

## Director of Audit's Report No. 49

### Chapter 10 – Housing Department's Outsourcing of the Management of Public Rental Housing Estates



## Introduction

### Mission

- To provide quality estate management services
- To maintain cost-effectiveness
- To achieve customer satisfaction
- To safeguard the rights of non-skilled workers

# Background

Housing Department (HD)'s Outsourcing Service Contracts include Cleansing Service Contracts, Security Service Contracts and Property Service Agent (PSA) Contracts. As at 30 April 2007, HD has awarded 188 outsourcing service contracts to PSAs/Contractors employing 13 700 non-skilled workers.

Type	No. of Contracts	No. of Workers Employed
Cleansing Service Contracts	72	2 429
Security Service Contracts	75	2 971
Property Service Agent's Contracts	41	8 300
<b>Total :</b>	<b>188</b>	<b>13 700</b>

3

## Partnering Relationship with Contractors

- According to the guidelines issued by the Efficiency Unit, managing a successful outsourcing relationship will require the adoption of a partnership approach with the contractors to attain a 'win-win' situation.
- Crucial points to achieve successful partnering are :
  - Common objectives;
  - Best value for money;
  - A long-term relationship;
  - Mutual trust/cooperation;
  - Mutually agreed requirements;
  - Early integrated planning; and
  - Dual communication.

4

## Measures to Protect Non-skilled Workers

Since May 2004, HD has implemented the following measures :

- (a) Tender Evaluation
- (b) Contractor List Management
- (c) Contract Requirements
- (d) Contract Enforcement and Supervision
- (e) Setting up of a Central Monitoring Team
- (f) Education and Publicity

5

### (a) Tender Evaluation

Tenders submitted by contractors with the following track record(s) will not be considered:

- Record of One Conviction
  - Employment Ordinance
  - Employees' Compensation Ordinance
  - Immigration Ordinance
  - Mandatory Provident Fund Scheme Ordinance
- Three Demerit Points Accumulated
  - Wage payment
  - Working hours
  - Failure to sign Standard Employment Contract
  - Failure to settle wage payment by auto-pay

6

## **(b) Contractor List Management**

- PSAs/Contractors will be removed from the HA list for a maximum of five years if they have a record of one or more convictions, or an aggregate of three or more demerit points over a 3-year rolling period.

7

## **(c) Contract Requirements**

- Wages offered must not be lower than the relevant average monthly wages published in the latest Census and Statistics Department's Quarterly Report of Wage and Payroll Statistics
- Salary statement to be duly signed by contractors and workers
- Wage payment by auto-pay
- If short payments are identified, the monthly fee will be deducted by the same percentage of the shortage
- The number of part-time workers is capped at no more than three-eighth of the total workforce for each cleansing contract

8

### **(c) Contract Requirements (Cont.)**

- Immediate termination of the service contract for record of one conviction or three demerit points obtained
- Sub-contractors will be removed if found convicted of an employment-related offence. The PSA's performance will also be rated as poor in the periodic assessment
- PSAs are required to choose sub-contractors from the list(s) approved by HD

9

### **(d) Contract Enforcement and Supervision**

- To check all employment contracts and monthly salary statements
- To launch regular and surprise checks
- To conduct random interviews with workers
- To issue Default Notice attracting demerit points
  - Wage payment
  - Working hours
  - Failure to sign Standard Employment Contract
  - Failure to settle wage payment by auto-pay

10

### **(e) Setting up of a Central Monitoring Team**

- Established in July 2005 to
  - check service contracts randomly
  - monitor service contractors' compliance with labour protection requirements
  - conduct in-depth investigations on complaints / referrals
  - liaise with Workers' Unions proactively for information and intelligence on labour exploitation

11

### **(f) Education & Publicity**

- To set up a 24-hour telephone hotline : 2712 0813
- To organize seminars with speakers from the Labour Department to enhance workers' awareness of their own rights
- To post up complaint hotline notice at workplaces and in common rooms of workers
- To deliver leaflets to workers
- To disseminate video-clips through Housing Channel

12

## **Employment-related Irregularities**

- Out of the 325 cases with suspected irregularities, 117 were established while the remaining were confirmed to have no irregularities after in-depth investigations
- Two cases were issued with Default Notices
- 17 cases were referred to law enforcement agencies for follow-up actions
- 65 cases were under Demerit Point System Contract while the remaining 52 cases were not

13

- Demerit Point System not applied on the following situations :
  - Miscalculation of overtime payment by using the calculation of deduction for absentee
  - Improper arrangement of leave
  - Late contribution of Mandatory Provident Fund/absence of contribution record
  - Collection of administration/uniform fee
  - Shortage of staff
  - No copies of salary statement/employment contract issued to workers

14

## Estate Hawker Problem

Enhanced enforcement actions against hawkers by joint departmental efforts since the setting up of the Team Clean in 2003

- For blackspots of more than 10 illegal hawkers in operation, joint departmental clearance operations by HD, Food and Environmental Hygiene Department and the Police will be mounted
- For blackspots of five to 10 illegal hawkers, the Mobile Operation Unit of HD will be deployed to conduct intensive patrol and surprise raids
- For blackspots of less than five illegal hawkers, local management staff including PSAs will be responsible for tackling the problem

Since the implementation of this modality plan in 2003, the number of hawker blackspots in public housing estates has been reduced significantly. HD will continue the monitoring of performance of PSAs to reduce hawking activities in accordance with the service contracts

15

## Tenants' Satisfaction Level on General Estate Management Services

Views on general estate management services	Households in public rental housing estates		
	2005	2006	2007
<b>Service quality of estate management officers</b>			
Very satisfied / satisfied	61.3%	62.4%	68.8%
Fair	33.6%	32.1%	26.5%
Dissatisfied / very dissatisfied	5.1%	5.5%	4.7%
<b>Quality of security services</b>			
Very satisfied / satisfied			
Fair	69.2%	71.6%	76.3%
Dissatisfied / very dissatisfied	26.4%	24.4%	20.4%
	4.4%	4.0%	3.3%
<b>Cleanliness and hygienic conditions of common area</b>			
Very satisfied / satisfied	64.3%	68.6%	71.0%
Fair	29.6%	27.0%	24.6%
Dissatisfied / very dissatisfied	6.1%	4.4%	4.4%

16



## **Audit Commission's Recommendations (40 Items)**

<b>Recommendation</b>	<b>No.</b>
Completed	28
In Progress	12
Total	40

17

# **Thank You**



18