

## Legislative Council Panel on Housing

### Report on Effectiveness of the Enhancement Measures on Procurement of Services for Public Rental Housing Estates

#### Purpose

This paper reports on the progress and effectiveness of the enhanced measures in the procurement of services for public rental housing estates in protecting the interests of non-skilled workers.

#### Background

2. At Panel meeting on 7 June 2004, we briefed Members on a package of measures to strengthen the contract requirements and related contract monitoring measures to enhance protection for the non-skilled workers employed by our contractors. Details of these measures are set out at the Annex.

3. As at May 2004, the Housing Department had a total of 206 estate management / service contracts with varying expiry dates from mid-2004 to end 2006. The new enhancement measures have been incorporated in new contracts upon re-tendering or contract renewal since May 2004. Up to November 2004, 65 new estate management / service contracts have been awarded and 24 of them have already commenced. We envisage that by mid-2005, some 90% of our estate management / service contracts will feature the new strengthened requirements.

#### Initial Observations on Effectiveness of Enhanced Measures

4. Given the short implementation period of the enhancement measures, more time is needed before the effectiveness of the enhanced measures can be fully assessed. The following set out our initial observations :

(a) **Wages of non-skilled workers**

In line with the mandatory requirement promulgated by the Government in May 2004, the “committed wage” for non-skilled employees in the Housing Authority’s outsourced contracts must not be less than the relevant average monthly

wage published in the latest Census and Statistics Department's Quarterly Report of Wage and Payroll Statistics. In response to the suggestions raised at the Panel on Manpower on 18 November 2004, the Housing Department is considering to include "committed wage" as one of its scoring items under the Tender Scoring Scheme in order to encourage contractors to offer a higher level of wage to their non-skilled workers than the average wage. Committed wages that are higher than the average will be given additional scores.

**(b) Number of workers benefiting from the enhancement**

The 65 contracts featuring enhanced labour protection awarded so far employ some 3 400 cleaners and security guards. Upon incorporation of the new enhanced measures in all contracts, the total number of workers that will benefit from the enhancement measures will be around 10 000.

**(c) Contract enforcement and supervision**

All employment contracts and monthly salary statements are checked to ensure that the committed wages, actual wage payments and working hours of workers comply with contract requirements. In addition, the Housing Department carries out random interviews with the workers to verify that the wages shown on the salary statements were the amount actually received by them. Up to November 2004, no irregularity has been found and no Default Notice was issued.

**(d) Complaints**

No complaint of labour exploitation has been received under the new contracts in the past seven months since implementation of the enhanced requirements but there was one referral of suspected malpractice. In this case, the contractor demanded payment of deposit from workers as an initial condition of employment to prevent workers quitting without prior notification. Upon our investigation, the contractor had already withdrawn the requirement. Nonetheless, he was verbally warned to avoid imposing any employment conditions which might be perceived as labour exploitation.

## **Further Measures**

5. Housing Department is considering to implement a “central auditing” mechanism as an independent check on the effectiveness of the enhanced measures in housing estates. In the audits, workers will be interviewed and records on wage payment and working hours will be verified. The Department will also strengthen its communication with other Government departments to exchange information on contractors who have been accused of worker exploitation. Upon such knowledge, the Housing Department will take immediate action to ensure that the contractor does not commit similar malpractice in Housing Authority’s contracts.

Housing Department  
November 2004

**Enhancement Measures on  
Procurement and Monitoring of Service Contracts  
for Public Rental Housing Estates**

The following enhancement measures have been implemented since May 2004 for new service tenders : -

- (a) Adopt the new mandatory requirement on wages of non-skilled workers as stated in Financial Circular No. 5/2004 issued by the Financial Services and the Treasury Bureau (FSTB) on 6 May 2004. A tender offer shall not be considered if the monthly wages offered by the tenderers to the non-skilled workers to be employed by them for carrying out the contracts are less than the average monthly wage for the specific normal hour of work for the relevant industry/occupation published in the latest Census and Statistics Department's Quarterly Report of Wage and Payroll Statistics when tenders are invited.
- (b) Introduce a new item on "committed total man-hour input" in the tender. Tenderers are required to commit in the tender the number of man-hour to be allocated to the cleansing service being tendered. Tenders with low committed input resources will receive lower score so as to discourage contractors from devoting insufficient resources to the service contract.
- (c) Devise a scoring mechanism in tender evaluation to encourage tenderers to keep the working hour of workers to not more than 10 hours per day on average over a period of 10 days. Furthermore, the tenderer has to commit in the tender the maximum working hours for their cleansing workers.
- (d) The definition of "committed wages" is refined. Only those income and allowances that are guaranteed will be counted as part of the committed wages. All-or-none allowances which are not paid to a worker in proportion to his/her attendance, such as good attendance allowance, will not be counted under "committed wages".

- (e) Adopt the Demerit Point System to penalise contractors not complying with contract requirements or committing the offence stated in Financial Circular No. 3/2004 issued by FSTB on 27 March 2004. Tenders submitted by cleansing contractors with six demerit points or above would not be considered. Demerit points will be allotted to the contractors if the actual working hours of their workers have exceeded the committed maximum working hours or the wages paid to workers are below the committed wages.
- (f) Adopt the “batch-payment adjustment” system for the monthly payment to the contractor. Workers’ salary statements will be checked on a random basis. The Housing Department will carry out random interviews with the workers to verify that wages shown on the salary statements were the amount actually received by them. If irregularities were found in the samples taken in a particular month, the total gross payment for that month payable to the contractor will be deducted by the same percentage of short payment to worker.
- (g) Contractors are required to use the standard monthly salary statement for their workers to show clearly the breakdown of wages when they claim monthly payment from the Housing Department. Both the contractor and its workers are required to sign on the salary statement.
- (h) The number of part-time workers are capped at no more than three-eighth of the total number of workers.
- (i) Contractors are required to use the Standardized Employment Contract published by the Labour Department when they enter into employment agreement with their workers.
- (j) Adopt the use of autopay or cheque payment for workers for salary payment to facilitate checking by the Housing Department.