



1. Introduction

1.1 In Hong Kong, the Government has long engaged the private sector to deliver public services through outsourcing. The history could be dated back to the pre-1997 days with the primary objectives of achieving value for money and ensuring quality service delivery.¹

1.2 Provision of public services through outsourcing has become more prevalent in the past decade or so. According to the latest information available,² the total number of government outsourcing contracts increased by 47% during 2000-2012. In 2012, there were 6 456 government outsourcing contracts, of which about 82% were non-works contracts. Increased use of outsourced services has brought about concerns on areas such as protection of outsourced workers' rights and benefits, quality of outsourced services delivered and the impact on civil service.

1.3 At the request of Hon LUK Chung-hung, the Research Office has prepared this information note aiming to (a) review the policy on government outsourcing and its development over the years with special reference to non-works contracts, and (b) study selected overseas economies in terms of their protection of rights and benefits of outsourced workers, and ways to uplift contractors' service standards and performance.

¹ See Minutes of Meeting of the Panel on Public Service of the Legislative Council (2009) and Legislative Council Secretariat (2011).

² During 2000-2012, the Efficiency Unit conducted surveys every two years on government outsourcing activities.

2. Government outsourcing in Hong Kong

2.1 In Hong Kong, the Government has an established policy that it should engage the private sector to deliver public services where possible, in keeping with the economic and fiscal objectives of (a) maintaining a small and efficient government, (b) containing the size of the civil service, and (c) promoting business opportunities and jobs in the private sector.³ This has taken a variety of contractual forms including outsourcing, Public-Private Partnership, and the use of Build, Operate, Transfer arrangement for large-scale infrastructural projects.

2.2 Outsourcing is considered by the Government as an effective means of service delivery to the community in meeting the rising public demand for better services. The Efficiency Unit, a team unit reporting to the Chief Secretary for Administration, helps government departments re-engineer the way they work and improve their systems so that they can give better services to the community. On government outsourcing activities, it has produced a number of best practice guides to help public service managers assess whether outsourcing is appropriate and manage outsourcing-related work more effectively.⁴

2.3 Best practices advocated by the Efficiency Unit include sufficiently long contract duration, robust tender selection, and avoidance of selection of tenderers simply on the basis of lowest price tender. For service contracts that rely heavily on the deployment of non-skilled workers, care must be taken to ensure that the design of the marking scheme will not result in the selection of low quality tenderers with the potential risks of unsatisfactory performance and/or labour exploitation.⁵

Government outsourcing trends

2.4 The Efficiency Unit conducted a total of seven biennial outsourcing surveys ("Outsourcing Surveys") during 2000-2012 to examine how outsourcing was used by various government departments, with a view to

³ See Legislative Council Secretariat (2011).

⁴ These best practice guides include A Government Business Case Guide, General Guide to Outsourcing, User Guide to Contract Management, and User Guide to Post Implementation Reviews. See Efficiency Unit (2011).

⁵ See Efficiency Unit (2008) and Efficiency Unit (2011).

identifying trends and issues that needed to be addressed so as to make improvements on the use of outsourcing.⁶ The major government outsourcing trends for non-works contracts are highlighted in the paragraphs below.

Number of non-work contracts

2.5 The number of government outsourcing contracts totalled 6 456 in 2012, representing an increase of 33.0% from 2002. The increase was fuelled by the surge in the number of non-works contracts during the period, which reached a record high of 5 285 in 2012, accounting for 82% of total government outsourcing contracts in the year.

Table 1 – Number of government outsourcing contracts⁽¹⁾

	2002	2004	2006	2008	2010	2012	2002-2012
No. of works contracts	1 244 (26%)	930 (21%)	936 (23%)	1 043 (24%)	1 136 (22%)	1 171 (18%)	-5.9%
No. of non-works contracts	3 611 (74%)	3 582 (79%)	3 048 (77%)	3 296 (76%)	3 975 (78%)	5 285 (82%)	+46.4%
Total	4 855	4 512	3 984	4 339	5 111	6 456	+33.0%

Note: (1) There was no breakdown on the number of works contracts and non-works contracts in the report of the Outsourcing Survey 2000.

Source: Efficiency Unit (2016).

Value and duration of non-work contracts

2.6 As shown in **Table 2**, 70% of non-works contracts were small-sized contracts in 2012. These contracts had a contract value less than or equal to HK\$1.43 million, the threshold beyond which government procurement should normally be done by open tenders.⁷ Their average contract value (HK\$660,000) was much lower than that of contracts above the threshold (HK\$57 million). On contract duration, in 2012, 75% of overall non-works contracts had an average duration of less than or equal to two years, but further breakdown on small-sized and large-sized contracts was not indicated.

⁶ Based on the Efficiency Unit's reply to the Research Office's enquiry, the Outsourcing Survey 2012 was the latest one conducted on outsourcing. According to the Efficiency Unit, it will in the future conduct occasional surveys instead of biennial Outsourcing Surveys but the schedule will be determined at a later time.

⁷ The threshold was raised from HK\$1.3 million to HK\$1.43 million in 2009.

Previous survey reports revealed that for large-sized contracts above the threshold value, the average contract duration had exhibited a modest increase from 2.6 years in 2002 to 3.5 years in 2010. However, the duration trend for small-sized contracts was not indicated.

Table 2 – Outsourcing trend for non-works services

	2002	2004	2006	2008	2010	2012
Value <= the threshold of HK\$1.3 million/HK\$1.43 million⁽¹⁾						
No. of non-works contracts (% of the total)	2 198 (61%)	2 421 (68%)	1 985 (65%)	2 126 (65%)	2 762 (69%)	3 687 (70%)
Total contract value (HK\$)	1.16 bln	1.53 bln	1.13 bln	1.31 bln	1.73 bln	2.42 bln
Average contract value (HK\$)	530,000	630,000	570,000	620,000	630,000	660,000
Value > the threshold of HK\$1.3 million/HK\$1.43 million⁽¹⁾						
No. of non-works contracts (% of the total)	1 413 (39%)	1 161 (32%)	1 063 (35%)	1 170 (35%)	1 213 (31%)	1 598 (30%)
Total contract value(HK\$)	29.4 bln	73.2 bln	72.0 bln	83.7 bln	79.5 bln	90.9 bln
Average contract value (HK\$)	21 mln	63 mln	68 mln	72 mln	66 mln	57 mln
Average contract duration (years)	2.6	3.1	3.2	3.5	3.5	-

Note: (1) The financial limit for procurement of services by departments without recourse to tendering procedures increased from HK\$1.3 million to HK\$1.43 million in 2009.

Source: Efficiency Unit (2016).

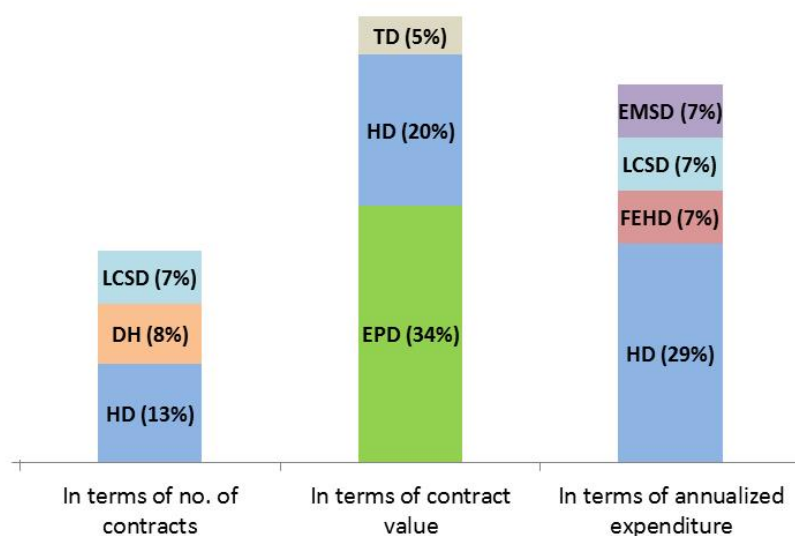
Top user departments of outsourcing non-works services

2.7 According to the Outsourcing Study, the top users of outsourcing non-works services in 2012 were:

- (a) the Housing Department ("HD"), the Department of Health ("DH"), and the Leisure & Cultural Services Department ("LCSD") in terms of number of contracts;
- (b) the Environmental Protection Department ("EPD"), HD and the Transport Department ("TD") in terms of contract value; and
- (c) HD, LCSD, the Food and Environmental Hygiene Department ("FEHD"), and the Electrical and Mechanical Services Department ("EMSD") in terms of annualized expenditure⁸ (**Figure 1**).

⁸ Annualized expenditure was estimated based on the contract value divided by its duration to facilitate more meaningful and consistent comparison of the contract expenditures by different departments. For small-sized contracts with value at or less than the threshold of HK\$1.43 million, the contract value was taken as the annualized expenditure.

Figure 1 – Top user departments of outsourcing non-works services in 2012



Source: Efficiency Unit (2016).

2.8 The majority of the departments surveyed in the Outstanding Survey 2012 reported estimated savings in the region of 20% to 40% as compared with in-house provision. The average cost savings estimated by departments was 29%. According to the Government, it did not have accurate statistics on the amount of savings achieved as a result of outsourcing over the years, since cost savings was not taken as a measured deliverable for outsourcing contracts.⁹

Deployment of outsourced staff

2.9 As to the number of outsourced staff employed by contractors, based on the Government's reply to a Legislative Council Question,¹⁰ among the government departments with the highest annualized expenditures on outsourcing, HD, FEHD, and LCS D had the largest size of outsourced staff working under government service contracts (about 31 100, 12 200 and 11 300 respectively as at end-2014). For other government departments, the number of deployed outsourced staff ranged between 70 and 1 000.¹¹ However, the Government does not maintain complete records on the total number of staff engaged by the contractors to provide public services.¹²

⁹ See Efficiency Unit (2005).

¹⁰ See GovHK (2015).

¹¹ There were some other service contracts for which the exact number of outsourced service staff was not available. See GovHK (2015).

¹² See Efficiency Unit (2005) and Efficiency Unit (2010).

2.10 The employment terms for outsourced workers have reportedly been less favourable than those of civil servants and employees of other private enterprises with comparable duties. According to the Government, no study has been made by the government departments to examine whether the remuneration packages for their outsourced service staff are less attractive.¹³ Based on the Government's replies to the questions from a Member on outsourcing during the examination of Estimates of Expenditure 2015-2016,¹⁴ of the 11 883 outsourced workers deployed by the contractors of FEHD to provide services such as cleaning, security and property management as at end-2015, 11 880 earned between HK\$8,000 and HK\$16,000 a month, while the remaining three workers earned between HK\$16,001 and HK\$30,000 a month. In LCSD, all 10 692 (100%) deployed outsourced workers earned between HK\$8,000 and HK\$16,000 a month. However, further breakdown on the earnings was not provided.

2.11 To recapitulate the above, government outsourcing activities featured (a) the dominance of non-works contracts; and (b) the heavy reliance on the deployment of non-skilled workers for cleaning and security services as evidenced by the outsourcing contracts awarded by the major procuring departments such as FEHD and LCSD.¹⁵ Over the past years, the Government has made use of Standard Employment Contract to protect outsourced workers (especially non-skilled workers) engaged by outsourced service contractors.

Protection of rights and benefits of outsourced workers

2.12 To better protect outsourced workers' rights and benefits, the Government in 2005 introduced the Standard Employment Contract for mandatory adoption by government contractors in employing non-skilled workers. Under the Standard Employment Contract, government contractors are required to set out clearly the level of monthly wages, working hours, method of payment, etc. Upon the implementation of the Statutory Minimum Wage ("SMW") on 1 May 2011, the Government has revised the Standard Employment Contract which sets out, among others, the specified wages being not less than SMW and one paid rest day in every period of seven days.

¹³ See GovHK (2015).

¹⁴ See Finance Committee (2016b) and Finance Committee (2016c).

¹⁵ According to GovHK (2016), the government services contracts awarded by HD and Government Property Agency also relied heavily on the deployment of non-skilled workers.

2.13 In addition, government departments may adopt the Standard Terms and Conditions formulated by the Government Logistics Department as the term of contract in procuring services. It is prescribed in these terms and conditions that service contractors shall observe all the applicable law and regulations of Hong Kong, in particular those related to the rights and benefits of employees such as the Employment Ordinance,¹⁶ the Mandatory Provident Fund Schemes Ordinance and the Occupational Safety and Health Ordinance.

2.14 While the revised Standard Employment Contract aims to protect non-skilled outsourced workers, there are views that they are likely just paid SMW with limited or no opportunity to receive pay rises, not to mention fringe benefits and promotion. Some have attributed the above phenomenon to the procurement system for government services, as government departments have tended to pick the service provider offering the lowest price when evaluating tenders. In addition, there have been concerns about workers' entitlement to severance payment and long service payment benefits, as any break in service such as change of contractors will unduly impact their entitlement.¹⁷

2.15 Apart from the protection of outsourced workers' rights and benefits, there are also other issues associated with outsourcing such as monitoring of outsourced service contractors as well as its impact on civil service. Amid these concerns, there have been suggestions that the Government should conduct a comprehensive review of the outsourcing policy.¹⁸

Monitoring of outsourced service contractors

2.16 The Government has all along stated that the primary objectives of outsourcing public services to the private sector are to achieve value for money and to ensure quality service delivery. Nevertheless, having engaged contractors to provide the support services does not necessarily bring about the desired level of quality of services that an outsourcing department intends to have. Therefore, it is important for government departments to put in place an effective performance monitoring mechanism. According to the

¹⁶ Under the Employment Ordinance, employers are obliged to make severance payment to eligible employees upon retrenchment or long service payment to eligible employees with not less than five years' service upon dismissal.

¹⁷ See Legislative Council Secretariat (2012).

¹⁸ See Legislative Council Secretariat (2015) and Minutes of Meeting of the Panel on Manpower of the Legislative Council (2015).

User Guide to Contract Management issued by the Efficiency Unit, in addition to defining the performance measures and targets, departments should also determine the method and frequency of monitoring.

2.17 In the Director of Audit's Reports published in 2007 and 2014,¹⁹ an audit review was carried out on outsourcing activities in selected government departments, including HD, FEHD and LCSD. The audit review identified room for improvement in various areas such as contract administration, performance monitoring and contingency planning. On monitoring of contractors' performance, the audit review unveiled inadequacies or irregularities in site inspections. For instance, in LCSD, no spot checks were conducted by the supervisors on their subordinates' daily monitoring work; in HD, there was a lack of surprise check plan for housing estates managed by outsourcing contractors; and in FEHD, some outsourced workers had not carried out street washing at some of the scheduled locations and spent much shorter than scheduled time to complete the cleaning work.

2.18 The Director of Audit's Reports also highlighted a need for proper documentation of site inspection observations. There were a number of recommendations made in the Reports to rectify the identified inadequacies/irregularities, such as putting in place a system of spot checking and requiring the preparation of surprise check plan, which were accepted by the concerned government departments.

Impact on civil service

2.19 While government contractors are responsible for delivering services to the community, outsourcing departments remain accountable for the services. In the past, civil service staff unions have expressed the view that holding civil servants accountable for the mistakes made by outsourced staff had adversely affected their morale. They said that outsourcing departments had committed staff resources to monitor contractors' performance and rectify problems arising from the contractors' unsatisfactory performance.²⁰ The results of the Outsourcing Survey 2012 indicated that for government contracts above the threshold of HK\$1.43 million, the average annual contract management cost was about 14% of the annualized contract value. Civil service staff unions had once

¹⁹ See Audit Commission (2007) and Audit Commission (2014).

²⁰ See Minutes of Meeting of the Panel on Public Service of the Legislative Council (2009).

suggested that the Government should review the cost-effectiveness of outsourced government services, particularly with respect to the staffing costs incurred in managing outsourcing contracts and rectifying problems.²¹

3. Government outsourcing in selected places

3.1 Similar to Hong Kong, many developed economies have engaged the private sector to deliver public services through outsourcing. For example, outsourcing is a practice used by many member economies of the Organisation for Economic Co-operation and Development ("OECD") with an aim to achieve efficiency and service quality. In 2013, government outsourcing represented, on average, 8.9% of Gross Domestic Product in OECD economies.²² While government outsourcing is a prevailing trend in many developed economies, these economies have put in place measures safeguarding (a) the employment benefits for outsourced workers and (b) the service standards and performance of government contractors.

Safeguarding benefits for outsourced workers

3.2 In Hong Kong, there have always been concerns that non-skilled workers employed under government contracts are paid unfavourably, particularly under the Tender Procedures for Government Procurement. As a general rule, government departments shall award contracts to those tenderers who comply fully with tender specifications and whose tender prices are the lowest. For contracts where the quality of goods or services to be provided is important and needs to be taken into account in the tender evaluation, separate assessments of the technical and price aspects should be considered to better ensure value for money. In the Outsourcing Survey 2012, it was found that, among the 61 responding departments, 89% of them had examined both the technical and price aspects separately in tender evaluation for all, most or some of their contracts with value above HK\$1.43 million. Despite this, about 48 responding departments reported to have awarded at least 80% of their tenders to the lowest price conforming bids. The findings indicate that contract price remained a dominant factor in tender evaluation.

²¹ See Legislative Council Secretariat (2011).

²² Under the definition of OECD, outsourcing can take place in two ways. Governments can either purchase goods and services to be used as inputs, or they can pay a non-profit or private entity to provide the goods and services directly to the end user. See OECD (2015a).

3.3 According to the Government, it reviewed the tendering procedures for outsourced contracts on a continuous basis.²³ In a bid to encourage service providers to pay higher wages to non-skilled workers, in May 2016, the Government revised the guidelines on the use of marking scheme ("revised guidelines") for government contracts that relied heavily on deployment of non-skilled workers.²⁴ Under the revised guidelines, if departments opt to adopt a marking scheme for tender evaluation, the part on technical evaluation should by default include the tenderers' proposed (a) wage rates and (b) working hours for non-skilled workers for evaluation. Yet, the revised guidelines still recommend a weighting of 30%-40% for the technical factor in tender evaluation and a weighing of 60%-70% for the price factor. Outsourcing departments proposing a weighting outside the typical range should provide full justifications to the satisfaction of the relevant tender board or committee.²⁵

3.4 Similar to the case of Hong Kong, Singapore's government procurement decisions are based on a combination of both price and quality factors. The so-called Price-Quality Method for tender evaluations has been in practice in the public service for many years. The method assigns a higher weighting of 70% to the quality factor with the remaining 30% to the price factor. Outsourcing departments should aim towards achieving a weighting of 30:70 between Price and Quality criteria respectively, albeit with the flexibility of adjusting the weighting depending on the context of each procurement.²⁶ To support good labour management practices, since July 2013, the Singapore government has required government departments to remind tenderers to factor in wage increments for their workers based on the National Wage Council's wage recommendations. For multi-year contracts, government departments allow tenderers to present a year-by-year breakdown of their bid price to reflect wage increments over the contract duration.²⁷

²³ See Minutes of Meeting of the Panel on Financial Affairs of the Legislative Council (2016).

²⁴ According to the Tender Procedures for Government Procurement, government departments are encouraged to adopt a marking scheme to assess tenders for service contracts that rely heavily on the deployment of non-skilled workers.

²⁵ See Financial Services and the Treasury Bureau (2016a).

²⁶ See Ministry of Finance, Singapore (2016).

²⁷ See Ministry of Finance, Singapore (2015).

3.5 In Hong Kong, under the revised guidelines, all government departments (except the Housing Department²⁸) should take into account workers' wages proposed by service providers before awarding them tenders. All other things being equal, those tenderers who are willing to pay higher wages to their non-skilled workers will obtain higher marks in the technical aspect.²⁹ Yet, the weighting on the proposed wage rates and working hours is not specified in the revised guidelines. It is subject to the procuring departments based on their operational needs and specific circumstances.

3.6 While the Government has taken action to incentivize service providers to pay higher wages to non-skilled workers, there has been a view that the Government should review the SMW rate and make reference to some overseas places adopting specific wage regimes for outsourced workers. These include fair wage in Toronto of Canada, dedicated minimum wage for workers on federal service contracts in the United States ("US"), and the Progressive Wage Model for the low-wage outsourced workers in Singapore.³⁰

Fair wage in Toronto of Canada

3.7 In Toronto, the local government has a long-standing Fair Wage Policy requiring government service contractors to pay fair market rates to staff in six different sectors, including security, building cleaning and maintenance, and landscape.³¹ The fair wage rates are determined in accordance with the prevailing wages in industry surveys, and are prescribed in the Fair Wage Schedule of the Toronto Municipal Code.

3.8 The Fair Wage Schedule has also provided for other benefits, including the vacation and holiday pay and fringe benefits. For example, for a basic security guard job, the current hourly rate is C\$12.13 (HK\$71), plus vacation and holiday pay at 4% of the hourly rate and fringe benefits of C\$0.65 (HK\$3.8) per hour. Compared with the provincial minimum wage of C\$11.4 (HK\$66), the above fair wage rate is slightly higher. Fair wage rates are set to be updated every three years upon discussion and endorsement by employee- and employer-groups and labour associations.

²⁸ According to the Government, the Housing Department, being the executive arm of the Housing Authority, is not bound by the procurement guidelines but it may make reference to the requirements to formulate their own procurement guidelines. See Financial Services and the Treasury Bureau (2016a).

²⁹ See Minutes of Meeting of the Panel on Financial Affairs of the Legislative Council (2016) and Financial Services and the Treasury Bureau (2016a).

³⁰ In addition, in London of the United Kingdom, the government promotes the London Living Wage which reflects the higher cost of living in London. Local authorities are encouraged to adopt the London Living Wage for their staff and contractors' staff.

³¹ This requirement does not apply to those contractors who operate on their own without hiring employees.

Dedicated minimum wage in the United States

3.9 Apart from federal and state minimum wages,³² there is a minimum wage policy in the US specifically for workers on federal construction and service contracts. The policy was first promulgated through Executive Order in 2014 and took effect in January 2015. According to the US federal government, raising the pay of outsourced low-wage workers helps increase their morale, productivity and work quality, thereby lowering the turnover and associated costs. This in turn will lead to improved economy and efficiency in government procurement.³³ The dedicated minimum wage is adjusted for inflation annually, currently at US\$10.2 (HK\$79) per hour, which is remarkably higher than the federal minimum wage of US\$7.25 (HK\$56) and most state minimum wages.

Progressive Wage Model in Singapore

3.10 Singapore has implemented the so-called Progressive Wage Model to protect low-wage outsourced workers in the sectors of cleaning, security and landscape, irrespective of whether they are employed by service providers to work for the government or private businesses.³⁴ Under the Progressive Wage Model, different minimum monthly wage levels are set for different job types based on skills requirements and working conditions, etc. For example, in the cleaning sector, full-time indoor cleaners working in office and commercial buildings earn a minimum basic monthly wage of S\$1,000 (HK\$5,400); full-time outdoor cleaners with job duties such as sweeping car parks or cleaning trash bins earn at least S\$1,200 (HK\$6,500) a month. The Singapore government has recently set out the schedule of annual wage adjustments for cleaning workers for the coming six years.³⁵ To help uplift workers' total income level, service providers will be required to pay cleaning workers an annual bonus equivalent to two weeks of basic monthly wages beginning in 2020.³⁶

³² Many states in the US have minimum wage laws. In cases where an employee is subject to both the state and federal minimum wage laws, the employee is entitled to the higher of the two minimum wages. See Department of Labor, US (2009).

³³ See Federal Register (2014).

³⁴ The Progressive Wage Model is applicable to Singapore citizens or permanent residents only.

³⁵ The annual adjustments to basic monthly wages will be S\$60 (HK\$330) / S\$80 (HK\$430) from 2017-2019 and 3% of basic monthly wages from 2020-2022.

³⁶ See Tripartite Cluster for Cleaners, Singapore (2016) and National Environment Agency of Singapore (2016a).

Uplifting contractors' service standards and performance

3.11 In Hong Kong, the Government has also implemented a Demerit Point System, under which outsourcing departments will issue a default notice to their contractors for each breach of contractual obligation to the employed non-skilled workers in respect of wages, daily maximum working hours, etc. Each default notice will result in one demerit point.³⁷ If a tenderer has received a total of three demerit points over a rolling period of 36 months immediately preceding the month of the tender closing date, his/her tender will not be considered for a period of five years from the date the third demerit point is obtained. According to the Government, during 2012-2014, there was one case of issuing default notice to a contractor, leading to the award of one demerit point.³⁸

3.12 To tighten up the management of contractors of government service contracts that rely heavily on the deployment of non-skilled workers, the Government has put in place a mandatory requirement under the prevailing procurement arrangement: if a contractor has obtained any conviction under the Employment Ordinance which individually carries a maximum fine corresponding to Level 5 or higher within the meaning of Schedule 8 to the Criminal Procedure Ordinance, its tender offer(s) shall not be considered by government departments for a period of five years from the date of conviction. Under this mechanism, a contractor failing to make severance payment and long service payment to outsourced workers in accordance with the Employment Ordinance will be considered to have committed the relevant offences. Unless its application for review is accepted, the contractor shall not be awarded any government service contract for a period of five years from the date of conviction.³⁹

3.13 Similar to the case of Hong Kong, contract management in Singapore is a key stage to ensure that services and goods are supplied in accordance with the contractual requirements. Government departments are provided with guidelines and training on managing contracts to, among others, monitor costs and keep proper documentation, and identify and deal with potential issues early. Service providers may be debarred from participating in future public tenders for a period of time if they have breached obligations or performed unsatisfactorily.

³⁷ See Legislative Council Secretariat (2016).

³⁸ See GovHK (2015).

³⁹ See GovHK (2016).

3.14 In Singapore, as an incentive to maintain high standards of performance throughout contract period, many government contracts in the cleaning, security and landscape sectors come with an option to extend the contract duration. Contract duration can be extended if the service provider has performed well, and the needs of the government department have not changed. For instance, a cleaning contract can have a base duration period of three years, with an option to extend for another two years.⁴⁰

3.15 Moreover, for outsourcing of cleaning services, the Singapore government has also put in place a pre-requisite requirement on service providers to ensure delivery of quality services. The pre-requisite requirement is that service providers seeking to bid for government cleaning projects must have attained accreditation under the Clean Mark Accreditation Scheme run by the statutory board National Environment Agency.

3.16 The Clean Mark Accreditation Scheme recognizes cleaning companies that deliver high standards of cleaning through the training of workers, use of equipment to improve work processes, and fair employment practices. An accredited cleaning company is required to have attained the necessary capability programme pertaining to safety and environmental health standards at the workplace, attained good performance records based on the assessment of its on-going clients, and implemented the Progressive Wage Model with at least 50% of its cleaners having completed the necessary training. In addition, an accredited company is also required to appoint a productivity manager to improve work processes, develop and implement productivity initiatives.

3.17 The Clean Mark Accreditation Scheme is essentially an initiative for voluntary participation by cleaning companies. However, the Singapore government has taken the lead by engaging only accredited companies for cleaning service contracts, in a bid to raise the cleaning standards and encourage service buyers in the private sector to follow suit so as to improve customer satisfaction.⁴¹

⁴⁰ See Ministry of Finance, Singapore (2017a).

⁴¹ See National Environment Agency of Singapore (2016b).

4. Concluding remarks

4.1 The use of outsourcing to deliver public services has become more prevalent according to the results of the Outsourcing Surveys 2000-2012. Increased use of outsourced services has brought about concerns on areas such as protection of outsourced workers' rights and benefits, and quality of outsourced services. Particularly, there are grave concerns that non-skilled workers on government service contracts are likely just paid SMW with limited or no opportunity to receive pay rises.

4.2 To incentivize service providers to pay higher wages to non-skilled workers, the Government has revised the guidelines on the use of marking scheme for tender evaluation. Government departments are required to include tenderers' proposed wage rates and working hours for non-skilled workers as part of the technical factor for assessment. Nevertheless, the weighting of technical factor remains 30%-40%, as opposed to 60%-70% for price factor. This is in contrast to Singapore's Price-Quality Method with a recommended ratio of 30:70 between price and quality, with flexibility of adjustment depending on the context of each procurement. Singapore also promotes good labour management practices by requiring government departments to remind tenders to factor wage increments into their bid prices.

4.3 Different from Hong Kong relying on the territory-wide SMW regime for the protection of non-skilled outsourced workers, in some economies, there are specific wage models governing the pay of outsourced workers, for example, fair wage in Toronto of Canada, dedicated minimum wage for workers on federal service contracts in the US, and the Progressive Wage Model in Singapore comprising the annual bonus element.

4.4 Contract management is a key stage to ensure that contractual obligations are met. Hong Kong has put in place a Demerit Point System to penalize contractors for breach of contractual obligations. In addition to contract management, Singapore seeks to further uplift contractors' service standards and performance by providing an option for extension of contract duration for certain types of outsourced services as an incentive for good performance. Meanwhile, it has taken the lead by engaging only accredited cleaning companies to ensure delivery of quality services to the community.

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