



Managing safety in outsourced relationships

Dysfunctional processes and
fractured relationships

Summary report 2020

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All recipients of funding from our Research for Public Benefit Fund are asked to compile a comprehensive research report of their findings, which is subject to peer review.

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In this document, you'll find a summary of the independent study we commissioned from Cranfield University.



What's the problem?

Outsourcing, defined as “the act of obtaining goods or services from individuals or organizations outside of a firm's boundaries when these goods or services could be created internally by a firm's own employees”, is one of the most significant and enduring organisational change initiatives of the modern era. It occurs between firms and between firms and individuals, not only in private companies but also in public sector organisations. It is found in many different industrial sectors, including both manufacturing and service industries, across the globe.

However, it introduces safety risks into the organisation. Accident and injury reports attest to the challenges to effective safety management created by outsourcing activities to contractors, for example the explosion and fire at the Buncefield oil depot in December 2005, where the design and operations procedures were not communicated adequately from contractor to client, or the derailment at Hatfield in October 2000 where Railtrack failed to monitor adequately Balfour Beatty's track maintenance schedule.

We commissioned Dr Colin Pilbeam at Cranfield University to conduct research into this. The aim of the project was to understand how to sustain and enhance occupational safety and health performance in a client firm following the decision to outsource activities to a contractor.

This project had four objectives:

- through a literature review, to identify the safety risk factors and safety management practices found in outsourced activities between firms and between firms and individuals;
- through a series of case studies, to identify the safety practices and processes occurring in outsourced activities;
- to investigate the nature of the inter-personal relationships between the employees in the client firm and those in the contractor firm; and
- to show how variations in safety processes and practices and in relationships affect safety performance.

What did our researchers do?

Our researcher did three things. Outsourcing relationships are not all the same, so first he developed a conceptual framework that differentiated contracting relationships along two dimensions, providing a 2 x 2 matrix. The first axis distinguished between tasks that were either core or peripheral to the client firm's strategic goals. The second axis distinguished between tasks that were routine in nature requiring limited skills and those that were complex. Notably, this framework

accommodates both firm-to-firm and firm-to-individual relationships in the same matrix.

Second, he conducted a systematic review of the literature to identify safety risk factors and safety management practices found in 44 empirical studies of outsourcing relationships. Adopting a framework synthesis methodology, he used the 2 x 2 conceptual framework to categorise these studies. Safety risk factors in each of these studies were classified using the PDR-Model of Quinlan and colleagues. Similarly, safety management practices were classified using the PDCA (Plan-Do-Check-Act) cycle advocated by the Health and Safety Executive.

Third, he conducted a series of seven embedded case studies in three global companies operating in the engineering, pharmaceutical and logistics sectors. These companies outsourced a variety of activities, including construction and facilities management to other global companies. Through a series of 60 semi-structured interviews with employees in both organisations in each outsourcing relationship he investigated the safety risks and the management of safety in these relationships. Each interview lasted between 15 minutes and one hour and was recorded and transcribed. The data from each case could be compared with data from other cases in the same company for an in-company comparison, and with data from the cases in the other companies for a between-company comparison.

Similarities across cases allowed the development of a set of common practices. Circumstances unique to each case allowed the researcher to produce brief cases, each identifying a separate challenge that might be encountered when managing safety in outsourced relationships.

What did our researchers find out?

Pre-existing studies investigating the safety risk factors and safety management practices associated with outsourcing focus predominantly on tasks that may be described as core to the client firm's strategic objectives and routine in nature. There is little available evidence on the safety risks and safety management practices associated with the performance of complex bespoke tasks. Safety risk factors are of two types: economic and reward pressures, characterised by job insecurity, high risk, fast pace, time pressure and disorganisation, including limited training and supervision, poor communication and inadequate safety management systems. Safety management practices are more fully described for outsourcing relationships between firms. There are few reports of practices between firms and individuals. These reported practices cluster around the 'Do' and 'Check' stages of the PDCA cycle emphasising, respectively, control, communication and competence and monitoring. There is little or no information about 'Act'.

The empirical case studies revealed a common pattern of activities for managing safety in outsourced relationships between global companies across three different sectors. This five-cluster, 13-practices framework is presented in Figure 1.

Managing contractors: five steps (HSE, 2011)

Clusters of managerial practices	Step 1: Planning	Step 2: Choosing a contractor	Step 3: Contractors working on site	Step 4: Keeping a check	Step 5: Reviewing the work
Employing	Selection and Recruitment				
Deploying	Risk assessments Methods statements	Permits to work	Induction		
Engaging		Verbal and Written Communication			
Assuring			Safety Walkabout Monitor, Inspect and Audit		
Learning					Report and Review

In each of the case studies emphasis was placed on employing (i.e. the careful selection of competent partners) and on deploying (i.e. fully inducting contractors onto site with a comprehensive risk assessment and methods statement and the necessary permits to work). The practices for engaging were variable across the cases; written communications were rare in some circumstances. Only limited attention was given to reviewing safety performance during and after the contract, inhibiting learning and improvements in safety performance.

In addition to these overall findings each of the cases revealed separate challenges associated with the management of safety in outsourced relationships.

These cases are included in the Appendix.

The challenges include the following.

- Operating across national borders where the local legal and regulatory frameworks for safety differ from those which govern the policies and procedures developed by the headquarters and prescribe wider company practices. This is illustrated in the difference in regulations surrounding safety in construction between US and UK companies, particularly the requirements of the UK's CDM regulations.
- Outsourcing to another company where expectations of monitoring safety performance differ, e.g. for near-misses and safety-related incidents. These differences between companies in processes and practices for managing these data can encourage multiple entry of similar data in incompatible systems, precluding the effective and efficient sharing of information.

- The impact on local health and safety management practices when relationships further up the hierarchy between the two organisations differ from those found locally. Tensions at board level can adversely affect otherwise amicable and effective relationships locally. Conversely, agreeable relationships at board level cannot mitigate antagonistic relationships locally.
- Achieving high levels of safety performance and innovation in safety management practice when outsourcing occurs. A new company may take some time to understand fully the safety requirements of the client firm and to perform at a desired level. Alternatively, transferring staff from one contract to a new one reinforces established ways of working and limits innovation and performance improvement.

What does the research mean?

Not all outsourced tasks in every context will require the same set of safety management practices to reduce safety risks to as low as reasonably practicable. However, this study shows that safety in outsourcing relationships in three different sectors is managed through a common set of practices. These are widely adopted and the institutional pressures to conform appear to be strong. While this establishes an acceptable level of safety performance, especially in these high-hazard environments, when transferred to other contexts these practices may place unnecessary burdens on smaller organisations performing different tasks or operating in different sectors.

Furthermore, not all of these different safety management practices were executed with the same fidelity, even in the same case. It appeared that the practices which would be widely adhered to were those that were easily formalised in procedures with clear, simple and discrete steps.

Other practices which are emergent, like learning, were performed less well. Organisational safety performance is only as strong as the weakest practice within the safety management system.

Unfortunately, the limited attention given to learning, not only in this study but also evident in the literature, indicates a strong inhibitor to improvements in safety performance, perhaps in general, but specifically when tasks are outsourced.

Existing safety management guidance focuses on the safety performance within the firm. In an interconnected world where outsourcing of tasks is increasingly common, it is important to understand how safety is managed between organisations. This suggests that more needs to be done to understand how safety can be managed effectively and safety performance improved through inter-organisational relationships, for example across the supply chain. Much of the existing guidance

supports excellent safety performance within a firm, but fails to attend to how safety can be successfully managed in the many activities that cross firm boundaries.

Don't forget...

While a common pattern of safety management practices for managing contractors quickly became apparent in the case studies, outsourcing between firms operating in other sectors, especially in non-hazardous services, might follow a different pattern. Other patterns might also be expected in public sector organisations, where procurement practices differ. Further differences may also be anticipated in small and medium-sized enterprises. Neither of these contexts was investigated.

Outsourcing may also be between a firm and an individual, but the empirical study did not investigate how safety is managed in these relationships.

Outsourcing relationships between firms can be extensive with lengthy chains of sub-contractors. This study focused only on the relationship between the client firm and the main sub-contractor and did not explore the management of safety through the whole supply chain, and how the client firm can influence this.

Other IOSH research

We have a range of research reports on some of the topics covered in this study, including:

- The limits of influence, Cardiff University www.iosh.com/research
- Networks of influence: practising safety leadership in low hazard environments, Cranfield University www.iosh.com/research
- Understanding the role of supply chains in influencing health and safety at work, Cardiff University www.iosh.com/research

Our summary gives you all the major findings of the independent study by Cranfield University. If you want to read about the study in more depth, you can download the full report at iosh.com/research.

Case 1. Challenge to health and safety of global–local contracting

PharmaCo is based in the USA. It has four R&D sites in the UK. PharmaCo outsourced the management, maintenance, renovation and re-purposing of these R&D facilities to FMCo, a global laboratory service company, which is also based in the USA.

While relationships are positive between the USA headquarters of both companies, there are tensions between their UK operations resulting from the local implementation of the outsourcing arrangements.

FMCo expects and requires its UK staff to adhere to its company policies and procedures that are issued by its USA headquarters. However, these are insufficient to comply with UK legal requirements for health and safety because FMCo's USA staff do not understand the duties that apply, for example under CDM 2015 for construction work.

In addition FMCo staff working on PharmaCo's four R&D sites in the UK are expected to adhere to PharmaCo's health and safety requirements:

"So now we've got PharmaCo procedures, we've got FMCo – UK corporate procedures and now we've got procedures from [FMCo] America. Which ones do we follow?"

At an organisational level this dilemma creates tensions when FMCo's compliance is monitored and failure to comply with PharmaCo's internal standards emerge.

It also has ramifications for the health and safety of local FMCo staff, as brought into sharp relief during health and safety training: which set of procedures should be trained and adhered to? This discrepancy also creates doubt and uncertainty in the minds of local FMCo staff about whether they would be 'supported' and 'protected' by their organisation in dealing with PharmaCo if there were serious incidents on one of the UK sites.

The outsourcing contract required FMCo to make substantial annual cost savings. This resulted in FMCo reducing the number of its staff working permanently on PharmaCo's contract each year. These reductions were mainly of engineers on each of the four R&D sites rather than the managers and administrators based at FMCo's London offices.

To satisfy PharmaCo's needs and contractual cost constraints some FMCo managers may inevitably be inclined to disregard certain procedures aligned to

health and safety compliance and cut corners in order ‘to get the job done’ with fewer and fewer site staff. But these transgressions are never disciplined, which effectively endorses the approach:

“We always get incidents, we’ll have a major thing on the account and senior management will turn around and say right, we’re going to do some seminars and we’ll tell everybody the next time it happens somebody will get disciplined. Then the next time something happens it’s like we’ll give them a telling off again. It just goes on and on and on.”

Key learning points

- Clients need to establish common performance standards with their contractors that align with national legal duties.
- Contracting organisations need to understand any national regulatory requirements that apply and ensure their corporate policies meet or exceed them.
- Operational health and safety arrangements need to be established locally by the client with their contractors during mobilisation to help secure successful contract delivery.
- Contractual requirements (notably cost reduction clauses) can have an adverse impact on the ability of local staff to deliver the contract safely and without risks to health.

Case 2. Enduring and positive relationships encourage safe working practices

PharmaCo’s R&D Division routinely undertakes significant construction, demolition and refurbishment of its facilities. For its four UK sites the R&D Division has outsourced its construction project management and the CDM Principal Designer role to ConstructionManCo, which operates in 70 countries and is headquartered in the Netherlands.

The EHS groups in both organisations aspire to the fifth and highest stage (Generative) of the Hudson Safety Maturity Model and so these groups work well together:

“...[there is] a phenomenal relationship. We both want the same things.”

ConstructionManCo’s role includes carrying out the pre-qualification of principal contractors and undertaking client assurance of construction works on the four R&D sites. Assuring safe working practices on-site is achieved through a monthly inspection programme; a self-assessment audit programme and looking in detail at a different aspect of safety management each month.

Another key element of their work is to encourage effective communication on health and safety issues between the appointed Principal Contractor (PC) and the sub-

contractors engaged by the PC. This is achieved by EHS staff through a blend of formal safety meetings, daily shift briefings and informal conversations on site.

In addition to the work undertaken directly by the EHS team, site engineers for ConstructionManCo also provide their EHS staff with 'eyes' on the ground for observing and monitoring safe working practices across very large sites. These sites often cover several hundred hectares with many areas hidden from normal observation, including service voids, roof areas and basements.

Building and maintaining positive working relationships has led to many principal contractors and sub-contractors working on the sites for many years. This in turn has resulted in these contractors having "an investment in the site". In terms of health and safety they provide "loads of eyes all around the site" and effectively act as an early warning system for potential safety failings, not just in relation to the work they are doing. This is in contrast to new contractors who often "don't give a monkey's about PharmaCo", as long as they are paid because they will not "be around to take the flack".

Key learning points

- Alignment of EHS aspirations between clients and their contractors enables better EHS performance to be achieved for all parties.
- Contractors who positively care about their client's reputation and understand its impact on their own profitability bring added value in terms of EHS delivery.
- Investment in building positive and productive operational working relationships with contractors on site can create a wider EHS community invested in helping to promote and secure safe working practices on the site.

Case 3. Challenges to health and safety created by global operating frameworks and different SMS

The Research and Development division of PharmaCo operates across four sites and outsources management of grounds keeping, cleaning, catering and laboratory support (including consumables management and washing glassware) to LabServiceCo. Many of the tasks performed by LabServiceCo are routine in nature and the associated hazards, e.g. handling chemicals, spillages, broken glassware and manual handling are well known. Safety management is made more challenging, however, for several reasons.

First, while PharmaCo has a global standardised operating framework across the four sites, local practices, e.g. for management of solvent waste, differ between laboratory groups (or business units) within and across sites.

Second, the mechanisms for the governance of safety are not aligned between the organisations. For example, the rules, systems and the associated measures for monitoring and reporting safety issues differ between the two organisations. This

means that safety incidents and safety metrics need to be entered into two separate systems, one for PharmaCo and the other for LabServiceCo, with the consequent duplication of effort and differing outputs.

“Both companies have got their own processes and they record their own incident stats, and their incident rates, and their lost time rates in slightly different ways as well, which just adds to the confusion. It doesn’t help when you keep on getting more and more things added on, which we have to duplicate. That is just a bit of a nightmare.”

Third, while relations between EHS staff in both organisations are positive and collaborative at a local level, there is no apparent such partnership between the organisations at a higher level. PharmaCo presents demands to LabServiceCo rather than discussing its requirements.

“I see LabServiceCo being treated absolutely like a nuisance contractor some days rather than a partnership. We hear it’s a partnership, but I don’t see much partnership.”

Finally, while both organisations are individually striving for the highest levels of health and safety in their respective organisations, they have significantly different approaches to achieving it in practice. For example, LabServiceCo requires its staff to report a certain number of near-miss incidents per month. This is not the case with PharmaCo, which creates tensions and confusion in their combined safety performance review meetings.

Key learning points

- Global operating frameworks providing operational management high degrees of flexibility may result in localised health and safety practices, adding complexity and potential risk to outsourcing of operations across sites.
- Local health and safety practices may prevent sharing information, good practice and learning across sites, and limit potential for risk management improvements.
- The relationships between the contracting organisation and client at different points in their respective hierarchies may affect health and safety performance.
- Lack of alignment and integration of local safety management practices and processes by clients and contractors promote duplication of effort and the potential for risk control failures.

Case 4. ‘Smart’ working with agency staff

The installation of smart meters into homes and small businesses is a crucial aspect of the UK Government’s national energy infrastructure strategy. Although plans to

mandate this roll-out were announced in 2008 the official roll-out didn't begin until 2016, with completion scheduled for end of 2020. This has subsequently changed to an "offer" of a smart meter by the end of 2020.

As of September 2018 only 13.65 million of the 53 million meters required had been installed. Consequently, there is pressure on the UK energy suppliers to increase their rate of installation of smart meters.

EngCo has been contracted by two of the energy suppliers to meet these demanding meter installation targets within this tight timeframe. To achieve this, EngCo needs to recruit and train significant numbers of temporary installation engineers to boost its existing field workforce.

Rather than recruit these field workers directly and then make them redundant at the end of 2020, EngCo has contracted an agency to supply sufficient workers. In doing so EngCo has ensured the agency hires these field workers on similar contracts to those that EngCo has with its own meter installation staff.

"what we didn't want to do was have the traditional agency model where they don't really have an employment contract. We wanted them to ... have that benefit of having a full-time contract and they can get their mortgages etc., and then it just gives them that added security".

The agency only pays these temporary field workers. In all other respects they are managed by EngCo in an equivalent manner to permanent EngCo staff, including the provision of necessary tools, equipment and PPE. They are also subject to the same briefing, reporting and monitoring regimes.

"They [third party workers] work to our processes, they work to our procedures, they work to our training standards and they're managed by [EngCo] people". "If they don't follow the rules, they won't be with us that long."

The temporary workers are comprehensively trained and must meet nationally recognised standards before being recruited to perform smart meter installations. All individuals are then inducted into EngCo processes. Their performance is monitored by a mixture of direct observation and random follow-up checks of completed installations (5–10%). All of EngCo's temporary field workers have access to an EngCo supervisor to discuss and resolve on-site problems. Each worker is also provided with a tablet that has a database of FAQs, solutions and guidance notes, along with a selection of short (under five minutes) recorded toolbox briefings.

"Everything that we need to know is where it can be accessed easy. I mean it's all there on your tablet, in black and white, every single bit of information you can ask for is on there".

A more recent initiative has been the introduction of field coaches to act as a source of information and guidance independent of line management and to promote better understanding about how to perform their role safely.

“we want them to be the engineer’s best friend who they can pick the phone up and say I’m not too sure what to do.”

These coaches were often used daily by field workers.

Other information (including safety information) is made available by direct mail to home addresses and through meetings scheduled every six to eight weeks (although it is unclear how often they actually occur).

Apart from the obvious safety risk associated with working with live energy sources (gas and electricity) there are a number of other risks reported in this case. These include working in confined spaces, driving and lone working. EngCo also identified that the engagement of large numbers of newly qualified and inexperienced workers placed strain on the monitoring and assurance processes.

Key learning points

- Providing longer-term contracted staff with comparable Terms and Conditions to permanent employees encourages engagement with company culture and helps to ensure effective and safe work performance.
- Set contract workers up to succeed by providing them with comparable training and ongoing support as for permanent staff, such as suitable IT, access to supervisors and performance monitoring and feedback.
- Short recorded toolbox talks provided on tablets can be a useful safety resource for off-site workers.
- Having coaches (independent of line management) enhances the provision of information and support for temporary field workers improving health and safety performance and reducing the occurrence of rework and complaints from customers.
- Applying a clear zero-tolerance approach to noncompliance with company processes and procedures encourages safe working by contracted staff.
“It’s only when people start to cut corners, shave two seconds off here [and there] by not [following procedures], but the trouble is they’re shaving the rest of their career with EngCo, and that’s what I explain to them.”

Case 5. Familiarity breeds safety

EngCo plays an important role in supporting energy production in the UK through its Power Generation Service Division. One of their sites employs some 300 workers and is dedicated to the installation and maintenance of turbines as part of the energy

production process. A wide variety of tasks are combined to achieve this outcome, some of which are outsourced to specialist providers. For example, contractors provide specialist services including blasting and cleaning the turbines and repairing motors. Contractors also support the repair and maintenance of equipment needed to repair and maintain the turbines, notably cranes and heavy lifting gear.

In this heavy engineering context some key safety and health risks are associated with hazards such as the operation of heavy machinery, movement of loads and equipment, work at height, noise and vibration, etc. The potential risks of serious injury and even death on site are high. Staff (including contractors) are briefed regularly on safety issues following an extensive safety induction and are provided with PPE. Risk assessments and method statements must be produced and reviewed for every task before work commences. Point of work risk assessments are encouraged as an extra measure. Where permits to work are required these are signed off by responsible and authorised persons, and permit requirements are frequently monitored by EngCo staff and also by employees for the particular contractor.

There were two notable features of the outsourcing relationship between EngCo and the various specialist contractor companies working on this site.

First relationships were characteristically long-term and enduring.

Many of the contractors deliberately ensured that the same work teams returned to the EngCo site to sustain the strong inter-personal connections between EngCo staff and the contractor.

“What we try and do is ... we try and allocate those site managers to specific site and keep that relationship going, rather than chopping and changing and having new faces turn up, so they can build their own relationship.”

This was believed to create trust and confidence in the capabilities of the contractor to fulfil their contractual obligations safely. This also ensured that both parties were sufficiently familiar with each other's ways of working that they could openly and constructively challenge each other. This enabled them to develop a shared understanding of the requirements of the task and the best processes for completing it satisfactorily and safely. This contributed to a common perspective on safety and mutual trust.

Second, although working on the EngCo site, and required to comply with EngCo site rules and regulations, the contractors were able to create/designate their own work areas. This gave them control over the activities in this space and minimised the risk of accident and injury to everyone working on site.

“The place where we’re going ... we’d cordon off everything that we’re going to cordon off, and barrier to make sure we’re keeping ourselves as well as keeping [EngCo]’s lads safe.”

Key learning points

- Consistent long-term relationships between employees of both companies:
- encourages open communication
 - builds trust and confidence
 - generates a common perspective on safety
 - promotes mutual safe working
- Clear ‘ownership’ of work areas delineates control and reduces the risk of accidents and injuries.

Case 6. Building safely by outsourcing

EngCo’s Real Estate Division owns or leases a portfolio of buildings across approximately 120 different locations in the UK ranging “from large factories to small little offices”. These are occupied by other EngCo divisions.

Construction (including refurbishment, upgrading, demolition and new build) is an integral part of the activity on these sites. EngCo, as CDM client, outsources this construction work to a range of principal contractors (PCs). Three EngCo project managers oversee the delivery of construction projects ranging in value from £5k to £2m at sites across the UK.

Their greatest challenge is ensuring the PCs properly manage the work of their sub-contractors on EngCo’s sites.

“A lot depends on the [principal] contractors supply chain ... they’ve obviously got 10, 10, 30 sub-contractors working for them. They’re the real guys doing the work. So if you end up with a few bad subbies in the mix it can be a different exercise in terms of day-to-day management.”

EngCo has adopted several measures to manage this particular challenge:

- A more objective scoring approach of safety considerations has been developed to assist with the tendering process for PCs.

“PCs have to demonstrate to us they can manage their subcontractors properly.”

- PCs are required to appoint a non-working supervisor if there is more than one trade working on the construction site to ensure safe interactions. This supervisor most effectively fulfils this role if they are client facing with good communication skills.

- Communication between companies working on-site is supported by a daily briefing meeting (dubbed '10@10') involving at least the construction site supervisor and the EngCo site liaison. Here the planned activities for the day are reviewed, clashes identified and conflicting tasks resolved. This meeting complements a lengthier weekly meeting to discuss future plans.
- A weekly one-page bulletin describing current and future activities, identifying risks and how work might be affected, and updating on progress is circulated to all staff on site.

"We find you get a lot less negative feedback whilst something is happening, if people have been warned in advance".

EngCo's procurement processes may have an indirect effect on the PCs' ability to control the sub-contractors on-site leading to variation in task and safety performance. An over-zealous procurement department keen to secure the best commercial deal may force PCs to remove cost from the project. This "is not always the best way to gear up for the safest site". For example, they may deploy fewer site supervisors or commit the 'B-team' rather than the 'A-team' removing "all of the nice little things that change the job from being well managed to adequate".

Meanwhile,

"The supply chain guys dance off into the distance having got a good deal and it's the project guy who's got to deliver it on a bit of a compromise basis."

Necessarily stringent procurement processes may privilege submission of documentation demonstrating competence and safety compliance over availability. This may favour national companies and preclude the use of smaller local firms, even though working relationships are often closer with them than with the larger firms.

"We're very keen to use local labour where possible, but that always brings with it a challenge ... You can't expect a small local contractor to have everything in place that you would expect [of] one of the big companies."

Key learning points

- Controls for managing PC's supply chains in construction to ensure high levels of safety performance could include:
 - Incorporating scrutiny of safety documentation in the tendering process;
 - Deploying non-working supervisors on construction sites where multiple trades are working;
 - Daily communication meetings to review activities against plan;
 - Weekly bulletins to update on progress and advise impact of work of future activities.

- Negotiations at the tendering stage can strongly and adversely impact subsequent safety performance on-site.
- Tendering processes may preclude competent local firms.

Case 7. Outsourcing contracts maintain the health and safety status quo

EngCo operates across more than 100 sites in the UK. These range in size from small offices and depots to large engineering and manufacturing hubs with 24/7 operations. EngCo's Real Estate Division outsourced the management and servicing (including M&E, catering, cleaning and security) of all of these physical assets to FMCo in 2016 on a three-year contract with the option of two one-year extensions.

Four EngCo location managers across the UK engage directly with FMCo site managers through formal and informal meetings to oversee this contract.

This case highlights how outsourcing contracts rather than delivering the anticipated best practice benefits arising from greater expertise can potentially restrict the generation and introduction of new ideas and improvements, including for health and safety.

"Relationships are key [to good FM]. The limited contract period may hinder or even prevent good, productive long-term management relationships forming between both organisations and the benefits they bring."

"I expected for there to be a huge level of expertise and its taking too long to get to that. It's usually the [EngCo] staff that are turning round saying well what about this, and what about this. Let's try this. Let's do that, whereas I would expect the [FMCo staff] to do that."

And so the value-added from the contract is perhaps questionable.

"We go to these guys [FMCo] because they are the experts on this and should be helping us. I don't think we get enough leverage off them sometimes".

Local staff are often transferred across from one organisation to another as outsourcing contracts change. This ensures continuity of understanding of the site operations and site safety requirements at a time of considerable change. It also ensures that training costs for new staff are minimised.

"There's ... a hidden strength there because ... people are transferring over that know the processes. It's not as if ... we need to get into a whole training mode of H&S."

However, it tends to maintain the status quo rather than contribute towards an attitude of continuous improvement. The numbers of new ideas introduced can be few.

“One of the things they’re very poor at is bringing best practice to the table.”

Managing health and safety activities across a portfolio of diverse sites is neither simple nor straightforward. FMCo appeared to have “underestimated the size and complexity of our entire portfolio. I don’t think they fully grasped the complexity with which some of those sites operate”. This made managing activities, including health and safety aspects a much greater challenge than they were expecting or had planned for.

EngCo consequently allowed FMCo a ‘KPI holiday’ to ‘get up to speed’, for example with action tracking and closing off actions.

“We’ve had a bit of a rocky road with KPIs. We’ve all been aware of that and we gave them a KPI holiday, which is a breach without a fine”.

Contracts commonly stipulate KPIs. These may direct and constrain contractor’s actions and drive behaviours. In this case failure to meet EngCo’s KPIs results in a financial penalty for FMCo, making their achievement a priority above all else, including the development and introduction of new, safer practices.

A single nationwide contract with national level KPIs may fail to accommodate variation in regional circumstances. For example, high levels of turnover of FMCo staff in some regions repeatedly disrupted the relationship between EngCo and FMCo and progress in improving performance (including health and safety) against KPIs was slowed.

“So it’s a huge learning curve when anybody new comes in. So if you’re constantly turning over the [staff] you’re constantly in that circle of learning each time one comes on board.”

FMCo’s contract with EngCo covers the management and delivery of both hard and soft services. EngCo’s Real Estate Division, however, outsources other on-site activities such as construction projects to different companies.

This creates confusion over roles and responsibilities which is compounded when another division of EngCo operating on site employs their own contractors to perform related tasks.

In this instance neither FMCo nor sometimes EngCo’s Real Estate Division are aware of these contractors and their activities. Effective and safe coordination and control of tasks by on-site contractors is jeopardised.

“We [FMCo] need to be included in pre-start meetings and everything else so that there can be an understanding from all parties as to what the responsibilities are, where the lines are drawn as to whose responsibility is what rather than just on the

first day of working a contractor turns up and says, oh, by the way, I've come to do X,Y and Z and FMCo staff on-site don't know anything about it."

Monitoring of safety performance of sub-contractors by EngCo is perceived by FMCo as 'meddling' in the management of sub-contractors.

"They've employed us to do a job, so they should let us get on with it."

This blurring of the management lines is detrimental for all parties, with potential unintended adverse consequences for health and safety.

Key learning points

- Specifying KPIs and penalties for failing to meet them can inhibit the introduction of new practices and limit potential health and safety performance improvement.
- Time bound outsourcing arrangements with large numbers of transferred staff limits change and improvements in health and safety performance.
- Transferring staff between organisations when contracts change preserves site and task knowledge, reduces training costs, and may prevent a health and safety performance dip.
- Work as required (on the ground) may differ from work as described (in the contract) slowing the initial performance of the contractor, especially across multiple sites with varied and complex operations.
- Variation in performance delivery against a national contract may be due to local circumstances beyond the contractor's control.
- Roles and responsibilities for securing safe operations can become confused when multiple contracting relationships are present on a single site and these are not coordinated.

The companies quoted in this publication are identified by an anonymised name.

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We set standards and support, develop and connect our members with resources, guidance, events and training. We're the voice of the profession and campaign on issues that affect millions of working people.

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