

**TRIPARTITE ADVISORY ON
BEST SOURCING PRACTICES**

Service buyers who practise best sourcing, rather than cheap sourcing, award service contracts based on performance and quality rather than solely based on price. In doing so, they achieve more reliable and better value-for-money services. At the same time, workers benefit because the service providers focus on delivering quality services instead of offering the lowest price, and provide better employment terms and conditions for their workers so that their workers are more motivated to perform well.

2 To help service buyers outsource their services in a responsible manner, the Tripartite Committee on CPF and Work-Related Benefits for Low-Wage Workers (“TriCom) released a Tripartite Advisory on Responsible Outsourcing Practices in March 2008 and has been encouraging service buyers to adopt the Advisory. Taking into account feedback on the Advisory, the renamed Tripartite Committee for Low-Wage Workers and Inclusive Growth has refined the Advisory and renamed it as the Tripartite Advisory on Best Sourcing Practices to encourage service buyers to not only outsource in a responsible manner, but also to adopt best practices in outsourcing.

Best Sourcing Practices

3 Service buyers are encouraged to consider adopting the following practices when they outsource their services:

a. Safeguard the basic employment rights of workers

Workers whose basic employment rights are taken care of by their employers will be more engaged and motivated to perform well. Service buyers can include in their service contracts a requirement for their service providers to comply with

Singapore's employment laws, such as the Employment Act, Central Provident Fund Act, Employment of Foreign Manpower Act, Workplace Safety and Health Act and Work Injury Compensation Act. Service buyers could also take into account a service provider's track record in complying with the employment laws before awarding a service contract to a service provider. The MOM website displays a list of companies that have breached employment laws before.

Service buyers may also choose to make provisions to terminate or not renew service contracts if it was found that the service providers had breached employment laws. Service buyers are advised to refer any employment-related offences detected to MOM or CPFIB.

b. Specify service contracts on the basis of service-level requirements rather than headcount

Service providers will have little room to differentiate themselves and improve the quality of service provided if service requirements are specified solely on the basis of the number of workers provided by the service provider. To allow service providers the flexibility to propose more productive and efficient work methods and manpower deployment plans, service buyers are encouraged to specify their requirements in terms of expected performance levels. Service providers who can provide value-added services beyond the basic performance and/or service standards can also be given favourable consideration.

c. Recognise factors that contribute to service quality

Apart from the price of a service contract, service buyers could consider the following factors that improve the quality of service provided, before they award a service contract to a service provider:

- (i) **Good track record** - Service buyers are encouraged to check that service providers have good track record before awarding a service contract to them. There are various factors that contribute to a good track record. For instance, service providers with good financial standing and reputation are better able to provide reliable and good services and are less likely to default on salary payments to their workers. This extra precaution avoids downstream problems, including service disruption.
- (ii) **Provision of written employment contracts to workers** - Service buyers could encourage their service providers to provide written contracts for their workers. Written employment contracts enable both the workers and the service providers to have a clear understanding of their respective employment terms and obligations and prevent employment disputes. Such contracts also facilitate dispute settlement, and minimise the possibility of any service disruption.
- (iii) **Grading and accreditation level** – Service buyers could also consider if the service providers are accredited or graded highly for the service to be rendered. For example, service buyers could take into account the grade of security agencies under the grading framework of the Singapore Police Force’s Security Industry Regulatory Department (SIRD), or the accreditation attained by cleaning companies under the National Environment Agency (NEA) Accreditation Scheme.
- (iv) **Training of workers** – As service providers who invest in the training of workers would be more likely to provide better quality and more efficient services, buyers of such services are encouraged to award their contracts to service providers whose workers are properly trained and/or have attained the relevant skills certifications.
- (v) **Appropriate tools and equipment** – To help workers perform the job well, service buyers may wish to ensure that service providers supply their workers with the appropriate tools and equipment to perform the services.

d. Seek to establish a long-term collaborative partnership with service provider

It is mutually beneficial for both service buyers and providers to establish a long-term collaborative partnership, if the service providers had been able to meet expected performance standards. This will encourage service providers to invest in technology and training to enhance the productivity of their workers and the quality of service provided. By renewing service contracts with providers who

had been able to meet expected performance requirements, service buyers will also benefit from the retention of experienced workers who are familiar with the job requirements and working environment.

It is important for service buyers to pay their service providers promptly, so that their service providers can in turn pay their workers on time. Service buyers should also impose liquidated damages reasonably and be mindful that imposition of excessive liquidated damages may affect the financial positions of their service providers and their ability to pay the workers. Therefore, service buyers are encouraged to clearly lay out the amount and conditions in which liquidated damages may be imposed.

Service buyers are also encouraged to incentivize their service providers to perform above expectations through incentive payments, and encourage their service providers to share the incentive payments with workers. This will help to motivate workers to perform well and provide better services.

e. Provide decent work environment for workers

Service buyers are required by law, under the Workplace Safety and Health Act, to take appropriate measures to ensure the safety and health of any workers employed by their service providers.

In addition to meeting the basic workplace safety and health standards, service buyers could provide workers with adequate workplace amenities at the deployment sites, such as washroom facilities, decent rest area for meals and first aid. Workers will be able to perform their work well and provide better services in a conducive environment

Conclusion

4. Service buyers are encouraged to adopt the best sourcing practices recommended in this Advisory. Through best sourcing, service buyers will not only help to improve the terms and conditions of the workers employed by service providers, but will also achieve better service and value for money for themselves. In addition to the Advisory, service buyers can also refer to the “**Best Sourcing – Step-by-Step Guidebook for Service Buyers**” available on the MOM website, for details on how to implement best sourcing practices (e.g. sample employment contracts and performance requirements for service contracts, information on accreditation and grading systems, etc).