



End the privatisation of Tube cleaning

Dirty Work

ABM and the outsourcing of
London's Underground cleaners

An RMT Report



Executive summary

- In 2017, cleaners on London Underground were outsourced to a US company called ABM, even though a growing body of evidence from company failures, academic studies and the experience of local councils shows that outsourcing is a failed model of service delivery.
- The contract went live in September 2017 and runs until September 2022.
- In the first year of running the London Underground contract, ABM's UK subsidiary's profits jumped from £132,000 to £3 million.
- ABM's parent company has saddled itself with large debts to buy up competitors and it is looking to generate as much cash as possible from its subsidiaries to finance borrowing.
- ABM cleaners do some of the hardest and dirtiest work on the Underground but they are denied key terms and conditions that are normal expectations for other workers employed by London Underground and Transport for London, including assistance with paying to get to work and sick pay.
- 68% of ABM's cleaners told an RMT survey that they sometimes or regularly struggle to make ends meet.
- More than one in three (35%) said they thought they had been treated unfairly at work or by their employer because of a characteristic they have (such as gender, age, race, religion or sexual orientation).
- 68% said they believed their employer put profits before working conditions or passenger concerns.
- 91% said they would rather be employed in-house.
- 78% said that they believed passengers would benefit more if their jobs were brought in-house.
- London's Mayor Sadiq Khan must step in and end the injustices on the Underground. He must help resolve the dispute over travel facilities and sick pay and commit to bringing these workers back into direct employment.

Introduction

In August 2017, Transport for London announced that it had awarded a contract to clean the entire London Underground network to a US outsourcing company called ABM.

The cleaners had previously been employed by Danish outsourcing giant ISS, troubled conglomerate Interserve and by Vinci. Transport for London under Mayor Sadiq Khan merged the contracts but instead of bringing these cleaners back in house, the mayor and his team presided over the award of a new five year outsourcing contract.

The contract went live in September 2017 and runs until September 2022.

RMT has been campaigning to persuade the Mayor to bring these workers back in-house.

Reality and experience are exposing the truth that outsourcing is a broken model and in this report, we show the impact of that broken model on the people who clean London's Underground every day and night.

The problem with outsourcing

There is increasing recognition that outsourcing has failed to deliver better services.

- As a recent report by the Smith Institute noted, ‘outsourcing has been seen to fail the acid test of reliable performance’.¹
- A report by Deloitte from 2005, based on a survey of companies using outsourcing noted that 1 in 4 brought their services back in house after realising they could do it better and/or at lower cost. As Deloitte summarised it, “contrary to the optimistic portrayals of outsourcing by vendors and the market-place, outsourcing is an extraordinarily complex process and the anticipated benefits often fail to materialise.”²
- Research conducted by the Association of Public Service Excellence (APSE) showed that 60% of councils who in-sourced services cited the need to drive up service quality as a key driver. 62% of councils surveyed cited the need to reduce costs and improve efficiency as the primary driver for taking services back in-house.³

As well as failing to deliver its much-vaunted efficiency, outsourcing is now part of a highly unstable business model.

- The problems experienced by Serco over the years, the collapse of Carillion and Interserve’s plunge into administration are the latest indications that there are fundamental problems with outsourcing companies.
- Outsourcing contracts have increasingly been won by a handful of conglomerates holding large portfolios of contracts and under pressure to deliver continuous growth and dividend payments for their shareholders. They do this by making unrealistic bids for contracts, often moving into areas where they have no particular expertise, taking on large amounts of debt to fund acquisitions of other companies, and sucking as much value as possible out of their subsidiaries.⁴

¹ David Walker and John Tizard, *Out of Contract: Time to move on from the ‘love in’ with outsourcing and PFI* (Smith Institute, 2018), p. 5; http://www.deloitte.com/assets/Dcom-Luxembourg/Local%20Assets/Documents/Global_brochures/us_outsourcing_callingachange.pdf

² Mysteriously, this widely cited report has now been taken down from Deloitte’s website but the quote here is easily sourced on the web as the findings were widely covered at the time.

³ APSE’s research can be accessed here: <https://www.apse.org.uk/apse/index.cfm/research/current-research-programme/rebuilding-capacity-the-case-for-insourcing-contracts/>; See also, Ursula Huws, ‘Outsourcing and the fragmentation of employment relations: the challenges ahead’, *ACAS Future of Workplace Paper discussion paper*, August 2012, <http://www.acas.org.uk/media/pdf/p/8/Outsourcing-and-the-fragmentation-of-employment-relations-the-challenges-ahead.pdf>. The evidence base for outsourcing’s supposed efficiency was scrutinised in Steve Jeffreys, ‘Shared business services outsourcing: Progress at work or work in progress?’ *WLRJ Working Paper 11*, May 2012. http://www.workinglives.org/londonmet/fms/MRSite/Research/wlri/Working_Papers/WLRI_Working_Paper_no_11_Progress_at_work_or_work_in_progress.pdf.

⁴ This is explored in detail in Andrew Bowman et al., *What a Waste: Outsourcing and How it Goes Wrong* (Manchester, 2015).

As Shadow Chancellor John McDonnell said recently,

“After year upon year of failures the public has rightly lost confidence in the privatisation of our public services and the carve up of the public realm for private profit.

“The government’s ideological pursuit of privatisation and outsourcing has seen the public pay the price as fat cat bosses count their profits.

“It’s time to end the outsourcing scandal which has seen private companies rip off the taxpayer, degrade our public services and put people at risk whilst remaining wholly unaccountable to the people who rely on and fund these services.”⁵

ABM – profiting on hardship

ABM Facilities Management Ltd is a UK subsidiary of ABM Industries, a US outsourcing giant with an annual revenue of \$6.4 billion. According to its website, it employs around 140,000 people in 350 offices across the US and various international locations.

ABM Facilities Management Ltd were awarded the contract for cleaning the Underground just over two years ago. According to their most recently filed accounts, since taking on the London Underground contract the company has made an operating profit of just over £3 million, compared with just £250,000 the previous year.

As with other outsourcing firms, ABM invests in very little capital for what it gets out. Its profit in relation to its capital employed (Return on Capital Employed) was 66%. The London Underground contract is ABM Facilities Management’s biggest contract by some margin, so it’s reasonable to assume that this is where the majority of the profit has been made.

Meanwhile, back in the USA, ABM’s US parent company continues to grow through a mixture of adding new contracts and taking over competitors. In doing so, it’s saddled itself with significant debt. In 2017 it bought another US facilities management firm GCA, almost quadrupling its debt to do so.⁶ Now it relies on extracting cash from its subsidiaries like ABM UK:

“To service our debt, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control. We also depend on the profitability of our subsidiaries to satisfy our cash needs.”⁷

⁵ <https://labour.org.uk/press/labour-announces-insourcing-revolution-end-scandal-public-service-outsourcing-john-mcdonnell/>

⁶ <https://www.businesswire.com/news/home/20170712005440/en/ABM-Industries-Acquire-GCA-Services-Group-Facility>

⁷ http://www.annualreports.com/HostedData/AnnualReports/PDF/NYSE_ABM_2018.pdf_p.7

This is significant because it indicates that ABM will be looking to contracts like that on the Underground to generate cash to service its debts. One of the ways it may do this is by seeking to hold down the pay and terms and conditions of workers like the people who clean our Underground.

What ABM's cleaners think

ABM cleaners' work is some of the hardest and dirtiest work on the Underground. While they are paid the London Living Wage, ABM's cleaners struggle to get by and are denied key terms and conditions that are normal expectations for other workers employed by London Underground and TfL.

For example, they don't receive travel facilities. Many of these workers travel far across London at unsocial hours to work long shifts on the Tube. Other London Underground workers get help to get to work. Neither do these workers receive proper sick pay, meaning that when they are ill they're faced with the dilemma of staying off sick on only Statutory Sick Pay or coming into work while ill:

"I can't understand how is possible that we work for London Underground and we don't have any discount for our travel to work. This is disgraceful. And with £10.45 per hour I sometimes struggle to make ends meet."

"Unfortunately when you sick you got only 2 options: work while sick or stay home and struggle financially."

This is an important issue for ABM cleaners. Many are joining RMT and the union is in dispute over the failure to provide proper travel facilities to help them pay to come to work, proper sick pay or an occupational pension scheme. In a recent ballot for industrial action, the cleaners voted overwhelmingly to take industrial action but very narrowly missed the thresholds set by the Tory anti-Trade Union laws meaning they were barred from taking legal action.

But ABM cleaners also believe that both they and the travelling public would be better off if they were directly employed by London Underground.

RMT conducted a survey open to ABM cleaners in the union's membership between 18 June and 4 July 2019 and received 95 responses.

The results showed that:

- 68% reported that they sometimes or regularly struggle to make ends meet;
- More than one in three (35%) said that they believed they had been treated unfairly at work or by your employer because of a personal characteristic (eg, gender, age, race, religion or belief, sexual orientation etc.);
- 68% said they believed their employer put profits before working conditions or passenger concerns with only 18% saying they believed their employer valued their

workforce and only 37% agreeing that their employer was concerned about providing a safe and high quality service;

- 57% said that they thought that being outsourced made it harder for them to do a good job;
- 91% said they would rather be employed in-house;
- 76% said that they believed passengers would benefit more if their jobs were brought in-house

“My employer doesn’t provide materials or training to do my job”

“Because they want to save money they hardly listen to what we have to offer to make the work easier”

“We need more cleaning staff, cleaning materials, good communication, better conditions of work, pensions, better salary, free travel transport.....”

“If I work directly for the people that running the rail service, they will provide me with the right equipment to do the job properly and the people who runs the rail will support me so that I can get the job done by the book and properly”

What should be done

RMT is fighting to win these cleaners better employment conditions, including travel facilities and sick pay. These should be immediately granted to end one of the biggest injustices in Transport for London.

But Sadiq Khan must go further. He must bring these workers in-house without further delay.

Outsourcing is a failed model of delivery that leaves public services, the travelling public and workers alike at the mercy of reckless profiteers.

It’s time to put an end to this scandal.

Appendix I: Survey results tables:

Do you receive any of the following (tick all that apply)?		
Travel facilities	7.78%	7
Overtime	8.89%	8
Pension	60.00%	54
Sick pay	18.89%	17
Holiday pay	92.22%	83

Which statement reflects your experience?	Responses	
This job provides me with the income I need	10.59%	9
I get by on what I earn	21.18%	18
I sometimes struggle to make ends meet	44.71%	38
I regularly struggle to make ends meet	23.53%	20

Do you think you've ever been treated unfairly at work or by your employer because of a characteristic you have (eg, your gender, age, race, religion or belief, sexual orientation etc.)		
Yes	35.29%	30
No	64.71%	55

To what extent do you agree or disagree with the below statements?						
	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Total
My employer values their workforce	6.02%	12.05%	28.92%	28.92%	24.10%	83
My employer is concerned about providing a safe and high quality service	6.10%	31.71%	29.27%	15.85%	17.07%	82
My employer puts profit before working conditions or passenger concerns	35.37%	32.93%	19.51%	6.10%	6.10%	82

Do you believe that your working conditions as an outsourced worker make it harder for you to do your job?		
Yes	57.32%	47
No	42.68%	35

Would you prefer to be directly employed by the people running the rail service?		
Yes	91.25%	73
No	8.75%	7

Do you believe that passengers would benefit more if your job was brought in-house?		
Yes	75.61%	62
No	24.39%	20

