

Can outsourcing bridge Britain's productivity gap?



The discrepancy between productivity levels in the UK and other national economies continues to be a cause of concern for the UK Government. Andy Williams, UK operations director with Manpower, believes outsourcing critical HR projects could be part of the solution.

Sources estimate the gap in output per hours between the UK and the US to be 23 per cent. The 'productivity gap' is 24 per cent with Germany and 26 per cent with France¹. The UK business community is all too aware of the national productivity gap on a macro level but often does not find this relevant and applicable to its day-to-day business operations. In response to this, the Work Foundation launched an extensive study into the UK's productivity and performance gap, with the support of leading companies, like Manpower, Tesco, Microsoft, Lloyds TSB, Eversheds and AstraZeneca. The business-led study examines how companies perform from a workplace perspective.

The year-long research, led by economists at the Work Foundation, used quali-

tative and quantitative research results from 1000 CEOs and HR directors (20 from the FTSE 250) and existing survey material. The research revealed a new way of looking at productivity and performance in organisations. The study developed a new performance model, the High Performance Index (HPI). This provides management with a practical toolkit to apply high performance practices to their organisation. The HPI model links what a company does to how it performs, and highlights the gap between high and low performers.

Key areas

The HPI defines five key areas of business in which productivity levels can be measured:

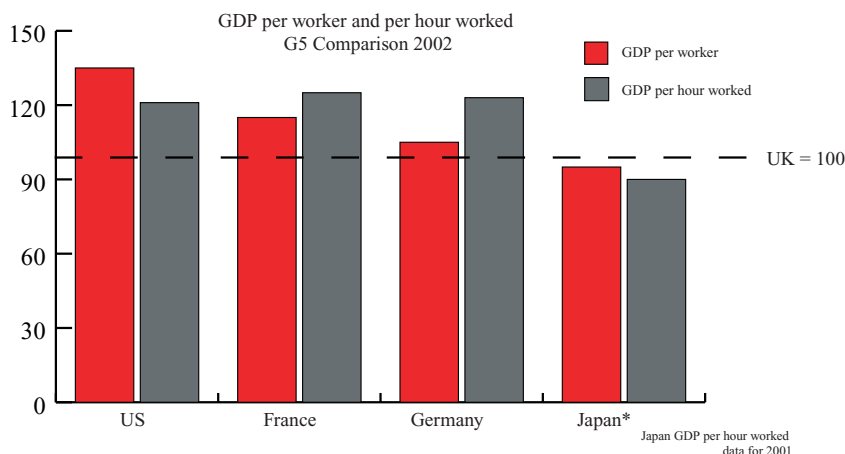
- Customers and markets
- Shareholders and government systems (including finance and investment)
- Stakeholders (suppliers, customers, people and community)
- Human resources practices
- Creativity and innovation management

The report reveals that all five indices are critical and dependent on one another to produce performance improvements within an organisation – but crucially that people are the key factor to implementing the practices recommended by the HPI. Integrating all five areas can only be achieved by a workforce that is motivated to act and translate strategies into workforce goals.

One of the key findings to come from this research is that high performance companies are more likely to be risk-takers and to have aspirational, growth-based strategies. These organisations are likely to be innovators and have access to skilled employees. The index reveals that there is a productivity gap of 63 per cent between those at the top of the performance table and those at the bottom.

Productivity and people

The findings of the report demonstrate once again how critical human resources is to an organisation's infrastructure in delivering high performance and productivity levels. HR and workforce management are



areas of expertise where organisations can benefit hugely from working with staffing specialists such as Manpower to help achieve greater productivity.

Outsourcing as a business practice is becoming an established way of working in the UK. Recent research conducted by Manpower shows that 68 per cent of UK businesses currently outsource a business activity. In addition, the survey also shows that particular industry sectors such as telecoms, manufacturing and the public sector are increasingly turning to outsourcing.

Management often finds it difficult to admit there is a need for external expertise to improve efficiencies. However, the companies that turn to outsourcing for their people and HR-related activities benefit not only from increased productivity levels, but also from significant cost savings, increased ROI and the flexibility to adjust staffing requirements to meet changing customer demands. This is particularly the case for the manufacturing, retail and service sectors in the UK.

HR outsourcing covers a huge range of activities, all of which can often be delivered more efficiently for clients by external companies such as Manpower than they can in-house. Finding, screening and assessing staff can take extensive time, money and internal resources. Areas such as supplier management, operational management and process redesign can be delivered by the external specialist, enabling the client's management to meet productivity targets. Outsourcing a payroll system can reduce time spent on this process from a day and a half to two hours. For example, on a site of 300 people, this can translate into a saving of 63 man-days a year.

Project implementation

In the UK, the use of large workforces for technical projects has been a particular

growth area. Manpower works with a number of blue chip companies that outsource the implementation of technical projects to a fully task-managed workforce, benefiting from speed, an accessible and highly skilled labour pool at national and local level and guaranteed timely project delivery.

The external management of large technical workforces has led to significant productivity benefits for some of the largest companies in the UK. Outsourcing field engineering on a national scale has delivered an increase in productivity of over ten per cent for clients such as Xerox.

Manpower task-manages large scale technical projects across Europe, providing a fully mobile workforce, equipped not only with specialist technical skills but also the practical tools such as a vehicle, fuel, and telephony. This workforce reports to a dedicated team, embedded in the client's infrastructure. Importantly, outsourcing technical functions helps improve productivity levels by increasing internal efficiency.

Public sector

In other industry sectors, productivity levels are also high on the business agenda. The public sector is currently experiencing rapid growth in the UK and is under pressure to deliver quality public services at the lowest cost to the taxpayer. Hertfordshire County Council, the largest employer in its locality with over 25,000 employees, benefits significantly in productivity through outsourcing its recruitment centre. Headcount has been reduced by ten, and staff turnover has fallen by five per cent. More recruitment services have been bought for less, saving Hertfordshire County Council in the region of £3m over the five years the contract is currently set to run. In addition, significant savings have been made on back office costs by reducing the number of invoices per year from 50,000 to 1800.

With these cost efficiencies come performance improvements. Hertfordshire County Council has put people at the centre of how the council performs, and has been recognised by the UK's Audit Commission with the 'Excellent' ranking in 2003. Only 22 of the 150 English councils assessed gained this ranking. The council's innovation, both with people management and delivery of public services, has been recognised as award-winning by leading publications in the public sector and staffing industry.

People, performance and productivity are inextricably linked. Effective management of people strategies will undoubtedly continue to help 'UK plc' close the productivity gap with its European and global counterparts. Organisations that put people at the heart of their business, outsource people management to external experts. This allows the organisation to focus on the other elements that drive performance, and encourages a pro-risk culture, with the ability to innovate and engage the internal and external environments simultaneously. **FDE**

Reference

¹ DTI (2003): Prosperity for All – The Analysis, Crown Copyright.

Further information

Manpower UK Ltd
Tel: +44 1895 205 364
Website: www.manpower.co.uk

Author

Andy Williams was appointed to the board of Manpower UK Ltd in 2002 and has more recently been appointed to the board of Manpower Ireland. As UK operations director, he is responsible for Manpower Business Services, Driving, Technical, Borders Contact Centre and Manpower Ireland.