



Shifting Attitudes to Flexible Resourcing in Housing Services

Executive Summary

QK& Associates surveyed 40 organisations across the housing sector to see if there were moves to depart from traditional staffing/resourcing models as a response to the budget pressures of the current climate. The research showed that Council's are feeling these pressures in a way that the RSLs are not. Political drivers are taking a number of Councils down a commissioning route but elsewhere the appetite for a Shamrock model, with a greater number of small suppliers providing a higher proportion of activity is weak. This is partly because of the perceptions about the weaknesses among the potential suppliers as much as the strong hold that traditional views held among Executives and Boards.

Introduction- Reasoning behind the research

Research carried out by QK & Associates during August and September 2010 set out to examine whether attitudes to flexible resourcing were changing across the housing sector. By flexible resourcing we meant a policy of creating an organisation that has a core compliment of permanent staff but which deliberately chooses to contract in or hire in expertise from outside to meet particular needs. Our interest in the topic stemmed from the wish to understand whether senior managers, needing to reduce cost and staffing were looking a different model of resourcing their organisations.

In 1989 Charles Handy published his seminal work 'The Age of Unreason' and in it he sets out the concept of the Shamrock organisation, sometimes known as core and periphery staffing model. In this model Shamrock organizations have an organizational structure with three distinct parts. The first part, or leaf, represents the core staff of the organization. They are likely to be highly trained professionals who form the senior management team. The second leaf consists of the contractual fringe and may include individuals who once worked for the organization but now supply services to it. The third leaf describes the consultancy (professional/high-tech). These workers are sufficiently close enough to the organization to feel a degree of commitment to it, ensuring they maintain a high standard of work.

To some extent many public sector organisations are already operating as the core of a Shamrock, with large contracts outsourced; a legacy of CCT and a well developed market to deliver services, albeit these tend to be blue collar trades or sometimes ICT. Social care has been working to develop a market of external providers whom clients can purchase services from with their personalised budgets. An extension of that is a new model of providing public services is emerging as local authorities lead the way with a commissioning approach, sometimes known as the 'Westminster approach'. Organisations that adopt this route will much more closely resemble Handy's 'Shamrock' as contractors increasingly provide more and more of the services and may themselves be commissioning services.

Our interest was not in the outsourced contracts of repairs, road mending or grounds maintenance but



in the third leaf of the plant; the use of high tech/specialist knowledge workers. In 2004 Ashridge Business School and Chiumento Consulting carried out a study to explore levels of understanding about strategic resourcing and concluded that organisations are not taking a structured approach to creating a flexible managerial workforce. Our study in 2010 suggests that little has changed.

Traditional cultures

Public sector housing has been a function of local authorities and housing associations; the latter whilst not local authorities have often adopted many of the cultural characteristics of local authorities. Essentially the characteristics of the bureaucracy are: official business is conducted with strict accordance to the rules, staff carry out work which is strictly delineated, they only have authority to carry out their individual assigned functions, they are part of a vertical hierarchy and are supervised by those above them in that hierarchy and everything is done in writing. In an organisation driven by rules and procedures the hierarchy has become a fixed and formal 'establishment' with those in ultimate control (Board or Councillors) of the organisation determining the number and remuneration of the posts within it. Managers therefore have little discretion about how they spend the resources. So the bureaucratic tradition has played a significant part in forming the predominant resourcing model of a fixed establishment staffed by full time or part time workers. Even those organisations with their routes in the charity sector have often adopted a culture more like the bureaucracies than like the private sector.

A further feature of the bureaucracy is that the organisation is governed by rules it does not set and its role is to implement those rules. Rafts of legislative requirements in housing have in recent years been bolstered by the hundredweights of KLOEs describing exactly how excellent organisations should operate. The blunt end of the regulation regime has been inspections with the authority of the Audit Commission coming out firmly against the overuse of consultants and interims.¹ Combine the tradition of the bureaucratic culture with the power of Unions and the use of temporary staff can be even more challenging. The Unions want the organisation to employ full time permanent workers who they can recruit and who will enjoy the full benefits of the package they have negotiated; salary, holidays, sick pay, pension. This preserves the status quo.

Time for a change?

Many organisations have a significant investment in preserving the current situation. .

However, 2010 is an unprecedented where public bodies face new challenges and the era of growth in government is currently at an end. The Audit commission and TSA abolished, seemingly, overnight. There are anticipated public sector budgets cuts on an unprecedented scale and there are challenges to the status quo every day. Solutions to the funding reductions in public sector will need to be radical and embrace new ways of doing things. This feels like a new world where new thinking will need to flourish – shared Chief Executives, London Boroughs combining to create super- services, the advent of place based budgets and The Big Society.

In this environment we wanted to explore whether the housing sector was embracing flexible resourcing. In order to do so we talked to some 40 organisations across the sector in the South East;



RSLs large and small, Almos, Councils both with retained stock and those without. Interviews were conducted over a 4 week period and standardised questions asked.

Predictions on directly employed staff.

Almost all the organisations spoken to were responding to pressure to reduce costs but in a variety of ways; outsourcing, Systems Thinking or other process improvements, efficiency measures brought about by the introduction of new technology, shared services between Councils or Almos. In Kent four boroughs are combing their housing service into one Almo which will produce savings through reductions in duplication. What was noticeable was across the sector there are dramatic differences in perceived need to take out cost; council's with general fund housing services are modelling as much 20% or 25% cuts and in preparation for changes in housing subsidy they and their Almo partners are being asked to manage with lower management fees. At the other end of the scale were the small/medium sized RSLs whose main concerns were the prospect of a shift in the rent increase mechanism to CPIⁱⁱ and the future of supporting people grant but otherwise had great confidence in the business model and the business plan. So there are significant differences across the housing world and those seeking a safe berth should head for the RSLs who feel protected from the claw back of the public sector deficit.

Universally the intention of staffing reductions was to protect the customer service and take out cost from the back office and from reductions in middle management. When asked if the proposed staffing reductions were likely to impact on organisational capacity, the Councils were expressing various degrees of concern, some talked about 'being cut to the wire'; one commented that on the front line no-one could be off sick as there was no capacity to cover. One Director felt that the organisation lacked enough capacity to manage the amount of change that is taking place and some suggested that there would be service reductions. However, elsewhere a Director said very clearly that the reductions were in line with the service requirements, and were not cost driven salami slices. One RSL suggested that they were reducing staff, taking out layers but remarked that this was 'flab' and unlikely to impact on services or performance, a thought echoed by some Council representatives.

The only organisations that predicted an increase in staffing were those who were hopeful of winning business in delivering services for other organisations; either other housing providers or Almos on behalf of their council or who were at the start of a Decent Homes programme. A small number of organisations have planned to take an Almo back in house or in source other services and then they predicted staff numbers were likely to increase significantly. Overall the trend will be down in numbers delivering services, many people responded saying that they would grow the business but expect the same numbers of staff to deliver the services (assisted by better IT, CRMs, etc)

Are there concerns about skills shortages now?

Generally where there are vacancies housing employers report record numbers of applications; the word 'inundated' being repeated a number of times. However the picture was not entirely consistent; some organisations, in spite of the recession in the building trade were finding it difficult to get technical staff- particularly ones who could communicate and relate well to residents. Few



organisations whether Councils or RSLs were suggesting that they were suffering from staff or skills shortages now but there was concern about whether the staff they have are flexible enough and whether they are really focussed on customers.

Perhaps surprisingly in this climate people were suggesting that there was still a shortage of development skills, this was qualified with comments about the need to be more innovative, to develop without grant, to see business development as something other than achieving additional homes through s106. Many individuals have development in their title but that in the future the activity will demand different skills and possibly be more challenging.

What are the skills that the sector will need in the future that are scarce now?

Concerns about the lack of the skills that the sector will need in the future were widespread and came in a number of ways. The fact that the traditional bureaucracy does not require innovative policy makers means that in the new world, with less regulation, a number of people commented that their organisation lacked intellectual calibre or really bright people. One Chief Executive commented that in future organisations will be in a position to make choices about what they do and how they do it, (hard choices) and was concerned that the capacity to do this was limited.

One Chief Executive suggested that less regulation would lead to a reversion to a traditional audit approach and RSLs being judged on a 'use of resources' score, and expressed a concern that the sector lacks skills in financial management.

A recurrent theme was the need for people who work within a partnership environment, who understood how to operate within shared resources, people who could look outside the narrow confines of housing and understand the wider agenda for 'place'. Strong negotiation skills are required for complex multi agency deals and enlightened thinking to understand how investment in someone else's work can deliver value within your own.

Inevitably in those Councils where the commissioning model (Westminster model) is being adopted there were concerns about the calibre and quantity of people to do the commissioning and contracting. Contracts will need to be delivering the outcomes required by politicians and need to be framed in that way, contract managers need to be robust; as one person said 'the pricing of everything is volatile – we need people with good commercial antennae to know what price to pay'. Where organisations are sharing services and jointly procuring services there is a need to be able to contract in complex environment.

Several commentators were concerned about the lack of 'bright things' coming into housing management and were concerned about training opportunities. There was also a concern about the perceived inflexibility of the current workforce, 'the people we need for the future must be flexible, able to do several roles, see the tenancy as a whole and not just one dimension'. Tradesman will be required to be multi skilled and in contrast to the old bureaucratic cultures all staff will need to be able to change the way services are delivered. Perhaps by being less paternalistic, but more focused on customers, by embracing ICT, taking on more preventative work. Managers will need to learn to manage by outcomes and not inputs and bureaucratic rules. Further shortages of skills such as energy efficiency and ICT were also identified.



Are we still wedded to the establishment model of resourcing?

Given that many, many organisations buy in repairs services, bailiffs services and valuation quite happily, are we still wedded to a fixed establishment and salaried staff? Some of these skills shortages would absolutely lend themselves to the utilisation of a flexible resourcing solution but to what extent is the sector moving in that direction? It would appear that there is resistance to moving toward the Shamrock model for a number of reasons.

There are rumours from the interims and consultants that they have been ‘axed’ because of negative media interest. And in some organisations this would appear to be the case. A number of the councils that we spoke to have reduced the number of consultants and interim managers providing expertise that they lack for precisely that reason. Control mechanisms such as additional scrutiny panels, HR authorisation or senior management authorisation have been introduced to protect the organisations from media criticism. One person remarked that the title consultant has become a term of abuse. Again it is the Councils that enjoy closest scrutiny and the most pressure.

Outside councils the reasons for moving away from use of external expertise rested on arguments of cost and philosophy. One person remarked that the Board wanted to ‘provide local jobs’, another that employing consultants ‘cut the heart out of the social purpose of the organisation’. Another remarked that the customers were very against the employment of anything other than permanent staff. Larger organisations are able to use secondments and acting up arrangements to flex the capability of any one part of the organisation.

The costs of interims and consultants were raised throughout the survey and in particular whether they represent VFM. More than one Chief Executive had demonstrated to their Board that whilst a day rate might appear high it could be less than the total cost of employing someone on a permanent contract. One Director remarked that a part time interim worker could well deliver 5 days work in the space of 3 paid days a week. On the other hand a Director with considerable commissioning experience commented that buying in services is not always cheaper, it depends how you measure the cost of the current services, what assumptions you use and how you specify what you want.

However cost and quality were consistently raised by all respondents as concerns when engaging both interims and consultants. Across the board there were negative comments about consultants ‘stealing the watch and selling it back’, paying for people on days rates but seeing little added value in return, consultants who manage to extend their stay within an organisation until they become part of the fixtures and fittings. Known as ‘consultant creep’- the financial climate had given at least one organisation the impetus to have a ‘clear out’. What purchasers want from consultants is ‘guaranteed outcome for guaranteed money’. They also want something different; there were a significant number of comments about ‘the same old faces’ or even ‘the same old faces with slightly dodgy reputations’; new thinking and significant expertise would be a real bonus.

There was also a repeated call for consultants and interims who listen, who get to grips with the culture of the organisation quickly and who can work out what will work and what won’t. Some organisations



said ‘we just want them to listen and do what we ask’. That seemed to refer to not ‘building your part up’ but also to actually appreciating what the organisation wants.

And finally the reluctance to embrace a new model of resourcing might stem from the failure of the consultants, interims or contractors to leave their knowledge behind, build real ownership to a solution, or up skill the incumbent staff.

The cost is significant, the outcome dubious and the solution may lack ownership; is it no wonder that many Chief Executives, Boards and Members prefer ‘a bum on the seat’? One Chief Executive told me that in induction he tells the new staff ‘I don’t just want your hearts and minds; I want your souls’. Is it any wonder that his organisation is reluctant to outsource except around the periphery?

It is clear from the research that the decision to go down a route of commissioning as much as possible is to some extent a political one, with some conservative councils adopting the model with great hopes of making reducing costs in the process. No RSL that we talked to had any aspiration to go down that route and of course the Almos are in fact the providers of those commissioned services. However some RSLs had clearly done some strategic thinking and identified that the front line housing service as core business and decided that there was scope to either save or increase skill levels by the employment of temporary expertise. Some organisations have identified particular activities that they see as suitable to outsource such a managing garages, rent collection or architects services. Several RSLs have combined to purchase a shared legal service and a group of Almos are sharing governance support whilst looking to develop this approach further. Other organisations are looking to slightly different models; one is developing a register of HR associates that can be called in to deliver some projects rather than recruiting more permanent staff.

The research demonstrated that the majority of organisations are looking a variety of ways to reduce their costs, improve efficiency, cutting out external expertise has been a quick win but may not be sustainable in the longer term. Employing people directly is expensive and the costs of releasing them from the organisation (as dismissal sometimes euphemistically known) can be costly and time-consuming. If we want our organisations to be fleet of foot, to be able to adapt quickly to new circumstances and new opportunities then the sector needs to think carefully about the different ways this can be resourced, and ‘bums on seats’ is not the only solution.

What is clear is that if the sector in all its diversity is to take advantage of the expertise that lies outside the organisational walls then there has to be some improvement in the way that suppliers perform. Outcome based fees, deadlines met, consultants who walk out at the end of the agreed time period, better deals on long term placements and a much greater sense of commitment to the customer and their outcomes are all needed to create trust and confidence.

Notes

This report has been generated following research across the Housing Sector between 6 Aug and 7 Sept 2010. It was carried out on behalf of QK Associates Ltd by Mary Hope, an HR professional who works within QK Associates team. QK Associates provide consultancy and interim solutions housing sector and are committed to providing;

- Real improvement -simple but pragmatic solutions



- Business efficiency - bringing commercialism and innovation
- A no nonsense style
- An ability to work in partnership with in house staff.

We do not 'sell you your watch back'- we don't get paid to tell organisations what they already know
Following the presentation of this report QK Associates will be reviewing their pledge to customers to meet the criticisms voiced in the research.

ⁱ The word consultant is here defined as a person or firm employed for their expertise to undertake a specific project or piece of work within a tightly defined specification, a consultancy project should be defined by the specific output required. An interim is someone employed on a temporary basis to cover a gap or to do a particular piece of work, paid to cover a clutch of responsibilities which might include line managing staff.

ⁱⁱ There is government proposal to change the rent formula from Retail Price Index to Consumer Price Index which would mean that rent increases will be lower. A less volatile index, since Jan 2010 it has been lower than RPI