Press Release
LCQ22: Costs and benefits of outsourcing public services
Wednesday, March 2, 2016

Following is a question by the Hon Emily Lau and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (March 2):

Question:

Regarding the costs and benefits of outsourcing public services, will the Executive Authorities inform this Council:

(1) of the total amount of saving in public expenditure in the past three years by various government departments' outsourcing the cleaning and security services as compared to in-house provision of such services;

(2) of the total amount of public expenditure on government subsidies granted in the past three years under the various schemes for low-income families (including the Comprehensive Social Security Assistance Scheme, Work Incentive Transport Subsidy Scheme, etc.) to families with members who provided the outsourced services in (1); the estimated amount of saving in such expenditure in the past three years that could have been achieved had such family members been employed directly by the Government and therefore earned a higher income; and

(3) of the amount of saving in public expenditure in (1) after offsetting the same in (2)?

Reply:

President,

Outsourcing is one of the ways adopted by government departments to deliver public services. Whether outsourcing of services is required is at the discretion of individual departments having regard to their operational needs.

Outsourcing enables the Government to maintain a small and efficient

civil service, stimulate the creation of jobs and business opportunities in the private sector, increase the flexibility in service delivery, make better use of technology and experience in the market, and focus resources on providing core services and tackling priorities. Government departments outsource a full range of services including but not limited to cleaning and security services.

Regarding the costs and benefits of outsourcing public services, our reply is as follows:

(1) Many government service contracts are outcome based. We do not have information on the total amount of saving in public expenditure through outsourcing of cleaning and security services by various procuring departments as compared with in-house provision of such services in the past three years.

(2) As many government service contracts (e.g. those for street/market cleansing services and waste/recyclables collection services) are outcome based, procuring departments do not specify the number of workers required for delivering services in general. We also do not have information on the number of the workers who are engaged by the government service contractors and who are beneficiaries of various schemes for low income families. Hence, we are unable to assess any saving achieved had such workers been directly employed by the Government.

(3) In the absence of information for (1) and (2), the amount of saving after offsetting the two figures is not available.

To protect the interests of non-skilled workers, the Legislative Council endorsed the Minimum Wage Ordinance (MWO) in July 2010, and the Government implemented the first statutory minimum wage on May 1, 2011. The MWO stipulates that the statutory minimum wage (SMW) level has to be reviewed at least once every two years. For government service contracts that rely heavily on the deployment of non-skilled workers, government service contractors have to sign the "Standard Employment Contract" with their non-skilled workers with specifications that remuneration of staff should be adjusted in accordance with future revisions of the prescribed minimum hourly wage rate under the MWO, and that the employee's wage should not be lower than the adjusted wage level. Some procuring departments also give extra marks to contractors paying wages higher than the SMW or requiring shorter

working hours from employees under the marking scheme in tender evaluation.

Ends