

Press Release

LCQ12: Outsourcing of public services

Wednesday, March 25, 2015

Following is a question by the Hon Kwok Ka-ki and a written reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (March 25):

Question:

Regarding the employees hired by employment agencies and outsourced service contractors (collectively referred to as "outsourced service providers") for providing services to government departments or public organisations ("outsourced service staff"), will the Government inform this Council:

(1) of the total number of outsourced service staff members in various government departments and public organisations (including the Hospital Authority and the Vocational Training Council) in each of the past three years, with a breakdown by department/organisation; whether it has studied if the remuneration packages for outsourced service staff are inferior to those of civil servants and employees of other private enterprises who have comparable responsibilities, and if the durations of their employment contracts are shorter than those of the employees of other private enterprises; if it has studied, of the details;

(2) of the specific criteria adopted by various government departments and public organisations for selecting outsourced service providers; of the details of outsourcing of services by them in the past three years, including the nature of such services and the duration of the contracts, as well as the total amount of savings achieved each year by outsourcing such services;

(3) of the number of complaints received, in each of the past three years, by various government departments from outsourced service staff members about alleged defaults on payment of wages or deduction of wages by outsourced service providers, or about poor working environment; the details of the follow-up actions taken by the authorities in respect of such complaints and, among them, the number and details of those cases in which the outsourced service providers concerned were penalised because the complaints against

them had been found substantiated;

(4) of the date and details of the Government's last review of its mechanism for monitoring the remuneration packages offered by its outsourced service providers to the outsourced service staff; and

(5) of the respective numbers of posts deleted by outsourcing of services in each of the past three years, and those to be deleted in each of the next three years, by various government departments and public organisations; whether they have plans to employ staff directly to provide such services in place of outsourcing of services; if they do, of the details?

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.

Regarding the employees hired by employment agencies and outsourced service contractors for providing services to government departments or public organisations as well as their remuneration packages, this Bureau does not have the relevant information. According to the Survey on Government Outsourcing published by the Efficiency Unit in May 2013, the total annualised expenditure on outsourced service contracts incurred by the top ten government departments constituted 87% of the total of the Government. They include the Architectural Services Department, Civil Engineering and Development Department, Drainage Services Department, Environmental Protection Department, Electrical and Mechanical Services Department, Food and Environmental Hygiene Department, Highways Department, Housing Department, Leisure and Cultural Services Department and Water Supplies Department. Based on the information provided by the above departments, I give my reply to various parts of the question as follows:

(1) The total numbers of outsourced service staff members in each of the above government departments in the past three years (as at December 31 of 2012, 2013 and 2014 respectively) are listed in Table 1 of the Annex.

No study has been made by the aforesaid departments to examine whether the remuneration packages for their outsourced service staff are inferior to those of civil servants and employees of other private enterprises who have comparable responsibilities, and whether the durations of these staff's employment contracts are shorter than those of the employees of other private enterprises.

(2) In selecting outsourced service providers, depending on the nature and value of the service contracts, the above departments either adopt price as the sole criterion or use a marking scheme. For the latter, the factors taken into account include the qualifications, experience, past performance, technical proposals, implementation plans, employees' remunerations, employees' maximum number of working hours and proposed contract price of the service providers.

Details on the outsourced service contracts awarded by the above departments in the past three years in terms of nature and duration are listed in Table 2 and Table 3 of the Annex. The departments concerned do not have information on the total amount of savings achieved each year through outsourcing.

(3) The number of complaints received, in each of the past three years, by the above departments from outsourced service staff members about alleged defaults on payment of wages or deduction of wages by outsourced service providers, or about poor working environment, as well as the number and details of those cases in which the outsourced service providers concerned were penalised because the complaints against them had been found substantiated are tabulated in Table 4 of the Annex.

(4) The remuneration packages offered by the outsourced service providers to their outsourced service staff are determined by the demand and supply in the labour market. However, 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 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, the Government

revised the "Standard Employment Contract" on March 8, 2013 as a result of the adjustment in statutory minimum wage. Government service contractors have to sign the "Standard Employment Contract" with their non-skilled workers with specification that the remuneration of staff should be adjusted in accordance with future revisions of the prescribed minimum hourly wage rate under the MWO, and the employee's wage should not be lower than the adjusted wage level.

(5) According to the Civil Service Bureau (CSB), government departments have been involving the private sector in the delivery of public services through outsourcing. This helps maintain a lean and efficient civil service. While enhancing economic benefits and allowing more flexibility for the mode of service delivery, outsourcing also allows departments to focus their civil service resources on providing core services and tackling priorities.

The procuring departments have the discretion to decide on whether public services provided by their departments are to be delivered through outsourcing and determine details of the outsourcing arrangements. CSB does not have information on the outsourced services of the departments. However, for services which should be provided by the Government direct and are not suitable to be delivered through alternative modes of service delivery after careful deliberation, civil servants should be employed to meet the long-term operational needs. It is the Government's established policy that no civil servants would be made redundant due to outsourcing of public services. If there are staff members so affected, the departments concerned would make appropriate arrangements for them through natural wastage, internal redeployment or deployment to other duties, etc.

Ends