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TRIPARTITE ADVISORY ON RESPONSIBLE OUTSOURCING PRACTICES

Objective ➔

The Tripartite Committee on CPF and Work-Related Benefits for Low-Wage Workers (“TriCom”) believes that end-user companies, as buyers of services, can influence workplace practices adopted by third-party contractors, particularly for services that have been outsourced. These include office cleaning, logistic support, and security services. End-user companies should therefore adopt responsible outsourcing practices. In so doing, they can help to ensure that the workers employed and supplied by third-party contractors under service contracts receive basic employment terms and conditions, including CPF contributions and minimum employment benefits, such as annual leave, sick leave and overtime pay. End-user companies would also benefit from a more positive relationship between their third-party contractors and workers.

To help end-user companies when they outsource their business functions and buy services from third-party contractors, the TriCom has formulated the following **Tripartite Advisory on Responsible Outsourcing Practices (“Advisory”)**.

Tripartite Advisory on Responsible Outsourcing Practices ➔

End-user companies are encouraged to consider the following:

a. Include compliance with Singapore's employment laws a condition in the service contract

End-user companies should work with their third-party contractors to ensure the basic well being of their workers.

They should do so by including the compliance of Singapore's employment laws, such as the Central Provident Fund Act, Employment Act and Workmen's Compensation Act, as a condition in their service contracts.

In the event of a breach of this condition by their third-party contractors, the TriCom encourages end-user companies, where possible, to: (a) not renew the existing service contracts; (b) not engage the third-party contractors concerned in the future; or (c) terminate the service contracts.

End-user companies should check that their contractors are in compliance with employment laws and refer any employment-related offences to MOM or CPF Board.

b. Encourage written employment contracts between third-party contractors and workers

Workers employed and supplied by third-party contractors would benefit from written employment contracts. Written employment contracts enable workers and the third-party contractors as their employers to understand their respective employment terms and obligations. They also facilitate the resolution of employment disputes. A written employment contract should minimally include:

- **Commencement date of employment** – The period of employment under the contract of service should be spelt out clearly, inclusive of any probation period.
- **Appointment** (i.e. job title and job scope)
- **Working days, hours of work, overtime hours expected, rest days and breaks** – The expected hours of work the employee has to fulfil, the designated rest day and rest breaks, should be stated clearly.

- **Remuneration** (e.g. salary amount, date/frequency of payment, payment for overtime work and work on rest days/public holidays) – The salary breakdown should be stated clearly into basic pay, allowances, CPF contributions, etc to avoid any ambiguity.
- **Employee's benefits** (e.g. sick leave, annual leave) – The quantum of leave and the qualifying period for the various benefits, should be stated clearly.
- **Salary Deductions** – Any possible salary deductions should be stated upfront in the contract, and should adhere to the authorised salary deductions allowed under the Employment Act.
- **Termination of contract** (e.g. notice period) – The notice period should be in accordance with the minimum stipulated in the Employment Act, and be the same for either employer or employee initiating termination of service.

End-user companies should encourage third-party contractors to enter into written contracts with their workers. They can assist by providing contractors with standard employment contracts. A sample of a written employment contract is provided in **Sample Employment Contract** (Refer to page 6). Alternatively, should third-party contractors need help in drawing up written employment contracts between themselves and their workers, end-user companies could also advise the contractors to seek assistance from MOM, or the unions if they are union members.

c. Conduct checks on the financial standing of third-party contractors

It is advisable for end-user companies not to award service contracts solely based on price. End-user companies should conduct checks to ensure that the third-party contractors are not financially distressed before awarding contracts to them. Such third-party contractors are able to provide reliable and good services and are less likely to default on salary payments to their workers. End-user companies that take this extra precaution would avoid downstream problems for themselves, such as disruption to service provision and salary disputes.

d. Award third-party contractors performance-based service contracts

End-user companies should use performance-based, and not headcount-based, service contracts, where possible.

A performance-based contract would, for instance, stipulate the performance standard expected of a third-party contractor but not

the minimum number of workers required to fulfil the contract. With performance-based contracts, third-party contractors will compete on the basis of both cost and service standards. They will also enjoy more flexibility in managing and deploying their manpower and resources. In doing so, the system offers the contractors an incentive to improve productivity and service quality.

Headcount-based service contracts, on the other hand, are likely to lead to cost-based competition at the expense of service quality. In order to secure the tender, the employment terms and conditions of workers engaged to perform the job are also likely to be compromised by the third-party contractors.

To facilitate the skills upgrading of their workers, contractors can leverage on the courses and funding schemes offered by the Workforce Development Agency (WDA), the National Trade Union Congress (NTUC) or the Singapore National Employers Federation (SNEF), such as the ADVANTAGE! Scheme catered to older workers.

e. Retain experienced workers

End-user companies should be mindful of the impact of their decision on the employment of workers when they outsource a previously in-house business function or change third-party contractors. End-user companies are encouraged to facilitate their third-party contractors to retain experienced workers who can continue to contribute positively¹.

f. Help workers qualify for employment benefits under the Employment Act

Under the Employment Act, workers are entitled to paid sick leave and other employment benefits after a stipulated period of service². To help workers to qualify and enjoy such employment benefits, end-user companies should encourage third-party contractors to hire workers on a minimum of six-month employment contracts, where possible. This would help to improve the employment condition and well-being of workers.

¹ In 2001, MOM with the tripartite partners launched the “Tripartite Guidelines on Managing Excess Manpower” outlining alternatives for companies to consider when there are excess workers due to insufficient work instead of laying them off. The alternatives are to: (i) train and upgrade employees’ skills under the Skills Redevelopment Programme (SRP); (ii) re-assign employees to other areas of work within the company; and (iii) use a flexible wage system to adjust wage cost.

² For example under Part IV of the Employment Act, a worker must be in continuous employment for at least six months before he can qualify for paid sick leave.

A photograph of an office environment. In the foreground, a man in a white short-sleeved shirt and dark trousers is smiling and holding a black bag and some papers. In the background, a woman in a dark blue business suit is standing near a desk with a computer monitor. A clock on the wall shows the time is approximately 10:10.

SAMPLE EMPLOYMENT CONTRACT

This sample contract is designed to help you draft an employment contract. It includes all the essential elements of a typical contract. You may modify it to suit your specific needs and situations. Keep in mind that this document is a starting point and not a finished product. You need to make sure that the actual agreement reflects the relationship between you and your employee.

1. Date of Employment

Your first day of work is

.....

2. Place of work

.....

.....

3. Job Title

.....

4. Salary

Payment Date: day of every month; by Cash / Cheque / GIRO

4.1	(a) Basic Salary	\$.....
	(b) Other Allowances / Payments in Kind (to itemise)	\$.....
	Gross Salary [(a) + (b)]	\$.....
4.2	CPF	
	Employee contribution% of gross salary
	Employer contribution% of gross salary
4.3	Take Home Salary = Gross Salary – Employee CPF	\$
4.4	If you work overtime, you will be paid:	\$...../per hour of overtime work

5. Working Days / Hours of work / Overtime

5.1 Working days will be 4/ 5 / 5.5 / 6* / days a week.

5.2 The normal working hours will be from tohrs.

5.3 Rest day on

5.4.1 You will earn overtime pay if you work more than 8 hours a day, or 44 hours a week. Total overtime hours should not exceed 72 hours a month.

OR:

5.4.2 MOM has approved the following overtime arrangements: (to be described as per approved arrangement).

6. Rest Day Work

6.1 You may be requested to work on a rest day. If you agree to such a request, you will be paid as follows:

6.1.1	≤ ½ the normal daily working hours	1 day's basic salary
6.1.2	Up to the normal daily working hours	2 days' basic salary

6.2 You can also request to work on a rest day. If your employer agrees to such a request, you will be paid as follows:

6.2.1	≤ ½ the normal daily working hours	½ day's basic salary
6.2.2	Up to the normal daily working hours	1 day's basic salary

7. Public Holidays

- 7.1 You will be paid full pay for all official public holidays.
- 7.2 If you work on a public holiday, you will be paid an additional one day's basic pay and travel allowance for that day (if any).

8. Annual Leave

- 8.1 If you have served for at least 3 months, you will be entitled to not less than 7 days of paid leave for the first 12 months. For every additional 12 months, you will get 1 more day of paid leave up to 14 days¹.
- 8.2 If you have served more than 3 months but have not completed one year of service, the leave entitlement will be pro-rated accordingly. Pro-rated paid leave is computed in proportion to the number of completed months of service in the year.

9. Paid Sick Leave

- 9.1 Outpatient: _____ days each year².
- 9.2 If hospitalised: _____ days (including the _____ days in 9.1) each year.
- 9.3 You are entitled to sick leave **after** six months of employment.
- 9.4 You must notify your supervisor as soon as possible if you are on sick leave. You will be required to produce a medical certificate.

¹ Under the Employment Act, you are entitled to 7 days of paid leave for the first 12 months of continuous service. For every additional 12 months of continuous service, you will get 1 more day of of paid leave, up to 14 days.

² Under the Employment Act, you are entitled to not less than 14 days of outpatient sick leave each year or a maximum of 60 days if you are hospitalised (including the 14 days of outpatient sick leave).

10. Deductions from Remuneration

The employer should not deduct any monies from the employee’s wage other than those allowed under the Employment Act or ordered by the Court.

11. Termination of Employment

Either party can terminate this agreement with (1day/1week/2weeks/1month) written notice or by paying salary in lieu of notice for the relevant period.

12. Other conditions of employment or benefits

.....
.....
.....
.....
.....
.....

13. General

13.1 Any changes to this agreement will only be valid if they are in writing and have been agreed and signed by both parties.

THIS AGREEMENT SIGNED AT ON THIS DAY OF
..... 20.....

(Signature)

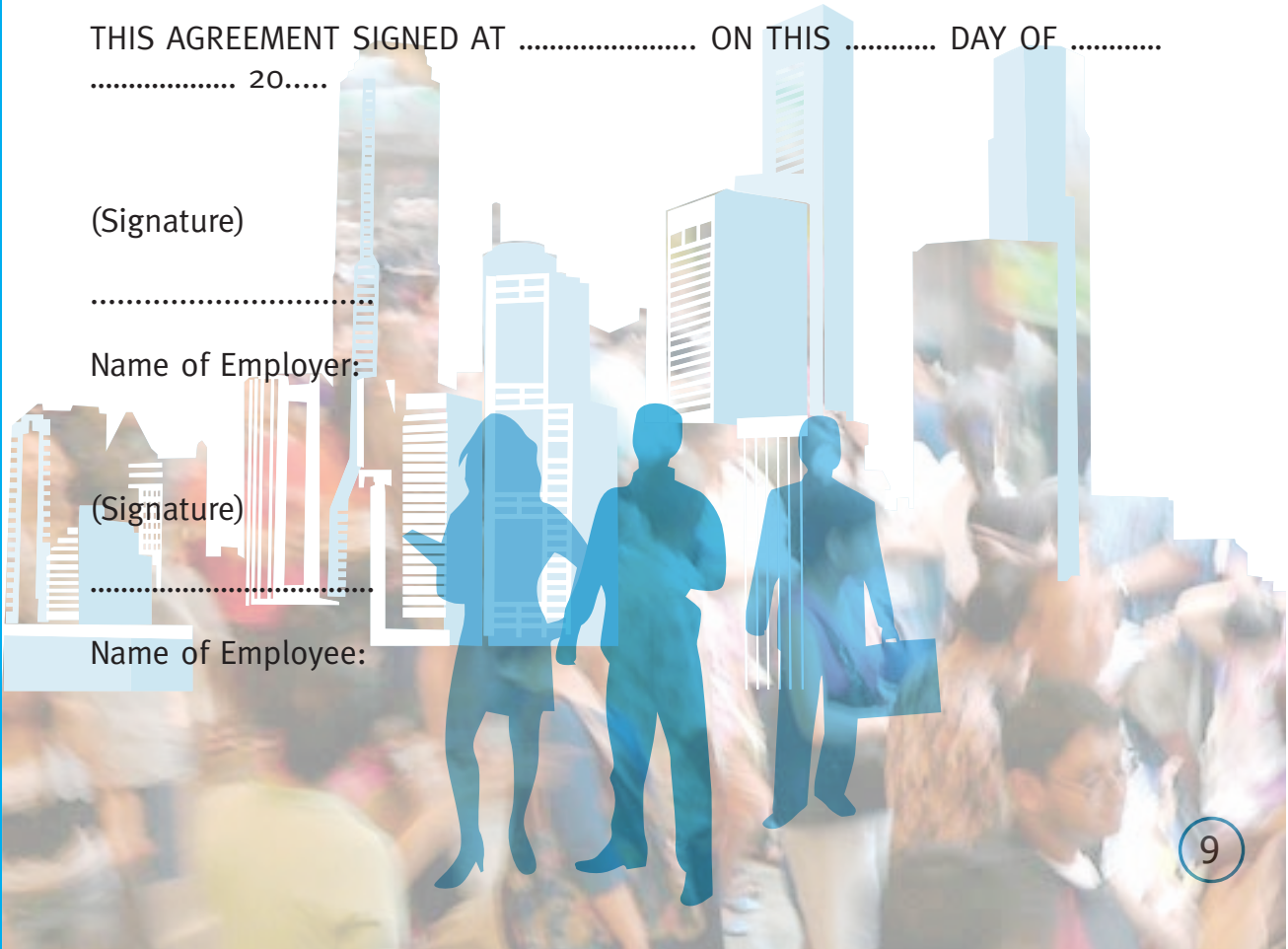
.....


Name of Employer:

(Signature)

.....

Name of Employee:





CHECKLIST FOR BUYERS OF OUTSOURCED SERVICES

Buyers are encouraged to use the following checklist in the selection and management of services e.g. security services, cleaning. (Items in **bold** are legal requirements)

Preparation of Tender Specifications

Check

1. No age requirements are stipulated in the tender specifications.
2. No "12-hour shift" is stipulated in the tender specifications. Substitute with "required for the period from ___ hr to ___ hr".
3. Consider how workers are to be provided with basic workplace amenities at the deployment sites such as access to washroom facilities, rest area, time and place for meals, and first aid.
4. Specifications are outcome-based (or performance-based) and reasonable.
5. Service Level Performance Indicators are measurable and meaningful.
6. Allow for basic needs of workers to be met (e.g. toilet breaks).
7. Liquidated Damages sums are reasonable, relevant and easily computed.
8. Optimal contract period
9. Clear evaluation criteria
10. Clearly address the handing and taking over procedures between the existing and new vendors.
11. Arrange for site briefing and site show around where necessary.

Tender Evaluation

Check

In addition to securing written commitments to comply with tender specs, buyers should verbally verify the following with the tenderer:

1. Only licensed and NSRS/WSQ certified workers (if applicable) are deployed¹.
2. **Deployed workers will not be made to work more than 12 hours a day for the tender** (request for a copy of the deployment pattern).
3. **Tenderer is aware that the maximum hours of overtime work that a worker performs in a month cannot exceed 72 hours unless an exemption notice has been issued by MOM.** (Request to see the MOM exemption notice).
4. **Tenderer is aware that overtime payment at a rate of 1.5 times basic salary is to be provided to workers for work exceeding 44 hours a week.**
5. **Tenderer is aware that workers salaries must be paid within 7 days of the stipulated pay day.**
6. **Tenderer is aware that workers must be given at least 1 rest day per week.**
7. Workers are employed on a minimum of six-month employment contracts, where possible.
8. **Tenderer is aware that workers are given at least 7 days annual leave for the first year of service and an additional day for every additional year in employment, up to 14 days per year in the eighth year.**
9. **Tenderer is aware that workers are given at least 14 days sick leave if no hospitalization is necessary, and up to 60 days per year if hospitalization is necessary.**

¹ NSRS/WSQ is compulsory for security officers

- 10. **Tenderer is aware that no unauthorized deductions from workers' salaries are carried out by the service provider e.g. uniform fees and training course fees.**
- 11. **Tenderer is aware that monthly CPF contributions are made according to the prescribed rates (tenderer should be able to explain that the contribution rate is between 5 to 14.5% from employer and 5 to 20% from employee, depending on the age of the employee.** For more information, please refer to CPF Board's website at <http://mycpf.cpf.gov.sg/Employers/Gen-Info/cpf-Contri/ContriRa.htm>).
- 12. Workers are provided a written employment contract/letter of appointment (request to see a sample of the employment contract).

Before awarding the tender, buyers should also note the following:

- 13. Ensure that the tender proposals are thoroughly evaluated based on all the evaluation criteria listed in the tender.
- 14. If the recommended bid for award is the lowest and is significantly lower than the other bids, assess that the price is not below estimated cost.
- 15. Conduct checks on the financial standing of the service provider.



After Commencement of Contract

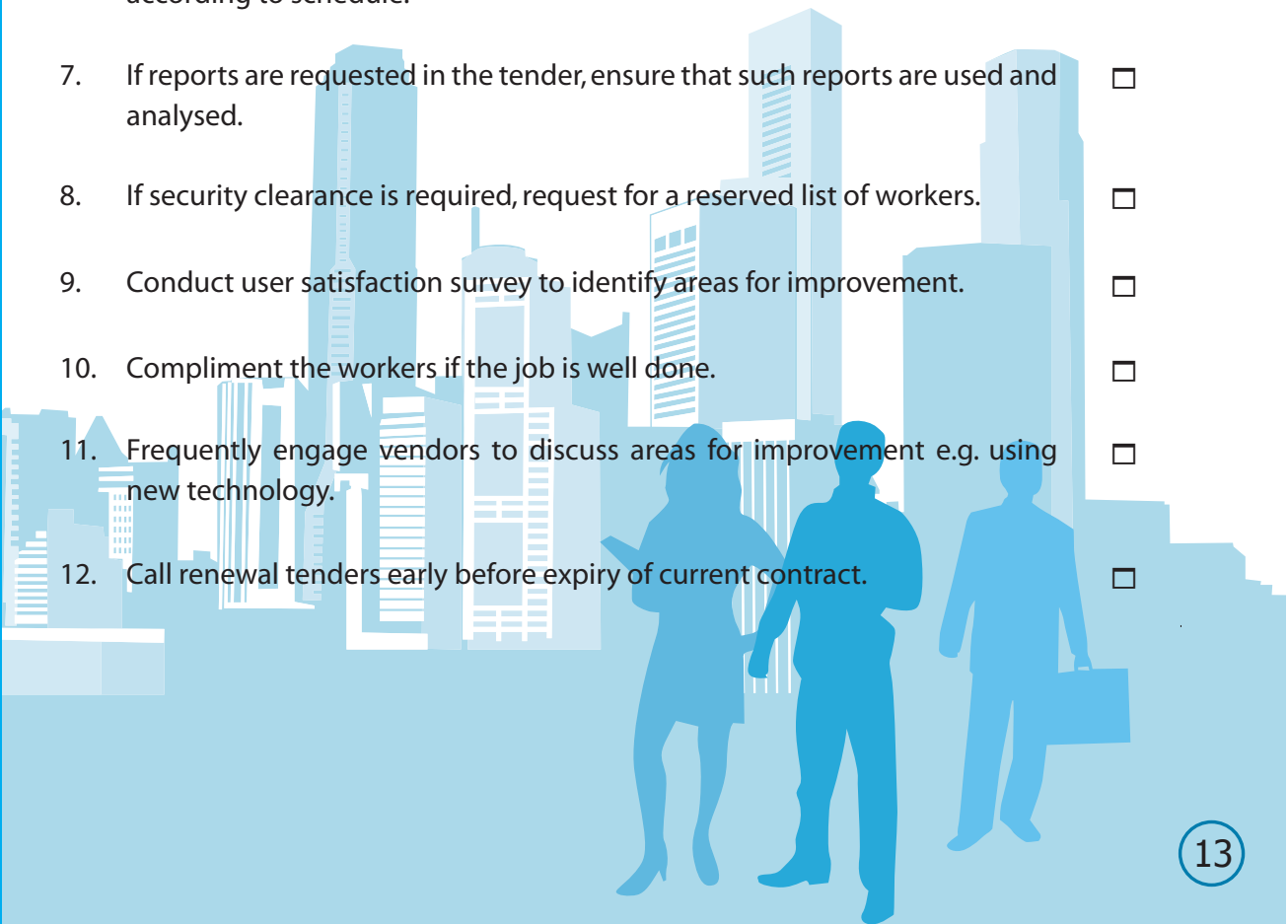
Check ✓

Verify on a regular basis with workers and all new workers deployed to work at your premise that their employer has complied with their earlier undertakings. Specifically, some of the simpler items that the worker should know and can provide feedback on is whether:

- 1. They have been provided a written employment contract/letter of appointment.
- 2. **They are not asked to work more than 12 hours a day.**
- 3. **They have at least 1 rest day per week.**
- 4. **They have annual leave and sick leave.**
- 5. **They have monthly CPF contributions made by their employers.**

In addition, buyers are strongly encouraged to adopt the following good practices:

- 6. Service Level Performance Indicators should be measured and monitored according to schedule.
- 7. If reports are requested in the tender, ensure that such reports are used and analysed.
- 8. If security clearance is required, request for a reserved list of workers.
- 9. Conduct user satisfaction survey to identify areas for improvement.
- 10. Compliment the workers if the job is well done.
- 11. Frequently engage vendors to discuss areas for improvement e.g. using new technology.
- 12. Call renewal tenders early before expiry of current contract.





FREQUENTLY ASKED QUESTIONS

1 What is the Tripartite Committee on CPF and Work-Related Benefits for Low-Wage Workers and why is it formed?

The Ministry of Manpower has formed a “Tripartite Committee on CPF and Work Related Benefits for Low-wage Workers” or (TriCom). Chaired by Mr Gan Kim Yong, Minister of State for Education and Manpower, the TriCom comprises employer and union representatives led respectively by Mr Stephen Lee, Chairman, Singapore Business Federation (SBF) and President, Singapore National Employers Federation (SNEF); and Mr John De Payva, President, National Trades Union Congress (NTUC). Other key members of the TriCom include Mr Bob Tan, Vice President, SNEF and Council Member, SBF; Mr Lawrence Leow, President, Association of Small and Medium Enterprises (ASME); and Mdm Halimah Yacob, Deputy Secretary-General, NTUC.

The TriCom galvanises the efforts of the tripartite partners to reach out to low-wage workers, their employers and low-wage self-employed persons, to raise awareness about the benefits of CPF and the Workfare Income Supplementary (WIS) scheme; as well as their employment rights and obligations under the Employment Act.

2 What are the objectives of the Tripartite Advisory on Responsible Outsourcing Practices?

End-user companies, as buyers of services, can play a role in raising the employment standards of vulnerable contract workers, such as those working in the cleaning and security sectors.

To help these end-user companies, the TriCom has formulated a “Tripartite Advisory on Responsible Outsourcing Practices” or (Tripartite Advisory). The objectives of the Tripartite Advisory are to highlight good employment practices, encourage and guide end-user companies to influence workplace practices adopted by their contractors through service agreements, viz.:

- i. Include compliance with Singapore’s employment laws as a condition in the service contract;
- ii. Encourage written employment contracts between third-party contractors and workers;
- iii. Conduct checks on the financial standing of third-party contractors;
- iv. Award third-party contractors performance-based service contracts;
- v. Retain experienced workers; and
- vi. Help workers qualify for employment benefits under the Employment Act.

3 What are the benefits for adopting the Tripartite Advisory on Responsible Outsourcing Practices for end-user companies or service buyers?

End-user companies will benefit from a more positive relationship between their contractors and workers. They will be able to avoid downstream problems for themselves, such as disruption to service provision and salary disputes. In addition, awarding performance-based contract and retaining experienced workers raise productivity and service quality.

4 What is the definition of “third-party contractor”?

“Third-party contractor” refers to all service providers performing the business function outsourced by the end-user company, regardless of their service tier (i.e. main contractor or sub-contractor, etc).

5 My contractor has sub-contracted the cleaning/security service to another service provider. How do I impose the Tripartite Advisory on Responsible Outsourcing Practices on the sub-contractor?

You should share the Tripartite Advisory on Responsible Outsourcing Practices with your main contractor and encourage him to adopt the advisory when subcontracting the business function.

6 Are end-user companies expected to enforce its contents, in particular to terminate contracts due to contractors not complying with employment laws?

The purpose of the Tripartite Advisory on Responsible Outsourcing Practices is to highlight good employment practices to end-user companies and encourage them to influence workplace practices adopted by their contractors through service agreements.

You should share the contents of the Tripartite Advisory with your contractor and check, from time to time, if your contractor has adopted the workplace practices stated in the advisory.

In the event of infringements of employment laws (for example, non-payment of CPF/salary, and non-provision of paid sick leave/paid annual leave), end-user companies should determine the most appropriate course of action (for example, non-renewal/termination of contract or future debarment of contractors) based on their business and operational needs.

7 How do end-user companies know whether there is an infringement of employment laws?

You may wish to refer to the attached “Checklist for Buyers of Outsourced Services” for a list of employment laws. You should report contractors’ non-compliance with employment laws to MOM.

