

# THE SUPPORT SERVICES REVIEW: A CRITIQUE

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## INTRODUCTION

Following Council's decision on 25 February to retrench more than 600 workers a group of academics came together informally to discuss the planned restructuring of the university.<sup>1</sup>

Most of us are associated with the Sociology of Work Unit, where our research and teaching focuses on the processes and effects of organisational change in South Africa. A number of us have done extensive research on outsourcing and on public service transformation in South Africa. Given this background, though we fully endorsed the need for change at Wits we were skeptical that the university's plan would achieve its expressed goals.

In discussions with the campus leadership of the staff association and trade union of which we are members, we decided to conduct an assessment of the support services review to investigate the case for outsourcing and the justification for retrenchments. The assessment entailed a close reading of the various reports produced by the Support Services Review, the minutes of the Consultative Committee, and other documents submitted to Council.<sup>2</sup> As such the work amounts to a critical review based on an evaluation of the documents generated to date in the restructuring including those produced by the consultants hired by the university, as well as the minutes of consultative workshops with stakeholders. Given constraints of time and resources the review does not include original research. Furthermore, despite our best efforts to obtain all relevant documentation, some may have eluded our net.

Notwithstanding our doubts about the Council's decision, we approached our work with an open mind with the aim of making an independent assessment of the restructuring. Our intention was to report our findings to our respective organisations and to the university community more generally. The work was undertaken during our own time; we were not operating under an organisational mandate; nor did the work constitute part of our official duties at SWOP.

On 17 March we presented our initial findings to a meeting of Wits academics, called through the good offices of ASAWU to discuss staff concerns about the restructuring. The academics urged ASAWU to convene a general meeting to take the discussion forward. This meeting took place on 22 March and resolved to arrange an urgent discussion with the Chair of Council, Judge Edwin Cameron to seek permission to present a more comprehensive report to Council. When this discussion failed to materialise, Dr. Sheila Meintjes, an ASAWU member and a lecturer member of Council agreed to present the academics' concerns to the Council. At its next meeting on 31 March Council mandated Judge Cameron to chair a meeting including a group from the Senior Executive Team (SET), a representative of the University Management Associates (UMA) consultancy the consultants and our group.

This report is the product of our review of the university restructuring. We are not convinced

that the support services restructuring will achieve its aims. Moreover the preferred approach to restructuring - a radical proposal to outsource support services - will generate its own problems which could have dramatic consequences for the institutions. These problems have not been adequately addressed by SET, nor by the UMA. In place of such a risky restructuring initiative we propose that management reconsider a range of options which were favourably endorsed by participants in the consultative process, but which were largely ignored by both UMA and SET in making their recommendations to council. Moreover, the university should acknowledge that the problems we face were generated over many years, and do not admit of rapid solutions. Our emphasis falls less on outsourcing than on the slow rebuilding of managerial capacity.

This report consists of three sections: an examination of how the university conceptualises major issues; the quality of data, and the relationship between data and conclusions; the process of decision-making.

## **I. FRAMING RESTRUCTURING: HOW ISSUES ARE CONCEPTUALIZED**

The first section of our report deals with the concepts deployed by UMA and SET in their efforts to restructure the university.

An important aspect of the reports, as well as the final recommendations made to the university, is the notion of introducing 'service partnerships', i.e. the outsourcing of several so called 'non-core' functions. In context of a projected budget deficit, the argument goes that the university's scarce resources must be dedicated to its core activities. Outsourcing is seen as the most efficient way to achieve this goal: it allows the university to maintain - indeed to improve - services, reduce costs, while generating a surplus that may be redeployed to develop the 'core business'. Since both UMA and SET accept that the university currently does not have the managerial capacity to restructure work internally, outsourcing is seen as the only viable option to address these deficiencies.

However, outsourcing is not the only option considered in the consultant's reports. Internal restructuring, as well as management contracts are also considered and costed. Consistently, the cost calculations made in the reports show that outsourcing will save more money than the other approaches. While the perceived cost savings are stressed as the most important criterion, the other reasons for rejecting the alternatives is a lack of managerial capacity to restructure internally and the tendency for organisations to 'revert' to their old inefficient practices.

We think this formulation is flawed on each of its main points. We dispute the wisdom of making an analytical distinction between core and non-core activities. We question the cost efficiency of outsourcing, and identify a range of additional costs of outsourcing generally ignored by SET and the UMA which may in fact compromise teaching, learning and research. Finally we question the basis for arguing against internal restructuring. As a consequence of these points we challenge the logic, wisdom, and feasibility of transferring resources from 'non-core'



to 'core' activities on which the entire restructuring effort pivots.

#### **A. Core vs. non-core**

The first principle from which the restructuring flows is the apparently uncontroversial distinction between core and non-core business. This notion has its origins in the movement to unbundle large organisations such as multinational corporations, where it provides managers with the means to identify units that may be closed or sold. On first glance few would argue with the idea that an organisation should concentrate on and develop those functions closest to its main activity: universities should concentrate on teaching, and motor companies on building cars. It would of course be fatuous to suggest that universities ought to build their own vehicles, or that motor companies should open up their own university to provide their employees with higher degrees.

However beyond this truism the notion of "coreness" encounters serious difficulties in practice. Similar kinds of organisations in the same country, let alone across countries, may come to different conclusions about their core activities, and indeed these may shift over time. The designation may have less to do with logic or even cost and more to do with arbitrary factors such as the political clout of a division within the organisation, the possible returns to be realised by selling off the division, or mere fashion. Moreover, the designation of a function as "non-core" should not suggest that core management may be indifferent to its performance. It may be unwise for a car company to aspire to be a university, but many expend significant resources on high-level in-house training for their employees, on the assumption that they can do a better job of providing training for their own needs than can any external provider. The lesson is that to the extent that the excellent performance of a 'non-core' function is central to fulfilling the organisation's core mission it may wish to exert direct control over the function by retaining it in-house. Core and non-core functions may be so interdependent as to render the latter part of the core.

Even more problematic is the notion that the distinction between core and non-core functions can serve as an unambiguous basis for deciding which functions to outsource and which to retain in-house. Decisions to outsource are generally not defined by what is core, but by what is *most suitable* to restructuring a particular aspect of the organisation. Suitability in turn depends on a range of factors: cost, a desire to bring in high-value expertise - even if the outsourcing is more expensive (particularly in management or IT), the availability of such services on the local market, and fashion.

Indeed, in the end, almost any function can be outsourced or retained in-house. The Lopez model of automobile production in Brazil has shown that a whole factory can be based on subcontracting relationships. At universities in OECD countries the highly sought after outsourcing arrangements focus less on labour-intensive areas such as cleaning and more on high-value added functions such as IT, libraries, legal, accounting, and HR offices, and even teaching itself. It would be difficult to classify these latter areas as 'non-core', yet they are

extremely attractive targets for outsourcing. There is no necessary relationship at all between core/non-core and outsourcing/insourcing. Designating something as 'non-core' does not provide a fitting basis for deciding to outsource.

Nonetheless, in South African experience, and indeed in the Wits restructuring, not only is the distinction between core and non-core activities treated in a largely unproblematic fashion, this distinction is conflated with the decision to outsource non-core activities, especially when the latter are labour-intensive. While the language of outsourcing supports notions of adding value and bringing in expertise, surveys show that it is actually relatively unskilled work that is outsourced. In a survey conducted by Andrew Levy and Associates blue collar workers comprised more than 90% of employees who were outsourced, while administrative staff accounted for nearly 8% and managers and executives for under 2%.<sup>3</sup> In the South African context, 'core' and 'non-core' has more to do with the occupational division of labour - and the distinction between administrative/managerial and manual labour than it does with an honest appraisal of an organisation's functional requirements. In this sense notions of 'core business' may be understood less as an aspect of good management and more as an ideological justification for cutting labour costs and especially for avoiding unions.<sup>4</sup>

## **B. Framing outsourcing**

If outsourcing in South Africa is ultimately bound up with shedding labour (and especially unionised workers), attention needs to be focused on the way in which the consultants frame the impact of outsourcing.

The reviews consistently argue that outsourcing promises 'the most significant benefits in terms of cost, productivity and efficiency of operations, possibly resulting in substantial improvements in service levels and the cost of delivery'.<sup>5</sup> The reviews repeatedly stress that outsourced workers would 'could benefit from greater career opportunities, development/training and accreditation'. They assert that outsourcing has the potential 'to achieve a degree of employment stability through contractor re-employing personnel'. The only disadvantages identified are human resources implications and industrial relations concerns and limited existing contract management capacity.<sup>6</sup>

There are several serious problems with the approach taken to outsourcing by the consultants.

First, the costing models are incomplete and based on questionable assumptions on the nature of outsourcing arrangements. Second, the assumption that when there is a lack of managerial capacity, outsourcing can rectify the situation is flawed. Finally, posing outsourcing as bringing career opportunities, employment stability (even if only 'a degree'), training and accommodation is at variance with the facts.



## 1. Costing models

The assumptions behind the costing models used to compare different options in the reports are only sketchily revealed. However, when taking the broad categories used to disaggregate the models, it is clear that several costs associated with outsourcing are not taken into account:

- Outsourcing entails not only running or production costs, but also *transaction costs*. Transaction costs accrue from the moment a company begins considering outsourcing and continue through the actual management of a contract once it has been signed. Transaction costs include the time and money necessary to a viable vendor, to negotiate and write a contract, and to monitor and enforce service levels once a contract is in place.<sup>7</sup> Outsourcing could lead to disaster if an organisation is unable to assess the range of transaction costs to make sure they are actually saving money, as these may seriously erode if not completely nullify production cost advantages gained by outsourcing.
- A second factor that is not taken into account is the tendency for *cost creep* to take place in outsourcing arrangements. Often, after initially bidding for contracts, outsourcing agencies admit that the work is more complex than the minimum requirements. Cost creep usually leads to either to more expensive outsourcing, or to a cut in quality of service. This issue was repeatedly raised in workshops, acknowledged by the consultants, but apparently never incorporated into costing models.
- The costing models ignore a third issue: *coordination efficiencies*. These occur when a firm is able to valorise the intelligence and energy of its employees to seek ways to diminish waste and increase both the efficiency and quality of production. The greatest gains in coordination efficiency come when managers and employees mobilise the firm's energies across a range of activities: 'positive spill-overs' enable learning in one area to be quickly transferred to improve other services. Such exchanges occur best in organisations characterised by high trust relationships among employees and between employees and managers.<sup>8</sup> A similar point is made by the American economist Samuel Bowles in describing the productivity and profit advantages to be gained in the 'handshake economy'. Organisations are able to reduce significantly their monitoring costs - and gain competitive advantages - by relying on trust. Workers are more likely to cooperate with management in production where they are treated equitably and are able to share in the generated by their hard work.<sup>9</sup> By contrast, outsourcing interferes with the gains to be realised through increasing trust, decreasing monitoring costs, and extending learning across an organisation. Outsourced services are 'ring-fenced', rendering formerly integrated services into discrete entities. An organisation loses all benefits of coordination efficiencies, as all communication is externalised, while greatly multiplying transaction inefficiencies. An inability to calculate the coordination *inefficiencies* arising from outsourcing leads to a serious underestimation of the cost of the exercise. Such calculations do not appear to have been made by the consultants.

- Finally, the models ignore the costs to the university incurred by the loss of *tacit skills* and *institutional memory* caused by outsourcing. The concept tacit skills was developed by Leger to identify the range of skills workers possess which are neither formally recognised nor remunerated, but which are nonetheless essential to production. This concept is of considerable importance in South Africa where black workers' real skills were formally disregarded, yet were essential to the smooth running of any workplace.<sup>10</sup> Institutional memory refers to workers' knowledge of the informal operations in any organisation, a capacity that is increasingly recognised as a crucial component in productivity. Institutional memory is a special instance of tacit skills, and both are at the heart of the coordination efficiencies described above. However their value as productive assets cannot easily be realised in a low-trust environment, such as that produced under outsourcing. Simply put, workers will be less eager to draw upon such embodied knowledge under conditions where they are insecure or poorly remunerated. Indeed Leger's research locates workers' struggles around tacit skills as a serious cause of long-standing productivity problems in South Africa and of workplace conflict. The risks for Wits posed by the possible loss of tacit skills and institutional memory are clear, though these costs are not acknowledged by the consultants nor by SET, let alone calculated. Relevant examples - which should be cause for concern - are provided in the review of maintenance operations. The review records that West Campus, when it was taken over from the Witwatersrand Agricultural Showgrounds, had no record of its underground services. The review states that 'Opinions expressed that this incurred major additional costs and that it was critical that all construction/alterations should be handled by Estates and Buildings'.<sup>11</sup> Of course this will be considerably more difficult in an outsourced arrangement. These points are reiterated elsewhere in the document: engineering drawings and supporting documentation are not up-to-date; process improvements are not documented; there is too much knowledge in the 'heads' of key people.<sup>12</sup> Exploiting the 'knowledge in the "heads" of key people' is a central concern in management theory at least back to Frederick Winslow Taylor. Outsourced companies will be no better - and probably much worse - than other enterprises in performing this conjuring feat.

When taking the above issues into account, the costing models used to compare the different approaches to restructuring are fundamentally flawed, and of limited value for making effective comparisons between alternatives.

## ***2. Managing outsourcing***

Both UMA and SET have argued that Wits must embark on outsourcing as it lacks internal management capacity either to achieve or sustain effective internal restructuring. At times the lack of management capacity is acknowledged as a constraint on outsourcing, though never to the extent that it leads to the rejection of the option. However, considerable international experience shows that it is unwise to embark on outsourcing as an antidote to poor managerial capacity. An Australian parliamentary report on outsourcing states the problem clearly:



Unless an agency has an efficient in-house system operating it will not have the necessary grasp of the services it requires and the costs involved. Without this information the agency will not be in a position to initiate a responsible market testing or tendering process.<sup>13</sup>

To 'do' outsourcing well requires a considerable investment of time, money and expertise, the report argues. Outsourcing is not 'a panacea nor a convenient "quick fix" for a failing in-house system'. Existing services must be at a high level of efficiency so that they can develop a clear grasp of the services they require and of their costs *before* they can proceed to the market. An organisation that lacks these attributes will be unable to assess adequately its needs or the tenders it receives. A senior manager discussing an outsourcing exercise in the Australian Customs Service put it succinctly: '[If a] department does not have a good handle on its costs ... that is an indicator for not going to an outsourcing position until you [do]'.

The reports written by UMA show a profound lack of familiarity with this problem. Though the lack of management capacity is noted, such awareness does not alter the enthusiasm for outsourcing. It is noted in the review of Catering that food service had been outsourced at the Business School. However, 'the Dean [of Management] was not very satisfied with the service' but felt obliged to renew the contract until 2001 due to the disruptions caused by building operations.<sup>14</sup> UMA conceded the Dean's point, but pointing to other universities, argued the 'critical key to success was to manage the contract effectively to ensure good service and to control prices'. Weak management forms a substantial part of the criticism of other options, including internal restructuring. Yet, neither UMA nor SET have explained how Wits would be able to manage an outsourced company given that the very rationale for outsourcing was the lack of a management capacity in the first place.

### ***3. Employment opportunities***

As described above UMA in the support services reviews and SET in both Council and ConCom documents have posed outsourcing as bringing 'career opportunities', 'employment stability' (even if only 'a degree'), training and accreditation.

However, outsourced companies are not the most reliable means for creating employment of any kind, let alone stable employment. In this respect they share all the defaults of small, micro and medium enterprises (SMMEs), which are notoriously unstable organisations. Their shortcomings stem not only from a lack of management capacity but from undercapitalization caused by financial institutions' hostility towards the sector. These difficulties are exacerbated by structural problems in the South African economy, such as the control over the economy exercised by conglomerates (which foster uncompetitive trading and pricing practices) as well as inadequate infrastructure.<sup>15</sup> A former banker who now consults SMMEs estimates their failure rate to be between 70% and 80%.<sup>16</sup> The World Bank's Brian Levy, who has conducted extensive research in the area, is extremely wary of optimistic claims for employment generation through SMMEs in the absence of structural changes to the South African economy.

But even if outsourced companies - whether SMMEs or larger entities such as the major cleaning and catering companies - do create jobs, their workers' conditions are far from stable. The UMA reports concede that wages and other conditions of employment will be considerably lower in outsourced companies. However, in the review process they were unable to respond to the trade unions' queries regarding job security. In the review of Grounds, Meshawu asked whether 'the trend in the industry was to work for shorter periods for less money (implying a less stable workforce)?' It was 'noted that UMA did not have this information'.<sup>17</sup> One would think that this information would have been crucial in establishing whether outsourcing in fact brought a measure of employment stability, yet it appears that UMA did not provide such data in subsequent meetings.

Part of the point of moving to outsourced companies is to weaken contracts of employment and shift the balance of power between the employer and employee. This relationship not only strengthens management's position in wage bargaining, but also makes it easier to dismiss workers, or simply to avoid rehiring them when their contracts expire. In the words of one labour broker,

They don't have to hire and fire. They don't have to establish if the guy is good or not .... They also don't have the headaches with the industrial council and all the other bits and pieces that are involved, which is all very costly.<sup>18</sup>

Workers' weakened bargaining position has been identified as contributing to poverty, which is not only a function of unemployment, but is also a reflex of the low quality of jobs people might otherwise occupy. A recent government report on poverty analysed the manner in which South Africa's segmented labour market affects poor people. In the formal sector,

The primary labour market is regulated and characterised by higher wages and skills requirements, an organised workforce and opportunities for upward mobility. Secondary labour markets are less regulated, the workers have lower skill levels and are paid less, and opportunities for further training and upward mobility are limited.<sup>19</sup>

If labour rights and trade union membership are means for workers to gain some security of employment, the weakening of these conditions under outsourcing promotes the opposite. Indeed, this appears to be the rationale of outsourcing in the first place and the source of such companies' competitive advantage: lower labour costs. It is difficult to understand how workers would acquire 'career opportunities', 'training' and 'accreditation' under such a system.

To describe such relationships as creating a degree of employment stability frankly strains credulity, and is the product of either ignorance or sophistry. Such language reminds us of 'apartheid speak' where the Extension of Universities Act in fact described a process of denying black people's access to the liberal universities.



## E. Framing Alternatives

If the support services review appear to present a one-sided picture of outsourcing, this image is bolstered by the treatment given to alternatives. The UMA consultants indeed presented alternatives to each of the consultative groups. These ranged from retaining the status quo, to internal restructuring, to a host of options between internal restructuring and outsourcing. These included, among others, 'framework autonomy', management contracts, joint ventures, and management buy-outs.

In various ways consideration of these options is forestalled through the consultants' interventions, though many of the participants did not accept their reasoning.

One example will suffice. In the review of Grounds, the internal restructuring is described as having:

High longer term risk of failure due to inadequate change occurring to achieve goals; Risk of increased IR conflicts over time; Danger that improvements will not be sustained over the long term, = slip back to old habits; = lack of senior management attention (non-core business).<sup>20</sup>

Each of these statements is problematic.

Many participants in the review process pointed to impressive developments in management sophistication in recent years, including in catering and in residential life, but these developments were dismissed by the consultants. The 'risk of failure due to inadequate change' and the possibility of reversion are interesting management theories. Such a crucial point is not, however supported by any evidence. On more than one occasion in the reviews this view is attributed to the 'the consultant's view regarding constraints on the likely extent of change materialising from this option'.<sup>21</sup> In the case of Grounds, the consultant's intervention apparently leaves the committee with two options: the status quo (which everyone admits is no option) and outsourcing! This same formula was repeated in most of the other documents, where the consultants' 'experience' is privileged.

We cast no aspersions on the consultants' honesty or experience, but on such an important point as weighing the relative merits of different restructuring ought to rely on more than the consultants' opinions and experience. Without requiring too high an evidentiary standard it would have been worthwhile for the committees to have received reports on the effectiveness of internal restructuring elsewhere. In the absence of such information the decision is based on little more than an argument from authority rather than an argument from evidence. This is insufficient grounds to come to an adequate appraisal of the costs of the different options.

What many might see as an advantage, the ability to institute new systems and retraining of management, in fact turns into a disadvantage, though only in the opinion of the consultant.

One might have asked in reverse how long - especially under South Africa's relatively labour friendly regime - the outsourced companies will be able to sustain their competitive advantage based on inferior conditions of employment. At one point this question was posed by the union representatives, but never answered..

The implications of this position are more profound, and speak to a certain cynicism about what has been proclaimed as the university's core mission. If we are to believe that organisations are inherently tainted by their past, that if people and organisations cannot change one simply gets rid of the people UMA engages in a form of defeatism that conflicts with the enlightenment project expressed as the founding idea of the university. If people cannot change as a result of education, what is the role of our 'core activity' in society?

The 'risk of increased IR conflicts over time' is similarly unexplained. There is no inherent reason why an internally restructured Wits would be any more or less conflictual than an outsourced Wits. Unless one views the continuation of recognition agreements, with their procedural and substantive rights, as themselves a source of IR conflict, this statement makes no sense.

Finally, the lack of senior management attention would seem to mitigate against both internal restructuring and outsourcing, given the need for multi-level monitoring of any outsourced company.

The descriptions of advantages and disadvantages of either outsourcing or internal restructuring are arbitrary, unexplained, and tendentious.

Nonetheless, in apparent disregard of the consultants' views, the committees went through the time-consuming process of weighting different options for restructuring. (See below)

## **II. DATA, SOURCES, AND LOGIC OF CONCLUSIONS**

There are a number of anomalies with respect to the use of comparisons, sources for data, and the logic of the conclusions drawn from the evidence presented in the support service review documents. These problems may be caused by the rush of time or clerical errors; this probably accounts for the many spelling mistakes and grammatical lapses in the documents. However the errors display a systematic quality which suggests some other factor is at play. Virtually all of these problems point in the same direction: encouraging the outsourcing option and discouraging consideration of most other possibilities, especially internal restructuring.

### **A. Basis for Comparison**

The starting point for any set of comparisons is establishing the baseline for comparison. In



short, to whom is Wits compared and on what basis?

The reports shift repeatedly between different bases for comparison. At various points Wits is compared to an 'industry average', the source of which is never fully explained. At others it is compared to particular companies, who apparently provided estimates of costs for providing different services. At others Wits is compared to other universities and to something called 'semi-government'.

The basis for comparison is sometimes obscure, and constantly shifting. To an extent this is an inevitable result given the shortcomings with respect to data. On the other hand, the reasons for choosing one set of comparisons over another are not always clear. In instances where Wits' performance is dramatically worse than rival universities, for example in the case of outsourced catering, this comparison is stressed. At other points, where Wits' performance on this same standard is consistent with other universities, the comparison is not developed.

At another level, it is not always clear whether the comparisons are assessing the same thing. For example, are comparisons evaluating equal quality? We will return to this theme below, but one example will suffice. The discussion of quality with respect to maintenance of Sports Administration's grounds received considerable attention. The Head of Sports Administration asked whether the

comparative figure for industry would be for maintenance of equal quality. Suggested that UMA should obtain benchmark indicators from other Universities on costs of intensive maintenance of sportsfields to a high standard. Noted further the possibility that outside comparisons could have included areas such as The Wanderers and other private clubs where extensive funding by sponsors might have been a factor in reducing costs to maintain sportsfields.<sup>22</sup>

As will be shown below, similar problems bedevil estimates of productivity and cost effectiveness in other areas. There was general agreement in the meeting that the maintenance of the sportsfields was of a high standard and should be kept in-house.

## **B. Calculations of costs**

We are not raising criticisms of the sources used by UMA and relied upon by SET and Council. However, we are uncertain whether sufficient attention was paid to the corrections that were made by the committees.

For example, in the second review of Building Care, it was noted that meter squared costs for the industry do not include the cost of uniforms and cleaning materials, while the Wits costs include these. By a rough estimate these additional items should either increase the cost of outsourcing or decrease the estimates of the labour cost of internal restructuring by approximately 12%. But it doesn't appear as if this observation led to a revision of the estimates.

Similarly, the UMA presentation identifies that cleaners perform diverse and non-standard tasks that are not normally performed by outsourced cleaners:

- perform additional tasks to normal cleaning
- preparation of venues for approximately 90-150 functions and events
- hiring of venues to external clients results in additional cleaning (205 venues for 1999)
- manage bulk cleaning stores

Moreover, they identify that infrastructure is poor and has had an impact on work in the form of old plumbing prone to pipe bursts and floor surfaces that require labour intensive effort.<sup>23</sup> The university experiences high levels of littering and abuse of facilities; very high traffic and use of facilities by outside users (such as Star Schools); frequent and unscheduled calls for emergency work in high profile areas; having to clean outside designated areas that cannot be handled by departmental cleaners; inferior equipment and chemicals.

Finally, it was observed in the committees, as well as in the Council meeting of 25 February that cleaners do far more than clean. They perform a valuable security function, and play an extremely important role participating in the primary socialisation of new students to the university.

It doesn't appear that these observations were taken into account when calculating labour costs. For example, reservations were expressed about the figures on which cost efficiencies were based, and it was noted that additional factors relating to the cost comparison would be taken into account. However, in the second workshop, 'revised figures' are presented, but all remain the same except department expenditure figures.

When the UMA representatives were queried how the outsourced company would deal with the need to get workers in to clean up between functions, after hours (including after sports activities) or in emergencies, and whether service would be dependable: UMA responded that these details

would have to be specified in the contract or come to some arrangement, or possibly to retain a small internal team on site to have available on call. Noted the opinions expressed that this would be an additional cost and there would have to be someone to manage it.<sup>24</sup>

Clearly, adapting the outsourced company's services to Wits' needs would require a more complex relationship than that covered in the original cost estimates provided complicated. Assurances by UMA that such conditions could be written into a contract miss the point, even were this true. There are two logical possibilities once these additional aspects of work are taken into account: either outsourcing will cost more than the estimates assert, or the outsourced company will provide a lesser service at the stated cost.



A clear example of this refusal to integrate the participants' criticisms into the estimates emerged from the Grounds review. Meshawu queried the wisdom of outsourcing the sports grounds, including the cricket pitches. UMA gave an example of an outsourced company that conducted such services for other universities. Meshawu asked for details of the salaries and benefits paid by this particular company, to which UMA 'expressed the opinion that it was probably in the region of R2000 to R2500 per month, including medical benefits' [!]<sup>25</sup>, a figure rather distinctly above the industry norm of R833 per month related by UMA.

Combining the two criticisms from Building Care, the errors in cost estimates overstate the costs attributed to internal restructuring and understate those of outsourcing. The consultants were warned of this problem by, among others, A.B. Ford, the Assistant Director, Estates and Buildings, but his warnings were not accommodated.

These straightforward requests for information and amendments relate back to the points raised in Section I above. Many of the participants in the committees implicitly raised matters of 'cost creep', transaction costs, and tacit skills. But these interventions had little impact on the consultants.

#### **E. Drawing conclusions from clients' opinions**

All of the review reports contain information about clients' opinions on the different services. Here we will not raise methodological points about the reliability of these surveys; these have been expressed forcefully elsewhere. For present purposes we take the information provided at face value.

However, the conclusions drawn from this information are often problematic. For example, in the Building Care review, UMA reaches the conclusion that Wits has marginal to low levels of client satisfaction.

Yet, the evidence revealed in their presentations indicates that student perceptions of services were "generally acceptable" and academic staff views varied between average, slightly above average, and below average. Surveys of academics and students on quality and effectiveness of cleaning across a range of items:

##### ***1. Quality:***

Students view is approximately 3.5 across all items  
Academic view is around or just under 2.5

Effectiveness:

Students: between 3 and 3.5

Staff: between 2.5 and 3

In our reading, the academic perception of cleaning is average while the student perception could be classed as good or above average. UMA describes the results as 'Generally acceptable'. Later in the report a table from the 'support services environment' shows perceptions coming in between 3 and 3.5. The average runs against the original conclusion of 'marginal to low levels' of client satisfaction: UMA's conclusions are at variance with their own evidence. Good, above average, and average responses come are reclassified as 'substandard', 'marginal', and 'low'.

In addition to these problematic conclusions, the consultants never ask what might account for the difference in perception between students and staff? Nor does the report explain why the perceptions by academic are subtly privileged in the report.<sup>26</sup>

In this instance it would be useful to assess the investigators' own biases.

## ***2. Cleanliness:***

Two reports were produced in Building Care. One was extremely negative, and this is presented in full detail in the minutes. The second presented more mixed results, which are in fact misrepresented. The minutes emphasize only the negative findings. The research found 'unsatisfactory results' in two areas and 'severe conditions' in four areas. Yet the minutes conclude that 'it was noted that most of the ablution areas tested had been satisfactory (emphasis added) in terms of bacteria counts but not in terms of general cleanliness'.

In fact the inspection results show: that in eight of eighteen locations tested the results were 'good' and in a further four they were 'satisfactory', while in two the results were unsatisfactory and in four 'severe'. Only these latter entered into the minutes. A better reflection of the results would be that 'most of the ablution areas tested had been good to satisfactory'.

The reporting emphasises the negative and understates the positive. It misses the unevenness of the results and imposes a conclusion not fully supported by the evidence. In both assessments the interpretations simplify the results, and push them in a negative direction.

## ***3. Productivity and costs:***

The report for Building Care emphasises that the 'Costs of services too high,' that 'building care operational practices do not sufficiently follow the industry trends, standards and best practices' and that the section displays 'low cost efficiency relative to market norms'.

UMA bases these assessments on calculations in terms of meters squared / per person, and



against an industry average. It should be stressed that the figures do not reflect the admittedly more complicated tasks performed by Wits workers, noted above, nor that the costs for the industry do not include uniforms or materials. Nor does the assessment acknowledge the problematic figures for square meters to be cleaned, a point repeatedly stressed by the participants in the review committees.

Nonetheless UMA's figures show vastly uneven results for Wits cleaning, varying between Medical School and Building Care on the one side and Business School, Residences and P&DM on the other. Assuming an industry norm between 1200 and 1500 meters squared per person:

Building Care is well within the industry norms for productivity (close to 1300 m<sup>2</sup>);  
Medical School is well above industry norm (more than 1600 m<sup>2</sup>).

Business School is dramatically below the norm, approximately 1/6th, while P&DM approximately half the industry norm.

Two points arise: this unevenness is not noted, nor is it reconciled with general claims about cost, efficiency, and other factors. Nor is there any attempt to reconcile the productivity figures with figures for cost efficiency: here the industry norm is identified at R16 per meter square, and on this scale, both Medical School and Building Care are above the norm. Clearly the two measures of cost and productivity need to be reconciled: the basis for calculating productivity does not take into account the quality or intensity of service, and therefore obscures the real nature of the work performed.

The general trend across these three areas is that the reports make errors in constructing averages. Not only do they eliminate important variations in performance across Wits, but the averaging also leads UMA to draw improper conclusions when summarising data.

These mistakes, however, all run in the same direction: towards denigrating Wits service, and increasing the assessment of Wits' cost structure, both of which are used to favour the outsourcing option.

### **III. REVIEW PROCESS**

Such bias leads to the final area of our review. The support services review prioritised consultation with key stakeholders, and indeed considerable energy was expended by all parties in this regard. However, persistent complaints by many stakeholders that the process was pre-determined seem to hold merit in the light of the conclusions CMA drew in November and SET's recommendations to Council February.

At the initial review meeting for Building Care in May 1999, the participants were told that the committee would assess and debate the findings of UMA and identify key options to recommend

for further investigation'. The workshop participants 'would have the opportunity of debating the merits of the key options and progress towards the formulation of recommendations'. At this meeting:

An opinion was expressed implying that the outcome of the review was a foregone conclusion and that the statement that the University's buildings and environment were in poor condition was an indication that the University had decided that 'Maintenance must go'. The Chairperson (Andre de Wet) gave an assurance that the review was a very transparent process with an open-ended outcome. The main objective was to identify areas where things could be done better, resources used more effectively and to ensure that the infrastructure was in good shape within cost-effective means.

Many of the review processes in fact emphasised the value of options other than outsourcing. This was true in Building Care where internal restructuring was given the highest marks in the evaluation of options. But it was also the case in Catering, where at least three possibilities were identified for different areas of the service. Though these possibilities were advanced by the review process, the options were dropped from UMA's final report, and were never put back on the table. The reasons listed above - such as the difficulties associated with internal restructuring - were given as justification.

#### **A. Requests for information: What happened?**

One indicator of the seriousness with which the stakeholders' concerns were embraced is the extent to which their requests for further particulars were taken up. The following table, taken from the Grounds report is illustrative of UMA's practice:

Query	Result
Implications of a possible merger of JCE should be taken into account in the Review of Estates and Buildings	Doesn't seem to have been included as an area. There is only a status quo area description. No different area description for projected analysis.
Corrections made to UMA presentation in 1 <sup>st</sup> workshop, included adding the Medical School to locations; Marks Park sports grounds to geographic spread; and an observation that there is no female staff members to HR perspective.	Those slides not re-presented in the 2 <sup>nd</sup> workshop (with or without amendments). No comment added by UMA as to lack of female staff.
Comment made to UMA presentation that grounds staff were also responsible for maintenance of swimming pools, cleaning of tennis courts, removal and replacement of covers on cricket pitches. They also hired out trucks and drivers to other departments	Not clear whether taken into account in work load, but square-meterage slide on efficiency indicators remains the same.



Comment made to UMA presentation that Grounds were responsible for cleaning of parking areas and sweeping of internal roads in the precinct of the business school (despite the fact that the gardens were outsourced). The same was true of all Parktown residences and smaller properties such as North Lodge, Aletta Sutton Educare Centre. Savemake was outsourced and the contract handled by Grounds and paid for from their budget.	Not clear whether additional work accounted for. In Efficiency indicators slide (Annexure III), the areas are the same as in the 1 <sup>st</sup> workshop, as are the square-meterage.
Noted on efficiency indicators that the outside areas included R48 000 for Savemake and the figure for Sturrock Park represented certain developmental costs, as this was a relatively new property.	Figures for the efficiency indicators remain the same as in the 1 <sup>st</sup> workshop.
Queried by head of Sports Administration whether the comparative figure for industry would be for maintenance of equal quality. Suggested that UMA should obtain benchmark indicators from other Universities on costs of intensive maintenance of sportsfields to a high standard. Noted further that areas such as Wanderers and other private clubs where extensive funding by sponsors might have been a factor in reducing costs to maintain sportsfields.	No response by UMA by 2 <sup>nd</sup> meeting to basis of comparative figures. The figures remain the same in presentation of comparative perspectives.
Queried that support service staff had not been targetted in the surveys	Agreed at same meeting by UMA that this was a valid observation. But, nothing done to correct it.
Reservations were expressed regarding the accuracy of the figures of cost analysis by comparative perspective.	UMA agreed to revisit. Figures presented on cost comparisons the same as those presented in 1 <sup>st</sup> workshop. No indication of whether UMA reviewed these figures.

#### IV. CONCLUSIONS

Given the difficulties in terms of framing, the use of evidence and the shortcomings in the review process, we do not have confidence in the expected savings identified for outsourcing. Given that this option stands at the heart of the university's restructuring effort - after all, outsourcing will yield the surplus to be used to expand the university's core functions - this conclusion is deeply disturbing.

To the extent that these criticisms are valid, they suggest the need to reopen the review process and consider more carefully the options placed developed in the lengthy consultations between May and October. In place of a 'one size fits all' approach, this may allow for the emergence of restructuring solutions which fit the diversity of problems confronting the university.

## ENDNOTES

1. The group includes Glenn Adler, Rahmat Omar, Andries Bezuidenhout, Bridget Kenny, Lucien van der Walt and Greg Ruiters.
2. The review concentrated on those sections of the university most under threat of retrenchment: Catering, Building Care, Maintenance, and Grounds.
3. Kelly, J. 1999. 'Outsourcing statistics.' *South African Labour Bulletin*, v. 23, no. 3.
4. In this regard it is telling that - before outsourcing - more than 80% of the companies surveyed by Andrew Levy and Associates were unionised.
5. University of the Witwatersrand, Support Services Review, Estates and Buildings: Grounds, Review Committee Report Final, November 1999, Report by the Review Committee Chairperson, p. 7.
6. University of the Witwatersrand, Support Services Review, Estates and Buildings: Building Care, Review Committee Report Final, November 1999, Annexure III, p. 15.
7. Straub, D and Ang, S, 'Production and Transaction Economies and IS Outsourcing: A Study of the US Banking Industry,' *MIS Quarterly*, v. 22, no. 4, pp. 535-552.
8. Block, F., *The Vampire State and Other Myths and Fallacies about the American Economy* (New York: The New Press, 1996), pp. 52 - 55.
9. Bowles, S, 'The Left in Search of a Viable Economic Strategy', unpublished mimeo, Department of Economics, University of Massachusetts at Amherst, 1992.
10. Leger, Jean-Patrick, "'Talking Rocks" - An Investigation of the Pit Sense of Rockfall Accidents Amongst Underground Gold Miners'. Ph.D., Department of Sociology, University of the Witwatersrand. For Leger, even routine tasks may involve conscious and unconscious processes which are learned experientially; they cannot be articulated in formal statements, nor learned through detailed instructions. Such skills are associated with the specialised tasks known as the 'tricks of the trade' which are essential to the performance of any complex task. Moreover, tacit skills include social skills which are essential components of any labour process: cooperation, trustworthiness, congeniality, loyalty. See Adler, G., 'Skills, Control, and "Careers at Work": Possibilities for Worker Control in the South African Motor Industry', *South African Sociological Review*, v. 5, no. 2 (1993), p. 39.
11. University of the Witwatersrand, Support Services Review, Estates and Buildings: Maintenance, Review Committee Report Final, November 1999, Annexure II, Minutes Workshop 1, 2.4.1.



12. University of the Witwatersrand, Support Services Review, Estates and Buildings: Maintenance, Review Committee Report Final, November 1999, Annexure I, Situation Analysis Discussion Document, p. 14.
13. 'Contracting out Government Services: First Report, Information Services', Parliament of the Commonwealth of Australia, Senate Finance and Public Administration References Committee, November 1997.
14. University of the Witwatersrand, Support Services Review, Catering Services, Review Committee Report Final, November 1999, Appendix IV: Workshop 2: Minutes, 4.2.
15. Levy, B., 'The Business Environment for Industrial Small and Medium Enterprise', Southern African Department, Discussion Paper no. 11, The World Bank (February 1996).
16. 'Brilliant ideas but spectacular flops,' *Business Times*, 9 April 2000.
17. University of the Witwatersrand, Support Services Review, Estates and Buildings: Grounds, Review Committee Report Final, November 1999, Annexure IV, Minutes Workshop II, 2.1.3.
18. Klerck, G., 'Casualisation and sub-contracting employer weapons against unions', *South African Labour Bulletin*, v. 15, no. 7 (1992): 44-47. See also Klerck, G., 'Industrial Restructuring and the Casualisation of Labour: A Case Study of Subcontracted Labour in the Process Industries', *South African Sociological Review*, v. 7, no. 1 (1994): 32-62.
19. 'Poverty and Inequality in South Africa - Summary Report.' Report prepared for the Office of the Executive Deputy President and the Inter-Ministerial Committee for Poverty and Inequality, 13 May, 1998.
20. University of the Witwatersrand, Support Services Review, Estates and Buildings: Grounds, Review Committee Report Final, November 1999, Annexure III, Option Evaluation Discussion Document, p. 13.
21. University of the Witwatersrand, Support Services Review, Estates and Buildings: Grounds, Review Committee Report Final, November 1999, Report by the Review Committee Chairperson, p. 8.
22. University of the Witwatersrand, Support Services Review, Estates and Buildings: Grounds, Review Committee Report Final, November 1999, Annexure II, Minutes Workshop 1, 2.5.
23. University of the Witwatersrand, Support Services Review, Estates and Buildings: Building Care, Review Committee Report Final, November 1999, Annexure I, Situation Analysis Discussion Document, p. 9.
24. University of the Witwatersrand, Support Services Review, Estates and Buildings: Building Care, Review Committee Report Final, November 1999, Annexure IV, Minutes Workshop 2,

6.3.

25. University of the Witwatersrand, Support Services Review, Estates and Buildings: Grounds, Review Committee Report Final, November 1999, Annexure IV, Minutes Workshop II, 6.6.5.

26. It is a pity the consultants did not pursue this matter. Considerable research has been done on struggles over cleanliness, food, and accommodation in South African student politics. This research has problematised perceptions and linked these to issues of race, class, and gender. The findings presented by UMA on Building Care, Catering, Maintenance and other support areas present the largely white academic staff's perceptions of the performance of black workers; the interpretation of these results should ultimately be read in the context of these insights. See Kros, C. 'They Wanted Dancing and not Merely the Lambeth Walk: A Reassessment of the 1940s School Disturbances with Particular Reference to Lovedale', African Studies Seminar Paper, African Studies Institute, University of the Witwatersrand, 27 July 1992. For Kros food carries latent and manifest meanings with regard to politics, race, and power and becomes both a focus of protest and a resource for mobilisation. Jon Hyslop has done perhaps the most important work in this areas. 'Food,' he writes, 'served as a focus for what was essentially political resentment against the inequities of segregation and it ignited powerful responses in a general political climate that was highly volatile. The issue of food . . . often emerged as one which embodied the unjust relations of a racist society. A host of issues relating to questions of authority, power, and politics condensed around and were symbolised by the issue of food'. J Hyslop, *Food, Authority and Politics: Student Riots in South African Schools, 1945-1976.* In Clingman, S. (ed) *Regions and Repertoires: Topics in South African Politics and Culture* (Johannesburg: Ravan), p. 93.