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**Market exposure and the labour process:  
the contradictory dynamics in managing subcontracted services work**

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**Abstract**

Marketization of the employment relationship is a key causal factor explaining the adverse impact of subcontracting low-wage services on employment conditions. This article extends existing sociological theory by analysing the market-making and rule-breaking roles of client and subcontractor firms through qualitative data. It finds that client organisations construct different types and temporalities of marketised cost pressures, that clients and subcontractors exploit their power advantage over labour to evade institutional rules, and that labour process and reputational concerns impose a degree of moderation towards socially desirable outcomes. The theoretical framework ‘unpacks’ marketization by distinguishing the interplay between contracts, regulation and labour process requirements as shaped by clients and subcontractors. In the UK cleaning sector, the potentially positive effects of client and subcontractor actions on employment conditions are marginal, focused on non-pay aspects and introduced primarily for reputational reasons. The evidence indicates the limits of voluntary action and the need for regulation.

## **Keywords**

cleaning, labour process, marketization, outsourcing, social responsibility, subcontracting

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## **Introduction**

The adverse impact on employment conditions of subcontracting low-wage services, rather than organising them in-house, is well documented (e.g. Berlinski, 2008; Flecker and Meil, 2010; Rees and Fielder, 1992). Price-led competition between providers combined with clients' intensified search for cost gains are held to result in a process of 'marketization' of the employment relationship. Contracting between parties seeks to predetermine many aspects of the employment relationship and repeated, cost-reducing transactions (Greer et al., 2017) add pressure to secure efficiency gains through reducing wages and employee benefits and increasing work intensity. To better understand these processes, relevant research on the sociology of markets has examined two key aspects, namely a) the mechanisms through which market actors make and reinforce market pressures through contract specifications and b) the mixed effects on markets in different regulatory environments of actors' rule-taking and rule-breaking actions (Coe et al., 2009; Doellgast et al., 2015; Jaehrling and Méhaut, 2013). Marketisation is found to adversely affect employment conditions in general, but with a variability reflective of heterogeneous and inventive actions and responses of market actors.

In theorising the implications of marketization for subcontracted low wage services, two further concerns that influence the contracting parties need consideration. First, the services are

still delivered through an employment relationship with the consequence that the contract's contribution to production and value, for both the client and the subcontractor, is ambiguous and not predefined by market pressures (Littler and Salaman, 1982). Acknowledging the continuing salience of the *labour process* raises the possibility of market actors facing operational pressures, which may diminish efforts to cut subcontracting costs. While corporate financial pressures may encourage employers to reduce the labour process to a contract price, other requirements, such as for specific skills or for more flexible labour, may generate operational pressures resulting in more varied employment outcomes (Campbell and Peeters, 2008; Cunningham and James, 2009). A recognition that employee motivation and commitment still matter may also lead market actors to be more responsive to workers' concerns and pursue actions aimed at more productive arrangements, including, for example, living wages for subcontracted service workers, extended collective bargaining rules, more secure working-time arrangements and strengthened compliance (Rubery et al., 2015; Bach and Givan, 2010; Wills, 2009). Moreover, such improvements may also be introduced to address a second additional concern that motivates the contracting parties, particularly clients, to move beyond cost factors, namely reputational effects (Lund-Thomsen and Nadvi, 2010). This is likely where publicity attached to contracting conditions risks reputational damage or where the client company or brand is looking for ways to improve its corporate social responsibility reputation. Improvements to the labour process may thus be a secondary outcome of public relations oriented actions and therefore vulnerable to displacement should the pressure on reputation recede.

In accordance with these observations, this article considers marketization as an endogenous process dependent on the actions of market actors. To gain a more precise analytical understanding of how marketization impacts on employment, it investigates the multiple,

contingent and competing roles of clients and subcontractor organisations in making markets, adapting to (and evading) institutional rules, and managing the labour process and reputational effects. The UK contract cleaning industry was selected for investigation due to its highly cost-competitive product market and evidence is drawn from qualitative interview data derived from six matched pairs of case studies. The findings confirm that market pressures on subcontracting cannot be considered exogenous. In particular, clients construct different types and temporalities of marketised cost pressures through their contracts with subcontractors. Moreover, while all cases were covered by minimum employment regulations, market actors with power advantage over labour tended to practise ‘exit options’ to evade institutional rules, further reinforcing marketisation. Nevertheless, the data also show that labour process and reputational factors mediated the employment effects of marketization. However, the strongest examples of more socially desirable employment practices were predominantly motivated by clients’ desires to shore up their market reputations rather than by the continuing and evident labour process shortcomings.

### **How market actors shape subcontracting and employment conditions**

Research on subcontracting suggests the characteristics of marketization and the associated employment conditions are shaped by the varied market actors, namely the client organisations, subcontractor organisations and trade unions (where present) (e.g. Colling, 2005; Holst, 2014; MacKenzie, 2000). However, as we discuss below, institutional factors and labour process conditions influence the incentives for, and limits to, actors’ actions and their employment effects. This section derives three research propositions from the literature on the marketization of employment conditions through subcontracting.

### ***The service contract: market making and employment implications***

Research on subcontracting identifies the market-making actions of organisations and their consequences for employment conditions. Subcontracting of a production segment exposes workers to intensified cost pressures by specifying standard units such as time (care work), code (IT work), or floor space (cleaners) as a basis for cost competition within contracts (Bolton and Wibberley, 2014; Cunningham and James, 2009; Howcroft and Richardson, 2012; Rees and Fielder, 1992; Warhurst et al., 2008). Even services kept in-house may be benchmarked against market standards by managers inviting external bids to deliver a service unit (Walsh and Deery, 2006).

Importantly, subcontracting is not a one-off, anonymised market exchange, but instead an ongoing, complex process, shaped by repeated competition for client contracts and the specific conditions of procurement (e.g. contract length, risk of contract loss, unit fee level). Repeated interactions *within* the contract period are also critical as they may allow client managers to demand new service activities or reductions in the contracted unit cost, to tighten accounting and performance controls (Colling, 2005) and to exert an indirect influence on employment through their role as ‘principal patron’ (MacKenzie, 2000: 719-20). The contracting relationship thus acts as an institutional bridge for transmitting cost pressures to employment practices. Hard-to-meet performance indicators may encourage the adoption of flexible low-cost practices, such as limited pay progression, piece-rate pay, irregular working hours, agency work, or zero hours contracts (ZHCs) (Rubery et al., 2015; Cunningham et al., 2014; Kirov and Hohnen, 2015; Walsh and O’Flynn, 2000). Clients may also exercise ‘particularistic relationships’ that have a more direct influence through, for example, the arbitrary ‘power of veto’ over which

subcontracted workers are deployed or whose performance deserves recognition (Allen and Henry, 1997: 188).

Internalisation of market-like cost pressures within the contract appears particularly likely where the subcontractor is over-dependent on the client or faces strong competition for the contract. For example, Carroll et al. (2005) found that airlines exploited their purchasing power to secure low-cost baggage handling contracts and switched subcontractors if a handling firm accumulated ‘too much’ power. Perraudin et al. (2014) showed that clients’ cost pressures cascaded down tiers of subcontractors, creating sustained downwards pressure on wages. Relative bargaining power and ease of replacement may also influence whether subcontractors secure financial redress for new service demands (Grimshaw et al., 2002). Overall, this research informs the first proposition that the organisational structuring of contracts for subcontracted services generates significant, although varied, pressures on labour costs.

### ***Regulation of employment: bending and evading institutional rules***

Institutional rules constrain the nature of market-making actions through subcontracting and their employment effects. Countries use varied statutory and collectively bargained instruments that counter marketised conditions in product and labour markets to satisfy specific (albeit contested) societal and sectoral interests (Doellgast et al., 2016; James et al., 2015; Marchington and Vincent, 2004). In the UK, the most relevant regulations shaping subcontracted work are the statutory minimum wage, Transfer of Undertakings Protection of Employment (TUPE<sup>1</sup>) regulations and rights to equal treatment and redundancy conditions. Overall, the more that actors’ pursuit of marketization is constrained by institutional rules, the better are subcontracted workers’ employment conditions.

However, variations in employment practices within countries or sectors provide support for theories that stress the indeterminate effects of institutions on employment outcomes (Lee and McCann, 2014). Employers may choose to ignore or fudge the rules, especially in a socio-political environment where dominant actors support the logic of cost-reducing market actions. Empirical evidence is longstanding, including Rees and Fielder's (1992) finding that contract cleaning firms deliberately employed staff on less than 16 hours to avoid statutory redundancy entitlements. Holst (2008) reported that subcontractors in the Austrian telecommunications sector escaped the provisions of a purposefully-extended collective agreement by using freelancers. Likewise, an international review of call centre subcontracting found that legal loopholes and trade union weakness provided opportunities for employers to practice 'institutional avoidance' by adopting flexible employment forms to lower labour costs (Doellgast et al., 2009).

Recent contributions clarify these findings' theoretical value for understanding dynamic changes in the balance of marketisation and institutional rules. Jaehrling and Méhaut (2013: 707) apply the concept of 'rule enactment' to highlight evidence of actors circumventing both formal agreements and informal custom and practice on legal and illegal grounds in ways that change 'the nature ... of the [institutional] fabric itself'. These issues inspired the second proposition, that employment management by subcontractor firms is shaped by both the institutional rules and the opportunities to evade them.

### ***Moderators of marketisation: labour process and reputational factors***

As direct and indirect employers, subcontractor and client organisations (respectively) walk the usual tightrope between controlling their workforce and seeking a degree of workforce



cooperation. However, these labour process factors play out in the particular context of inter-organisational contracting that ‘redefines the boundaries between the internal and external labour markets’ (MacKenzie, 2000: 710). Consequently, workforce management – responding to pressures for labour availability, specific skill-sets and experience – takes on particular characteristics.

As discussed, the position of the subcontractor is constrained by the specifications of the contract. However, to meet clients’ performance (and cost) targets, they may seek to exploit a ‘fissured’ landscape of workers (Weil, 2014), in which subcontracted workers are less able to forge alliances with workers with higher skill and bargaining power (Flecker and Meil, 2010; Holst, 2014). Managers may therefore exercise unilateral prerogative (and clients may expect this), especially where institutional sources for countervailing power are weak. They may also be better positioned than client organisations to access new labour supply pools such as non-unionised workers and migrants. Recurrent subcontracting is one tool (see above) that may be used to reform the employment relationship in the employer’s favour, even when the same subcontracted workers are retained; as Allen and Henry put it, risk becomes ‘inscribed’ in the subcontracting relationship creating ‘regular insecure work’ (1997: 187). Outsourcing may thus inform a specific business model that shuns trade unions, experiments with flexible employment forms and ties contract performance to employment conditions.

At the same time, client concern for service quality may lead to the application of minimum standards across the whole workforce, whether or not directly employed. In adult social care, Cunningham and James (2007: 366) report that while contracts were mostly arms-length, clients nevertheless sought, ‘highly detailed and transparent job or task specifications, and requirements regarding performance standards and continuous improvement.’ Client

organisations may also seek to inculcate a sense of shared organisational citizenship and skill formation among both directly-employed and subcontracted workers. In MacKenzie's (2000) study, the telecommunications client pressured subcontractors to establish an accredited training programme (requiring client audit) to ensure continued flows of skilled engineers. In a study of collaborative outsourcing partnerships (Grimshaw et al., 2010), clients required subcontracted workers to complete client-led induction training and offered integrated career paths between organisations through 'truncated internal labour markets' (Rees and Fielder, 1992). Similarly, Kessler et al.'s (1999) investigation into outsourced housing benefit services found employees' perceived career opportunities improved significantly due to opportunities in the large subcontracting company, albeit alongside downsizing and work intensification (see, also, Mitchell and James, 2017). Staff retention and accumulated knowledge among the subcontracted workforce (facilitated by TUPE rules) may benefit both clients and subcontractors since it facilitates service continuity and the meeting of performance targets (Walsh and Deery, 2006: 575). Business pressures for available labour (hours and skill) may therefore moderate the tide of cost-led marketisation of work through subcontracting.

Alongside but separate from labour process factors, reputational concerns may exert a similar effect. Where a client's brand is tied to social responsibility, it may encourage or require subcontractors to provide decent employment conditions, such as a living wage, equality rights or no ZHCs (Lakhani et al., 2013; McCrudden, 2012). For example, reputation and industrial relations risks led the client responsible for the London Olympics Park to establish a framework agreement requiring subcontractors to conform to the 'ethos' of direct employment (minimising use of bogus self-employment) and to match conditions set in the relevant construction industry collective agreement for directly employed staff (Druker and White, 2013: 570). The successes

of London living wage campaigns provide another well-known illustration. These different considerations inform the third proposition that pressures for marketisation of subcontracted services may be moderated by labour process and reputational concerns.

Taken together, these three propositions respond to a need to deepen theoretical and empirical research on the sociology of markets in a manner that is more attentive to actor-led (rather than disembodied) processes, endogenous and contingent (rather than exogenous) responses, and social and operational (rather than solely economic) factors. The key constituent research literatures that shed light on the underlying, real-world processes of marketization are those of comparative employment relations and organisational labour process theories. These, unlike say transaction cost or game theory modelling, point (albeit with different frames of reference) to the importance of specific contracts and regulatory conditions, and of operational and reputational concerns. Moreover, both literatures are international in scope and therefore effectively highlight the multiple possibilities for variation under different institutional and organisational conditions. The three propositions thus seek to unpack the influences of outsourcing contracts, institutional rules, and operational and reputational factors. They combine to address the article's overall research aim to investigate the multiple, contingent and competing roles of clients and subcontractor organisations in making markets, adapting to (and evading) institutional rules, and managing the labour process and reputational effects.

In light of this aim, the following section shows how the research was designed to gain a more precise understanding of how marketization impacts on employment. Next, the article analyses the qualitative data by systemising the results according to each of the three propositions in turn, as listed above. The article ends by discussing the key contributions for contemporary sociological theory about processes of marketization.

## **Research design**

The contract cleaning industry exemplifies highly cost-competitive contracting and labour intensive, low-wage subcontracted services. In 2015 the UK industry generated £8.8 billion turnover, employed 511,000 workers, 78% of them female and, alongside hospitality, had the lowest level of median earnings (AMA Research, 2015; ASHE data<sup>2</sup>). A qualitative, comparative method was designed to investigate the three research propositions, involving detailed examination of the heterogeneous interactions between different factors across organisational settings (Yin, 1994). During 2015, data were collected from 12 case studies, each consisting of the client and subcontracting firm. All client organisations were large-sized and selected from across the UK. The research also drew on contract-related documentation and HR data on terms and conditions of employment. The comparative approach fills a knowledge gap in exploring potential variety of client and subcontractor practices, although we acknowledge that a focus on fewer cases would have allowed more in-depth understanding of the context-specific uniqueness of each subcontracting arrangement and exploration of employees' perceptions.

Potentially 'information-rich' case studies were selected using non-random, purposeful sampling, subject to the authors' available time and resources and the willingness of informants to participate (Patton, 2002). The aim was to construct a sample that would highlight similarities and differences in the phenomena of subcontracting and employment practices within and across the chosen sectors (table 1). Three criteria were used. The first was variety of client sector to explore diverse operational, financial and labour process demands. For example, the organisational ethos and stronger worker voice within public sector clients may restrain cost-cutting pressures, although this may be reversed under austerity. Sector-specific operational

demands may also impact differently on cleaning services, whether they stress speed (in hotels), risk (to patients' health in hospitals), or security (passengers in airports).

[Table 1 here]

The second criterion was to select matched pairs (two per client sector) to facilitate direct comparisons of cases with similar operational demands and to illuminate actor agency in shaping and enacting markets. Thirdly, one case within each pair was selected on the basis of having one or more identifiable 'decent employment practice', namely basic pay above the minimum wage (typically a 'living wage'), limited use of ZHCs, and/or union representation (see Detert and Treviño, 2010: 251 on sampling 'extreme/polar' cases). The one exception was the pair of hospital clients, which were both covered by National Health Service (NHS) terms and conditions. The presence of a Private Finance Initiative (PFI) agreement covering subcontracted ancillary services was selected here as an alternative distinguishing feature, since this exerts private investor pressure on managers to maximise contract profitability. This design choice facilitated investigation into both how subcontracting arrangements and employment conditions are mediated by client and subcontractor actions and why marketisation may be more limited in some contexts than others.

76 interviews were conducted, primarily with managers in procurement, HR and contract management (table 1). At least one interview per case was undertaken with a worker (cleaner or supervisor, sometimes also a union representative) to gain insight into the experience of work. Interviews lasted around 60 minutes with managers and 30 minutes with workers. Themes addressed included subcontracting practices, operational and financial pressures, staff transfers,

HR practices, and client-subcontractor relations. Interviews were semi-structured, digitally recorded and transcribed verbatim. Follow-up calls and emails helped to clarify issues. All participants received a summary report.

Interview data were analysed using thematic analysis from a direct reading of transcripts so that findings could be checked against knowledge of the organisational and institutional context. The interview schedule provided an initial basis for codes, and subthemes were added through an iterative coding process (Cassell and Lee, 2009). This approach ensured analysis was guided by relevant literature while allowing flexibility for interpreting emergent themes and the diversity of actors' perspectives.

## **Findings**

This section presents the research evidence around the three propositions regarding the organisational structuring of contracts, the institutional rules shaping employment and the moderation of marketization through labour process and reputational factors.

### ***An anatomy of contracting arrangements***

Analysis of the 12 contracts for cleaning services reveals five features that shed light on market-making actions and the heterogeneity of 'marketised' cost pressures. Taken together these five dimensions illustrate different types and temporalities of client pressures on labour costs (table 2). The first, contract duration, varied from three to five years except at Hotel2 (one year) and Hospital2 (ten years linked to a 35-year PFI contract). In seven cases, clients had renewed contracts at least once with the incumbent cleaning company, extending duration to 20 years at Hospital2 and 15 years at University1 and Hospital1. As might be expected, short

duration with limited prospects (or history) of renewal often injected uncertainty and constrained cleaning firms' investments in better quality work. For example, Airport2 was working with its sixth cleaning firm, having switched at each contract renewal since outsourcing in 1999. Standard pay had been '*gradually rationalised down*' compared to previous in-house rates through recurrent subcontracting. The terminal services manager considered pay was at its lowest feasible level (99p above the minimum wage) for the local market. A cleaning supervisor recounted her experience: '*They [the new cleaning firm] are like every contractor – they say this and they promise you that and as soon as they have got their feet under the table they don't want to know*'.

[Table 2 here]

Conversely, long duration via renewal of contracts can give cleaning firms breathing space to develop an employment strategy with decent conditions. At Hospital1 (non-PFI), in a third successive five-year contract with its cleaning firm, contractual labour cost pressures were relatively weak. The cleaning company provided secure employment contracts, regular hours and relatively high pay. It was also redesigning cleaning roles and investing in equipment, '*because if a provider is going to invest they have got to have some period of time which they can recoup [the investment]*' (Hospital1 procurement manager).

Nevertheless, long-term relationships do not guarantee decent working conditions as clients can use contract renewals to wrest new cost reductions. Despite working for 12 years with the same cleaning company, cleaners at University1, for example, had experienced with each contract renewal '*examples of particular perks and privileges ... being whittled away*' (Low-

wage campaigner). At College1, cleaning firm managers complained about the ‘*drastic*’ cost cutting imposed by college managers, resulting in a near halving of the workforce when the contract was renewed for the second time. As such, interpreting the implications of contract duration for employment conditions is not straightforward.

A third contract feature, the inclusion of additional services alongside cleaning, applied in half the cases – including, security and waste services at Airport1 and janitorial services at College1. Expansion of subcontracted services shifted the balance of bargaining power, generating a degree of contractual ‘lock-in’. As a contract manager at Airport B acknowledged, this potentially provided leverage for the cleaning firm to win contract renewal and provide employment stability for cleaning staff.

Fourthly, clients specified performance standards by either inputs (hours and tasks) or outputs (cleaning standards). At University1, the contract manager widened the input list to include a living wage, full-time jobs where possible and British Institute of Cleaning Science (BICS) qualifications for all site managers and 10 percent of cleaners. The paired case, College1, required similar BICS training. Other clients tended to specify outputs in close detail. At Airport2, three marks on a bathroom mirror were acceptable but more than three were not. Some client managers requested customer reviews (e.g. performance feedback notices outside toilets). Nevertheless, output specifications provided cleaning firms greater freedom than input specifications to adapt hours and tasks to meet performance targets; *‘It gives you flexibility ...If we are working more efficiently then we can gain a bit of benefit from it’* (Hospital1, customer services director). However, there were conflicts and tensions over demarcation of responsibilities. Cleaning firm managers at Hospital2 complained about misunderstandings with



nursing staff, including occasions where nurses felt toilets should be cleaned four times daily when the hospital had agreed to *'a lot less than that'*.

Finally, the overall strength of client-led market pressures can be inferred from documentary and interview data regarding four key factors: frequency of subcontractor changes, extraction of cost savings, targets to improve cleaning standards and general sustaining of the status quo (see Appendix table 1). The summary qualitative measures suggest only two cases were characterised by weak client pressures (table 2). Neither client had changed the contract specification and Hospital1's senior contract manager admitted *'getting too close to the subcontractor'*, causing a disagreement with the hospital's Infection Control Unit about monitoring standards. In contrast, client pressures at the paired Hospital2 were strong for three reasons: hospital pressures to reduce costs under an imposed two-year financial recovery plan, wider NHS scrutiny of PFI contracts (including cleaning services) and the hospital's Infection Control Unit leading the contract renewal negotiations. Medium pressures prevailed at Council1, Hotel1 and Bank2 where clients mostly sought improved standards, including more frequent cleaning, incorporating other tasks into the contract, or adjusting working time to client operations.

### ***Employment practices in the cleaning firms***

Subcontractors' employment practices confirmed the importance of both institutional rules and management agency in evading these rules. Pay practices were influenced by the statutory minimum wage and in some cases the living wage and collective bargaining. Four cleaning firms used the minimum wage as the ordinary rate and two firms paid 19p and 99p above but were nevertheless influenced by annual minimum wage changes (table 3). Four firms paid the (non-

statutory) living wage because clients specified this in the contract (but excluded staff employed on other contracts). The remaining two cleaning firms, both with hospitals, were covered by the client's (NHS) terms and conditions thanks to local extension agreements. TUPE regulations applied in all 12 cases, resulting in two or more tiers of pay and conditions. For example, at Airport1 three basic pay levels were used: £7.50 (staff transferred from the previous subcontractor), £9.50 (nightshift workers transferred from the airport), and minimum wage (all others).

[Table 3 here]

Multiple actions by cleaning firm managers countered these effects via rule evasion, reinforcing downwards pressures on labour costs. For example, managers reduced wage costs by using temporary agency or ZHC staff to avoid paying TUPE-protected rates (basic pay and premiums). The cleaning firm at Airport1 used ZHC staff paid the minimum wage with no premiums to evade the higher TUPE-protected pay for unsocial hours (£2.19 and £3.19 per hour more during weekends and nights). Managers at Airport2 also used ZHCs to avoid TUPE-protected overtime premiums. These strategies illustrate a widely shared view among cleaning firm managers that premiums for unsocial hours, particularly weekends, were an unnecessary part of employment terms and conditions.

Similar strategies existed in the hospital cases where local collective bargaining extended client workforce conditions to subcontracted workers. At Hospital2, the cleaning firm excluded agency workers for the first 12 weeks (meeting Agency Workers Regulations) despite a supposedly integrative approach. At Hospital1, cleaning firm managers' actions were non-

compliant in multiple ways: reduced Sunday premium for new recruits (though neither confirmed nor denied by hospital managers), reduced sick pay rates and overtime premiums and use of ZHCs and internal agency ('bank') staff not covered by the collective agreement. In a context of weak local unions and resources, the union representative said people feared negative repercussions: *'I have got women who are cleaners who are only getting time and a half for a Sunday and you say "Why don't you....?" And [they say], "Oh no, no, no, leave it"'*.

A further evasive action was prompted by gaps in regulatory control over working hours. Nine cases used ZHC staff (table 3), via direct employment in eight cases and agency work at Hospital2. In five cases ZHCs were only used to cover absence or for new starters, but in four cases ZHCs were a general policy. At Hotel1, the cleaning firm followed company-wide HR policy by hiring all cleaners on ZHCs and paying the minimum wage; managers said their strategy meant hiring migrant workers because native workers refused to accept ZHCs. Managers acknowledged the job required valuable skills, as new recruits needed a minimum of one year's prior relevant experience, but this was not reflected in better employment conditions. In other cases, managers required communication skills and learning capabilities. Moreover, managers sought candidates who could withstand *'being on their feet for several hours and also doing a job that not many people want to do'* (Airport1, cleaning firm manager). Nevertheless, most cleaning firms (with the implicit acceptance by the client) favoured a business model of minimum employment rights and tolerated the negative implications for turnover and recruitment.

### ***Labour process and reputational factors***

Three labour process factors and a separate reputational factor potentially limited marketization pressures. The first concerns clients' preferences for integrating cleaning into general operational activities for quality or cost saving reasons. At both airports cleaners were expected to respond to passenger queries, assist baggage handlers when volumes were high and, at Airport2, support passengers at biometric passport machines. A manager at Airport2 described their position as '*a cleaning role and some*'. Hospital managers expected cleaners to acquire tacit knowledge of daily ward routines as their role is critical both to infection control and in supporting the 24/7 operation. At Hospital1, operational integration included covering switchboard operators' breaks and serving patients drinks. This conflicted with maximising the efficiency of cleaning itself. The cleaning firm's customer services director described it as '*an absolute pain in the backside because it disrupts their cleaning regime*'. Both hotels regarded cleaning as a core quality indicator and local managers would have preferred in-house cleaners, due to problems sourcing subcontracted cleaners outside regular hours, but were unable to change headquarters policy.

These operational concerns prompted client managers to influence training provision. The airports provided in-house training to cleaners to improve information assistance to passengers. The hospitals trained subcontracted cleaners in NHS codes of conduct and rules for hygiene and chemical use, although efforts at Hospital2 were undermined by high agency use and the associated high turnover. At College1, the client required cleaners to complete a three-hour course on working with vulnerable adults. Client managers in all these cases believed the additional skills were vital to integrate subcontracted staff with the client's ethos and culture. In other cases, training remained the responsibility of the cleaning company. At Hotel1, however, the contract manager feared a new subcontractor training scheme to improve productivity would

not meet the hotel's 4-star brand expectations and indicated the hotel would intervene if this proved to be the case.

A second potentially constraining labour process factor was the available labour supply and the cleaning firm's contractual needs to secure a committed workforce and avoid high staff turnover. More widespread use of ZHCs was restrained by the need to offer workers stable wages and hours. Firms were conscious of alternative local job opportunities where relevant: *'[Cleaners] will swap for £1 per hour... We are competing with an awful lot of businesses around here'* (Airport2 contract manager). The need for labour informed several initiatives to improve or maintain working hours. For example, shorter cleaning shifts per building at Council1 motivated the introduction of mobile cleaning teams to maintain longer, more attractive shifts. At Bank2, the cleaning firm offered extra hours to ZHC staff and volunteers were first in line for full-time day shift vacancies. At Hospital2 the cleaning company successfully argued for retaining dedicated weekend shifts, although it could not prevent the client negotiating shortened shifts during the week. Cleaning firm managers in these three cases said that improved working-time offers reduced staff turnover. However, the initiatives did not extend to improvements in pay as adjustments in working time and reorganised work were considered cheaper strategies. Hotel1's cleaning company was prepared to lose around half its workforce each year to better paying jobs with prospects rather than offer guaranteed hours and pay above the minimum wage. The cleaning firm at Hotel2 lost a quarter of its workforce after abolishing the informal practice of allowing up to one-month continuous holiday leave, a rare perk which benefitted its migrant workforce.

A third factor concerns specific efforts by cleaning companies to retain key staff, often supervisors or site managers, with many years' experience. TUPE protections for worker

continuity underpinned these management efforts and glued together a highly disruptive cycle of short-term contracts. In most cases, cleaning company managers proactively retained one or two individuals for their accumulated tacit knowledge of the client's cleaning operations. At Airport2, a short-term contract with no renewals for the cleaning company was made feasible by continued employment of a longstanding site manager, whose experience smoothed out the challenges caused by short-term subcontracting:

*'I think I have got a good working relationship with all my [workforce] and [client contract manager]. I have known them for a long time so I feel like I give them what they need or I hope I do, but I wouldn't be here if I didn't would I?'* (Airport2, cleaning firm site manager).

A final factor reflects reputation and social responsibility concerns. In all four cases paying a living wage, it was the client who required the subcontractor to pay a living wage to match the pay policy for their own workforces (table 3). The banking clients were responding to public perceptions of unfairness due to high pay for directly-employed staff, while for Council1 and University1 it fitted with their CSR agendas including reducing poverty in the locality. These motivations related specifically to improving pay, with improved worker commitment an unexpected bonus for managers: *'[the living wage] is actually quite a benefit. You are not getting the [high] level of turnover and churn, so you are not continually having to recruit'* (Bank2 procurement manager). Council2 also had a living wage policy for its own workforce but the HR manager argued against imposing it on subcontractors.

However, the superficiality of reputational effects is underlined by evidence that these same clients cut costs in less visible areas; for example, Council1 reduced numbers of cleaners

by 25%. Subcontractors required to pay living wages by the clients were as likely as others to avoid additional payments for qualifications/experience, overtime and unsocial hours, to provide negligible pay premiums for supervisors (table 3), or to ban breaks during short-hours shifts. University1's site manager told us, *'There are no excuses – "Oh, I stopped for a cup of tea or I stopped to have a sandwich" – their hours don't allow that'*. A living wage policy on one contract was not associated with more progressive pay strategies at the cleaning firms; only one cleaning company (at Bank2) was an accredited Living Wage employer. Managers acknowledged its benefits (e.g. lower recruitment costs) but insisted pay had to align with contractual fees.

## **Discussion**

Drawing on new empirical evidence, this article contributes to contemporary sociological theory about processes of marketization with a focus on the roles of market actors and the implications for the employment relationship. The research was designed to provide a fine-grained, actor-led account of market structure (Harvey et al., 2007). It revealed a variety of market-making actions (subcontracting practices and cost-reducing actions), instances of management compliance and non-compliance with protective institutional rules, and adaptive behaviours in response to labour process considerations. As such, it counters a tendency to present market factors as exogenous or disembodied processes by extending current understanding about the recursive relationship between actors, markets and institutions.

The findings demonstrate that processes of marketization are proactively shaped by key market actors (in this research, client and subcontractor organisations). A first key point is that client organisations act as reflexive *market-makers*: they inject price competition with each

tender for services and enact continuous cost-reducing pressures through frequent re-specifications of unit fees and performance targets. There is a clear business rationale for such actions; clients benefit from exploiting market rules to extract economic advantage and can rely on subcontractors' compliance. Nevertheless, the investigated cost-reducing actions are heterogeneous across the cases - revealed by the varied contractual types and temporalities of pressures on labour costs – such that there is no standard, uniform marketised arrangement for subcontracted cleaning services. Reasons for differentiation include financial pressures on the client, strength of ties between client and subcontractor managers (which shape each party's relative bargaining power), and the scope of subcontracted services. Market outcomes are thus shaped by organisational and relational factors in a contingent fashion (Thiemann and Lepoutre, 2017), reflecting varied 'local actions' of translation (Campbell, 2004: 80-1).

With respect to the effects of marketised subcontracting arrangements on the employment relationship, actors' roles as market-makers interact with their capacity and willingness to enact institutional rules that impose social obligations. Despite a societal ethos in the UK that contracting parties abide by minimum social obligations (minimum wage, TUPE regulations, collective bargaining where present), this article shows client and subcontractor organisations are both rule-takers and rule-evaders (Doellgast et al., 2015; Holst, 2014) and highlights what Streeck refers to as '*an ethos of unruliness that makes [capitalist actors] subvert extant social order in rational-egoistic pursuit of economic gain*' (2009: 5). The 12 cleaning firms provided examples of employers dodging collectively-agreed conditions by using temporary agency workers, hiring new recruits on ZHCs to limit employment rights, and using agency and ZHC staff to escape overtime and weekend premiums for staff with TUPE-protected conditions. The findings confirm the 'ease of exiting' employment forms based on the strength and costs of



statutory and collectively-negotiated protections (Doellgast et al., 2015). It is striking that these low-wage, flexible employment practices were used by all 12 cleaning companies, including at the two hospitals where collectively-negotiated employment conditions should have protected against these practices. In another time and space, collective institutions might indeed have imposed more order on standards of contract cleaning work, generating, for example, uniform rules or norms on fair pay rates, working hours and progression routes. Further research might usefully explore these issues in other subcontracted service industries given the narrow focus of this article on the UK contract cleaning industry.

Unruly management actions were nevertheless somewhat moderated by labour process and reputational factors. The inclusion of case studies with better employment practices within the matched-pair design illuminated the agency of clients and subcontractor organisations in fuelling or restraining downward marketization pressures even within a similar sectoral context. The data highlighted three potential labour process constraints on market-making actions, associated with differences in cleaning's contribution to operational and quality goals, labour availability pressures, and the benefits from retaining expert staff. However, in practice, labour process issues were mainly resolved through better contract security and worker training, not by increasing basic pay or rewarding cleaners for unsocial hours work or additional skills. If recruitment and turnover issues became too extreme another course of action was to change labour supply to more disadvantaged migrants.

Furthermore, all the apparent living wage success stories remained isolated advances as large cleaning firms considered paying at or close to the minimum wage to be the norm for cleaning staff with upwards adjustments only on a contract by contract basis. Importantly, the living wage policies were aimed at protecting the clients' reputation, not resolving problems in

the cleaning labour process. This illustrates that collective action on clients can secure some gains but these are unlikely to be generalised as a norm. Collective action thus now needs to focus on a better overall employment deal from the powerful large subcontracting services companies (Bowman et al., 2015).

The framework used here has thus unpacked ‘marketization’ by distinguishing the interplay between contracts, regulations and labour process considerations. In the case of UK cleaning, the moderating factors have proved mainly insufficient significantly to impede the marketization processes pursued by clients and subcontractors, with even the steps taken to protect reputation shown to be limited. This does not mean that marketisation has resolved all the ambiguities inherent in the labour process. Instead each case has revealed diverse tensions related to skills, recruitment, retention, training and quality assurance; as Hyman has argued, the competitive conditions in particular environments may mean that managers are at best able to find alternative routes to ‘partial failure’ (Hyman, 1987: 30). In this context, improving employment conditions in the specific industry of cleaning is dependent on strengthened regulation and enforcement. In other sectors and countries, less shaped by cost pressures and more by the moderating factors identified here (of unions, more successfully enforced regulation, and greater labour process needs), a different resolution of these tensions between marketization pressures and the realities of the subcontracted labour process can be expected.

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## Notes

1. TUPE regulations (2006) conform to the 1977 EU Acquired Rights Directive (revised 1998, 2001). TUPE guarantees continuity of employment and protection of terms and conditions at the point of transfer.
2. See <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2015provisionalresults>.

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**Table 1. Details of case-study interviews**

| Case study  | Client ownership | No. of subcontracted cleaning staff (headcount) | Total no. of interviews | No. of interviews with: |                           |                         |
|-------------|------------------|---|-------------------------|-------------------------|---------------------------|-------------------------|
|             |                  |   |                         | Client managers         | Cleaning company managers | Cleaners or union reps. |
| Airport1    | Public/private   | 90  | 7                       | 3                       | 3                         | 1                       |
| Airport2    | Private          | 70  | 6                       | 3                       | 2                         | 1                       |
| College1    | Public           | 20  | 5                       | 2                       | 2                         | 1                       |
| University1 | Public           | 26  | 6                       | 3                       | 1                         | 2 <sup>1</sup>          |
| Hotel1      | Private          | 15  | 8                       | 3                       | 4                         | 1                       |
| Hotel2      | Private          | 20  | 7                       | 3                       | 3                         | 1                       |
| Hospital1   | Public           | 100   | 5                       | 2                       | 2                         | 1                       |
| Hospital2   | Public           | 350   | 7                       | 1                       | 4                         | 2                       |
| Council1    | Public           | 56  | 5                       | 2                       | 2                         | 1                       |
| Council2    | Public           | 18  | 7                       | 3                       | 2                         | 2                       |
| Bank1       | Private          | 20  | 6                       | 3                       | 2                         | 1                       |
| Bank2       | Private          | 5   | 7                       | 3                       | 2                         | 2                       |

*Note:* 1. One interviewee was a low-wage campaigner closely involved with the cleaning company.

**Table 2. Core features of case-study contracting arrangements**

|                                      | Airport1 | Airport2 | College1 | University1 | Hotel1 | Hotel2 | Hospital1 | Hospital2 | Council1 | Council2 | Bank1 | Bank2 |
|--------------------------------------|----------|----------|----------|-------------|--------|--------|-----------|-----------|----------|----------|-------|-------|
| 1 Length of current contract (years) | 5        | 3        | 3        | 5           | 3      | 1      | 5         | 10        | 4        | 5        | 5     | 4     |
| 2 Number of contract renewals        | 1        | 0        | 2        | 2           | 3      | 0      | 2         | 1         | 0        | 0        | 1     | 0     |
| 3 Additional services contracted     | Y        | Y        | Y        | N           | N      | N      | Y         | Y         | N        | N        | Y     | N     |
| 4 Input or Output specification      | O        | O        | I        | I           | I      | I      | O         | O         | O        | I        | I     | O     |
| 5 Strong or Weak client pressures    | S        | S        | S        | S           | M      | S      | W         | S         | M        | S        | W     | M     |

*Note:* Details in Appendix Table 1; Client pressures are coded as S=strong, M=medium, W=weak.

**Table 3. Cleaning firms' pay and employment practices**

|  | Airport1        | Airport2   | College1 | University1 | Hotel1          | Hotel2                | Hospital1 | Hospital2 | Council1   | Council2       | Bank1 | Bank2           |
|--|-----------------|------------|----------|-------------|-----------------|-----------------------|-----------|-----------|------------|----------------|-------|-----------------|
| 1. Pay above minimum wage                                    | 0               | 99p        | 19p      | 134p        | 0               | 0                     | 102p      | 102p      | 134p       | 0              | 134p  | 249p            |
| 2. Living wage paid to subcontracted workforce at this site  | N               | N          | N        | ✓           | N               | N                     | N         | N         | ✓          | N              | ✓     | ✓               |
| 3. Collectively-bargained pay                                | N               | N          | N        | N           | N               | N                     | ✓         | ✓         | N          | N              | N     | N               |
| 4. Pay increment for qualifications or experience            | N               | N          | N        | N           | N               | N                     | ✓<br>40p  | ✓<br>37p  | N          | N              | N     | N               |
| 5. Pay premiums for overtime and unsocial hours <sup>1</sup> | £1 nights       | 56p nights | n.a.     | N           | N               | N                     | 50-100%   | 50-100%   | 50% w/ends | 50p w/ends     | N     | W/ends          |
| 6. Pay differential for supervisory staff                    | -- <sup>3</sup> | 99p        | 19p      | 35p         | -- <sup>3</sup> | £1                    | 23-134p   | 23-134p   | £1-2       | 46p            | £1    | -- <sup>3</sup> |
| 7. Main employment contract                                  | FT              | FT         | FT/PT    | PT          | ZH<br>C         | FT/<br>PT/<br>ZH<br>C | PT        | PT        | FT/P<br>T  | PT/<br>Z<br>HC | PT    | FT/P<br>T       |
| 8. Use of ZHC/agency <sup>2</sup>                            | C               | E          | N        | N           | G               | G                     | C         | G         | C          | G              | N     | C               |
| 9. Trade union representation                                | N               | N          | N        | N           | Y               | N                     | Y         | Y         | Y          | N              | N     | Y               |

*Note:* data refer to non-TUPE staff; 1. Unsocial hours generally refer to hours outside 08.00-18.00; 2. C=cover, E=new entrants, G=general use, N=not used; 3. No data provided.

**Appendix Table 1. Characteristics of contracts for cleaning services**

|             | <b>Start-end date, (renewals, initial start)</b> | <b>Additional services contracted</b>  | <b>Input/output specification</b>              | <b>Nature of client pressures: switch subcontractors, extract cost savings, improve cleaning standards, sustain status quo</b>   |
|-------------|--|--|--|--|
| Airport1    | 2014-19 (one renewal, 2012)                      | Waste, pest control, security  | Output (zonal allocation)                      | Extract costs and improve standards (strong)<br>(2012 changed output specification to cut costs and improve standards; 2014 renewal within contract term to expand services) |
| Airport2    | 2014-17  | Waste, some passenger advice ('hosting')   | Output (zonal allocation)                      | Switch subcontractors (strong) (different subcontractor every contract)  |
| College1    | 2014-17 (2 renewals, 2008)                       | Janitorial   | Input (hours and tasks)                        | Extract costs and improve standards (strong)<br>(2012 contract review to cut costs)  |
| University1 | 2012-17 (2 renewals, 2002)                       | (One of six small cleaning subcontractors)   | Input (hours, tasks)                           | Extract costs (strong)<br>(Annual review with 6-12m extension options)   |
| Hotel1      | 2013-16 (3 renewals, 2004)                       | None   | Defacto input (2.4 rooms and 4 rooms per hour) | Extract costs (medium)<br>(intention to respecify contract to reduce turnaround times)   |
| Hotel2      | 2014-15  | None   | Defacto input (3 rooms per hour)               | Extract cost savings (strong)<br>(Annual cost review)  |
| Hospital1   | 2013-18 (2 renewals, 2003)                       | Switchboard, portering, catering, security, car parking  | Output   | Status quo (weak)  |
| Hospital2   | 2011-21 (1 renewal, 2001)                        | Estate services and soft services (catering, retail, helpdesk, portering, patient dining, laundry) | Output   | Extract costs and improve standards (strong)<br>(2011 respecification to cut costs and extend contract to cover estates)   |
| Council1    | 2012-16  | None   | Input (hours)                                  | Improve standards (medium)   |
| Council2    | 2013-18  | None   | Input (hours)                                  | Switch subcontractors (strong)<br>(third different subcontractor)  |
| Bank1       | 2009-14 (1 renewal, 2004)                        | Reception services and maintenance services  | Input (hours and tasks)                        | Status quo (weak)<br>(No change in ten years)  |
| Bank2       | 2010-14  | None   | Output   | Improve standards (medium)   |