

Press Release

LCQ17: Outsourcing public services

Wednesday, April 27, 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 (April 27):

Question:

Regarding the outsourcing of public services, will the Government inform this Council:

(1) given that the authorities have all along been emphasising that cost-effectiveness is the basis for outsourcing public services, but they indicated in the reply to my written question raised on March 2 this year that they did not have information on the savings in public expenditure through outsourcing of cleaning and security services by various government departments, how the authorities determine whether outsourcing public services is a cost-effective approach when they do not have such information;

(2) how the median wages of civil servants in the past three years compared to those of non-civil service contract staff and outsourced staff who performed comparable duties (with a breakdown of such information by duty); and

(3) given the comments that in order to keep costs down with a view to securing service contracts, public service contractors generally will not offer outsourced workers wages that are more generous than the statutory minimum wage rate, and that the Government, being the ultimate employer of a large number of grass-roots workers, is pushing their wages down indirectly and aggravating the problem of working poverty, whether the authorities will consider changing the practice of awarding outsourced service contracts according to the "lowest bid wins" principle, so as to improve the living standard of grass-roots workers?

Reply:

President,

(1) Outsourcing is one of the ways adopted by government departments to deliver public services. Whether outsourcing of services is adopted is at the discretion of individual departments having regard to their operational needs. Reasons for outsourcing of services vary from one department to another, and are not necessarily for saving public money. For example:

(a) when departments do not have the expertise to deliver the service, they have to seek outside help even if the costs are relatively high;

(b) when the demand for the service fluctuates, departments can meet the demand more flexibly and timely through outsourcing the service to service providers with economies of scale; or

(c) when departments believe that there are more effective ways to deliver certain services in the market, the outsourcing of such services can hence tap the innovative ideas and support from the market, which enable them to focus more on their core services.

If departments decide to deliver public services by means of outsourcing, they must provide a level playing field for all tenderers to compete through clear, open and fair procedures, so as to obtain best-value-for-money services.

(2) As for government service contracts relying heavily on the deployment of non-skilled workers, according to the information provided by the four major procuring departments (i.e. the Food and Environmental Hygiene Department (FEHD), Government Property Agency, Housing Department and Leisure and Cultural Services Department), over the past three years, there was no civil service grade with scope of duties comparable with those of non-civil service contract (NCSC) staff and outsourced staff. Take Workman II in FEHD who are involved in cleansing duties as an example, it is specified in their open recruitment advertisement that apart from public cleansing work, they are also required to undertake pest control work, remove/dispose of dead bodies, perform cemeteries/crematoria related duties (such as transportation of coffins, handling cremated human remains and assisting in exhumation in cemeteries or related work), and hence cannot be compared directly with positions of NCSC staff and outsourced staff who purely undertake cleansing services.

(3) The Government does not assess tenders of all outsourced service contracts solely according to the "lowest bid wins" principle. If the procured service relies heavily on the deployment of non-skilled workers, departments may consider to adopt a marking scheme for assessing the technical and price aspects of the tenders for the service contract, and consider to include in their technical assessment criteria the evaluation of tenderers' proposed wage rates for non-skilled workers. The contract will only be awarded if a tender meets all the essential requirements and obtains the highest overall score (i.e. the sum of price and technical scores) under the marking scheme.

The wages of non-skilled workers employed by the government service contractors are determined by the market mechanism, and such workers are protected under the Minimum Wage Ordinance (Cap. 608). They are in no way different from non-skilled workers employed by outside organisations in this regard.

Ends