Main Findings

- Most UK organisations outsource some of their activities (68%) and many believe that outsourcing has simply become an established way of working (39%).

- Organisations are citing positive benefits in terms of quality, productivity and cost savings as a result of outsourcing. Two-thirds of those currently outsourcing say it has enabled them to concentrate on their core business activities (66%) and/or that it has saved the company time and money (68%).

- Outsourcing is not set to increase dramatically over the next 2 years – 14% of those currently outsourcing plan to cease doing so in the next 2 years, although 20% of organisations not currently outsourcing are planning to do so over the same time period.

- IT, HR, marketing and R&D outsourcing are set to expand over the next 2 years.

- Sectors planning the largest increases in outsourcing are Telecommunications and Other Manufacturing, with public sector organisations planning a significant rise in IT and HR outsourcing over the same period.

Over two-thirds of companies in the UK (68%) currently outsource some of their business activities.

Chart 1: Current outsourcing

Base: All respondents (2000)

Chart 2: Types of activity currently outsourced

Base: All respondents (2000)

Print/design is the activity most often outsourced, with 37% of organisations outsourcing this area of their business. IT, manufacturing, telecommunications and service maintenance come next in the chart with between 15-17% of organisations outsourcing these activities.

Unsurprisingly, core activities like marketing, sales, HR and R&D are outsourced less often than support activities. Nevertheless, a substantial 6-8% of organisations outsource these activities. The outsourcing of core functions like this demonstrates how important the trend towards outsourcing has become in the UK.

Interestingly, both facilities management and customer service functions appear in the lower half of the chart, although much of the debate about outsourcing has focused on these activities.
There are few marked differences across the sectors and regions, in terms of their likelihood to outsource. However, firms within the Food & Beverages and Business & Professional Services sectors are more likely to outsource a part of their activities, whilst Textiles, B2C Retail/Wholesale, Hotels & Restaurants, Media & Sport and Health organisations are less likely to outsource anything.

Looking at the regions, organisations located in West Midlands and Yorkshire & Humberside are less likely to outsource a part of their business.

The size of location also has an influence over an organisation’s likelihood to outsource, with Medium sized locations more likely to outsource a business activity, whereas Micro locations are much less likely to do so, although over half (55%) still outsource something.

Outsourcing is not set to increase dramatically over the next 2 years (down slightly by 3 percentage points).

Growth is anticipated in some areas, including marketing (up 6 percentage points), IT (up 3 percentage points), HR (up 2 percentage points) and R&D (up 2 percentage points).

Some sectors are planning large increases in outsourcing, including Other Manufacturing and Telecommunications. In addition, Automotive, Electronics and Utilities join Business & Professional Services in being more likely to outsource in 2 years’ time.
Organisations are reporting positive benefits as a result of outsourcing.

Chart 7: Benefits of outsourcing (organisations currently outsourcing)

Top of the list of benefits derived from outsourcing is saving the organisation time and money (68% of organisations report this benefit). Many organisations find outsourcing helps them to concentrate on their core business (66%). Just under half of those organisations outsourcing something today are also experiencing improved efficiency (48%), both for the outsourced activity and/or their overall business.

There are some differences across the sectors regarding benefits derived. Textiles, Automotive, Hotels & Restaurants, Transport, Telecommunications, Business & Professional Services and Media & Sport are more likely to report that the outsourced areas have become more efficient. A slightly different group are more likely to report outsourcing has become an established way of working: Agriculture & Energy, Food & Beverages, Chemicals, Other Manufacturing, Utilities and Telecommunications. Organisations in the Telecommunications sector report above average scores across all five benefits, with an impressive 96% reporting it has saved them time and money.

In contrast, those sectors failing to reap the benefits of outsourcing are dominated by the public sectors. Public Admin & Defence and Health, as well as Finance, B2B Wholesale/Retail and Agriculture & Energy, are all much less likely to report that the outsourced areas have become more efficient. Public Admin & Defence and Health are also less likely to find outsourcing has become an established way of working, saved them time and money or improved their overall quality of service.

There is also some regional variation, with East Midlands and West Midlands deriving greater benefits from outsourcing. London and Wales are less likely to report the same positive results from outsourcing.

Chart 8: Benefits of outsourcing (organisations not planning to continue outsourcing)

Looking at those organisations currently outsourcing but not planning to outsource anything in 2 years’ time, the survey reveals that these organisations are much less satisfied than most, with a much smaller proportion reporting the benefits mentioned by other organisations.
Chart 9: Benefits of outsourcing (organisations outsourcing 5-12 activities)

It saves the company time and money
It has enabled us to concentrate on our core business
Outsourcing has become an established way of working
Our general quality of service and/or productivity has increased
Outsourced areas have become more efficient

These results would seem to suggest that organisations become better at outsourcing as the number of activities they outsource increases: they derive more of the associated benefits, which in turn drives their plans for future outsourcing.

Table 1: Number of activities outsourced

<table>
<thead>
<tr>
<th>Number of activities outsourced</th>
<th>Currently outsource</th>
<th>Planning to outsource in next 2 yrs</th>
<th>Change (Percentage points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>32</td>
<td>35</td>
<td>+3</td>
</tr>
<tr>
<td>1-4</td>
<td>62</td>
<td>56</td>
<td>-6</td>
</tr>
<tr>
<td>5-12</td>
<td>6</td>
<td>9</td>
<td>+3</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>-</td>
</tr>
</tbody>
</table>

Base: All respondents (2000)

However, those organisations currently outsourcing more than five business activities experience many more of the associated benefits.

For the vast majority of this group, outsourcing has simply become an established way of working (83%). In addition, 85% say outsourcing enables them to concentrate on their core business. 78% believe it saves their company time and money and over two-thirds of organisations in this group believe their overall quality of service has improved and/or the outsourced areas have become more efficient (71% and 67% respectively).

It is also interesting to note that the size of this group of organisations is set to increase over the next 2 years (up 3 percentage points).
About Manpower

Manpower is a leading recruitment specialist for flexible and contract workforces, employing around 100,000 people each year. Manpower’s success is based on recognition of the contribution of individuals and the need to invest in people to encourage them to build a long-term career with the company. Through staff training and development, Manpower is able to provide its customers with a highly skilled, flexible and productive workforce that can respond to a wide range of business needs.

Manpower is an advocate of skills training and assessment and provides full HR solutions management for many of its customers throughout the country.

Manpower’s modern approach to employment services includes on-line web-enabled training and job search. Through its website www.manpower.co.uk the company offers all its staff access to over 2,000 training courses in its Global Learning Centre, in subjects as diverse as leadership, communication and customer service, as well as a wide range of IT skills. Manpower also provides temporary staff with full employment benefits, helping improve staff retention and performance.

For further information please contact the Manpower Press Office on 020 8870 2214.

About the survey

These questions were asked as part of the Manpower Quarterly Survey of Employment Prospects (QSEP). This is a 5-minute telephone survey with 2,000 HR managers and directors across the UK. The respondents are members of a pre-recruited panel of approximately 3,500. This sample allows for analysis to be performed across specific sectors, size of company and region. The survey is carried out with a panel of employers from the UK, not from Manpower’s client base. The interviewing is carried out on behalf of Manpower by an independent research organisation, NOP World.