

# The cost of outsourcing: STUC research



## Introduction

Outsourcing, contracting out the delivery of public services to private companies, is often presented as the cheapest option for public finances. This is not the case. Research from the Association for Public Service Excellence and the Scottish Trade Unions Council (STUC) shows that outsourcing, in its many forms, has come at a high economic cost for which workers, public services, and the public purse are paying the price. This briefing summarises this research and highlights the damage outsourcing causes to staff, public services, and the economy.

## Context

Outsourcing has become increasingly commonplace in the UK over the past five decades. The Thatcher government moved the UK away from default public delivery of services to open them up to private contractors to run them not in the public interest, but for profit. This has now become embedded in social policy in the UK. No government has truly turned away from outsourcing.

The Scottish Government's public sector reform strategy sets out a vision for a reduced public sector workforce, made possible by an increased reliance upon automation to deliver services, economic growth, and more outsourcing, particularly to the third sector. As the report highlights, it is difficult to see how allowing continued leakage of public funds to private, often overseas, profit is in line with the strategy's objectives of boosting local economic growth.

## The cost of outsourcing

Outsourcing is often presented as the cheapest way to deliver the public services everybody needs to have a good life. Yet evidence is very clear – half a century of outsourcing public services has not led to tax reductions, or a reduced public services bill. As a percentage of GDP, public revenue from tax is now higher than it was in the 1970s.

The STUC's research shows that in Scotland, £16bn is spent per year on outsourcing services (out of a total public spend of £111bn). On a conservative estimate, between £2bn and £3bn per year goes to profit and other mechanisms that private companies use to extract money from the Scottish public sector.

For workers working in outsourced roles within public services, outsourcing has only led to suppressed wages and significantly worse pensions, leaving many in poverty in later life. The cost of this to the benefits bill, and the pressure it puts on public services, has never been taken into the equation when decisions to outsource work have been taken.

Economic growth is a key part of the Scottish Government's vision for public sector reform. Public services are inherently person centred in terms of the staff delivering them and the people receiving them.

## KEY POINTS:

- **Between £2bn and £3bn of public funds spent in Scotland goes to private profit**
- **Outsourcing is costly for the public purse, for workers delivering vital services, and for the services themselves**
- **As a percentage of GDP, tax revenue is higher now than it was in the 1970s. Outsourcing does not save the taxpayer**
- **Outsourcing is a key part of the Scottish Government's Public Sector Reform Strategy**



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The nature of these services means that productivity gains are nearly impossible. Productivity in public services like social care and childcare simply cannot, and should not, be measured in the same way as it is for capital and finance driven sectors. If economic growth is to be a key component of the Scottish Government's plans for public sector reform, ensuring that staff delivering those services have adequate wages to spend disposable income on Scotland's high streets should be the focus.

For example, Glasgow City Council, Scotland's largest local authority, spent £445m on external service provision in 2024/25. This has risen from £355m in 2021 – a 25% increase in the last four years. It is difficult to know how much of this truly contributes to economic growth in Scotland. The report highlights the example of Jacobs, an American owned private company which Glasgow City Council categorises as a local company.

## Social care

Social care is the second largest area of spending for local government in Scotland after education. Yet it is delivered mainly by private companies, most of which are themselves, or are owned by, companies based outwith Scotland. The STUC's Profiting from Care report, showed that around 20% of income into the care system 'leaks' out into the hands of owners and operators of these private entities which are often not based in Scotland. This is while workers delivering crucial care services are left struggling to get by on the low wages of private sector care.

## Equalities

The public services that have the highest degree of outsourcing are social care, cleaning, catering, and childcare. These are all services that are predominantly staffed by women, in in which Black workers are disproportionately represented. This means that women are more likely to work in outsourced, often low-paid, roles than men. As the STUC report says, "it is difficult not to conclude that the policy choice of sacrificing the pay and pensions of many thousands of low paid women, in pursuit of marginal (if any) savings to the public purse, is both unfair and ultimately, counterproductive."

## UNISON approach

This report shows that not only is outsourcing bad for staff, what UNISON members have been saying for years, but that provides very poor value for money. Public services are the staff who deliver them. The argument that shrinking the public sector workforce would save money and make services more sustainable is a false economy.

Continued outsourcing is not inevitable. A UNISON campaign for NHS Lanarkshire to take over the contract for cleaning, catering, portering and security services at University Hospital, Wishaw saw the jobs of 400 workers transfer from Serco to the NHS with no job losses. The transfer ended a two-tier workforce by bringing the incoming workers onto NHS terms and conditions and into the NHS pensions scheme.

## Additional reading

- [Research on the cost of outsourcing: STUC and APSE report](#)
- [Scottish Government Public Service Reform Strategy: UNISON briefing](#)
- [Profiting from care: Why Scotland can't afford privatised social care: STUC report](#)



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