OCS.

On 24<sup>th</sup> April Emmanuel Gomes went to work, despite having been ill for several days, and he later collapsed and died at home the same day. The statutory minimum terms of his contract meant that if he did not go to work because of illness, he would not get paid at all for the first three days and would then earn only the minimum Statutory Sick Pay (SSP) of £95.85 per week. Like many workers, he felt that he simply could not afford to do this, so he went to work when he should have been seeking medical help.

**“It seems highly unlikely that any responsible employer in the UK today will be relying on the absolute minimum employment conditions allowed by law. Such an approach is consistent with an attitude which seeks to pay people as little as they can get away with.”**

<sup>1</sup> Harriet Grant & Beatriz Ramalho da Silva, *Emmanuel Gomes died just hours after his cleaning shift. Why was he working?* The Guardian, 26<sup>th</sup> June

Statutory Sick Pay (SSP) is the least amount of support which employers are obliged to offer to employees. It is a very low threshold of support. During the pandemic it was also quite clear that some workers felt compelled to keep working even if they had Coronavirus – incredibly dangerous for them and for the people they were meeting at work or on public transport. Why did they do it? Because they simply couldn't afford to stop working.

Two other statutory terms and conditions which are particularly important to understand are pension contributions and holidays. These are often areas where employers can 'save money' (and so reduce prices) by offering employees the bare minimum.

It seems highly unlikely that any responsible employer in the UK today will be relying on the absolute minimum employment conditions allowed by law. Such an approach is consistent with an attitude which seeks to pay people as little as they can get away with. What else might they be trying to get away with? Is this the kind of company you want to trust your organisation's reputation with?

It is important to understand a company's key terms and conditions – particularly sick pay, pension and holidays – because it tells you a lot about that company and its attitude towards its own people.

## A trusted provider?

The bottom line in choosing an outsourced provider is whether you trust them. Not just to deliver a good service, but to protect your own reputation by the way they behave.

We have identified **three key questions** to ask about any outsourced service, to help you unpack how a potential supplier operates; and how they respond to those questions will tell you a lot about them.

It will also come as no surprise to learn that companies which operate at the threshold of the law – paying the least they can get away with – are also sometimes to be found operating below the law.

The Low Pay Commission estimated that some 1 in 5 cleaners in the UK who were entitled to the Minimum Wage were actually being paid less than this by their employer<sup>1</sup>. This accords with our own experience of recruiting cleaners in London – a surprising number report being underpaid in their previous job, or having wages paid inaccurately or even not at all for some months.

<sup>1</sup> Low Pay Commission (2019) *Non-compliance and enforcement of the National Minimum Wage*



- 1 – What wages are the workers being paid?**
- 2 – What is their employment status?**
- 3 – What are their terms and conditions – especially sick pay, pension and holidays?**



## 4 – Towards more ethical sourcing: Implementing your values

### Principles

The challenge for every organisation which is buying in goods and services is to do so in a way which is fully consistent with its own values.

The key to enabling this is to secure transparency in any outsourcing process. Put simply, you must know what you are buying – particularly in respect of how the relevant workers are being treated:

- What are they being paid?
- How are they being employed?
- What are their terms and conditions – particularly sick pay, pension and holidays?

There are many questions to ask of a potential partner, but we suggest that these represent a 'litmus test'.

The 'black box' is inconsistent with ethical purchasing; it has to be opened. Social and environmental responsibility requires intelligent and well-informed procurement.

### Outsourced cleaning? a checklist

Every sector and type of outsourced service will be different, and there may well be additional questions to ask too.

**“Commitments to give a percentage of profit to charity are commendable, but are not sufficient - the more important ethical question is always how that profit was generated in the first place.”**

**“The 'black box' is inconsistent with ethical purchasing; it has to be opened. Social and environmental responsibility requires intelligent and well-informed procurement.”**

Clean for Good operates in the cleaning sector, so here we have put together a full checklist to assist anyone looking to purchase cleaning for their premises. It incorporates both social and environmental considerations.

We are of the view that what makes a business ethical is the nitty gritty of how it operates and how it provides its services. Commitments to give a percentage of profit to charity are commendable, but are not sufficient - the more important ethical question is always how that profit was generated in the first place.

## Checklist for Purchasing Ethical Cleaning

### Q1 – Does the provider pay the Living Wage?

Ideally, they would be a Living Wage Employer, independently accredited by the Living Wage Foundation as an organisation fully committed to paying the Living Wage to all staff and suppliers. As a minimum, you should be confident that they are paying the full Living Wage or more to any staff working on your contract.

### Q2 – Does the provider directly employ their own staff?

Is the provider providing full employment benefits to the people who will be working on your behalf, or are they relying on self-employment/agency working or zero-hours employment contracts?

### Q3 – Does the provider offer their staff Terms and Conditions above statutory minimums?

Particularly in relation to sick pay, pension and holidays – are the terms and conditions for workers above the statutory minimums?

### Q4 – Does the provider invest resource and time in managing and training staff?

The management culture of an organisation is important for the effectiveness of service delivery as well as the wellbeing of employees. Is it positive and supportive? This is harder to measure than the other issues on this checklist, but worth exploring with a partner. How much time do employees actually spend with managers – or is management spread too thinly?

### Q5 – Does the provider operate to high environmental standards?

In the cleaning sector, many products and techniques are available now that enable effective cleaning but with minimal environmental impact. There are independent certifications available – like the EU Eco Label – which provide evidence of genuine eco-credentials on cleaning products. Don't accept 'greenwash' or vague statements.

### Q6 – Has the provider put together its own ethical supply chain?

A sign that a provider genuinely cares about its social and environmental impact will be the extent to which it has reviewed its own supply chain so that it purchases goods and services in an ethical way. What evidence or examples can they provide on this?

## Can outsourced cleaning really be ethical?

Yes. We know it is possible, because we've been doing it for the last three years.

Clean for Good is a Living Wage Employer, employing its own staff directly and on terms and conditions above statutory minimums. So, when someone is ill, for example, they receive full sick pay from day one of their contract and day one of their illness.

We also invest in our people, operate to high environmental standards and have put together our own ethical supply chain for key products and services.

During the Lockdown in Spring 2020, we committed to retain every employee and pay them in full (100% of their wages) - and we did, for five months from March to July 2020, whether they were working or furloughed. Even when we lost a few client contracts during the Lockdown (as some clients struggled financially), we retained our cleaners and offered each one a similar (or better) job at another site. Crucially, our actions were supported and enabled by our customers, who remained committed to the people in their supply chain.

We have grown rapidly since we launched in 2017 because there are a growing number of employers who care about buying in services that match their own values.

We are reflecting on our own experience, and sharing our thoughts publicly, because we want to see more employers using the power of outsourcing for good – and more cleaning companies upping their game to meet those expectations.

## 5 – Building back better? Join us

There has been much discussion about whether the UK can recover from the shock of the Covid-19 pandemic and build a brighter – and fairer – future for itself. It is a great impulse and one we wholeheartedly share.

But the drive for a fairer country does not have to rely primarily or solely on Government action. The UK's employers, of all sectors, between them have tremendous power to deliver lasting social change – through their purchasing power.

Taking more time to investigate service providers and intentionally choosing the more ethical providers has the potential to drive great change in this country.

And it does not need to rely on Government action, new laws or charitable funders. Every employer already has the budgetary power to effect profound change. Many already use this power. More could. We don't need to wait; if we want to see change, there is much we can do.

So, don't wait for the cavalry to come – it turns out that you are the cavalry.

Join with us and be part of the change you want to see.

Are you in?

**“The UK's employers, of all sectors, between them have tremendous power to deliver lasting social change – through their purchasing power.”**



[cleanforgood.co.uk](http://cleanforgood.co.uk)