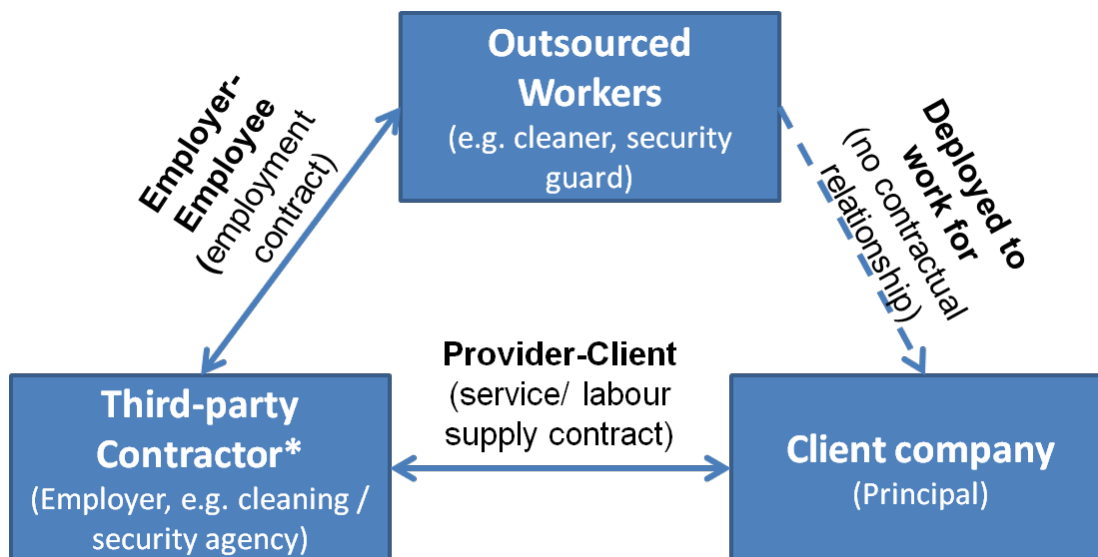


Outsourced Workers

Who are 'Outsourced Workers'?

- Outsourced workers are defined as those employed and supplied by a third-party contractor (i.e. the employer) to work in a client company (i.e. the principal) under an outsourcing contract. Common examples would be cleaners or security guards supplied by service providers.



*Includes service providers & labour suppliers

- Based on an ad-hoc survey in 2011, it is estimated that outsourced workers formed 3.3% of the workforce in private establishments. Among the pool of outsourced workers, 37% were performing *cleaning services*, 18% *security services* and 13% *facility repairs and maintenance*.
- Outsourcing allows companies to optimise their manpower costs, so that they can focus on their core business functions. Outsourced workers, as employees of third-party contractors are already covered under the Employment Act (EA), Employment of Foreign Manpower Act (EFMA), and the Work Injury Compensation Act (WICA).
- However, outsourced workers could be more vulnerable to salary defaults, because their employers compete on price and sometimes lower their bids unrealistically to win contracts. In some cases, these contractors are eventually unable to sustain their businesses and default on salaries to their employees. Hence, aside from basic employment rights, outsourced workers covered under the EA receive these additional protections:

- Section 65 (S65) requires principals who are in the same trade as the employers to pay the affected outsourced workmen up to one month of their salaries, should the employers fail to do so (e.g. because of bankruptcy).
- Section 116 (S116) allows the Commissioner to summon a principal to pay to the Commissioner any money owed to the employer, if the latter owes any sum of money to any workman. The monies collected by the Commissioner can then be paid to the workman.
- We are therefore reviewing whether we can give better protection to vulnerable outsourced workers through additional responsibilities on principals. We will have to do so reasonably, so as not to defeat the purpose of outsourcing and destroy such jobs altogether.

What are the other mechanisms to protect the interests of outsourced workers today?

- *Tripartite Advisory* – In addition to the statutory obligations above, the Tripartite Advisory on Best Sourcing Practices¹ encourages companies to take into account the interests of all outsourced workers and consider the following five principles when outsourcing services:
 - i. Safeguard the basic employment rights of workers;
 - ii. Specify service contracts on the basis of service-level requirements rather than headcount;
 - iii. Recognise factors that contribute to service quality;
 - iv. Seek to establish a long-term collaborative partnership with service provider; and
 - v. Provide a decent work environment for workers.

¹ Details can be found at <http://www.mom.gov.sg/employment-practices/Pages/BestSourcing.aspx>