



## ***Checklist for Analyzing a Contracting-Out Proposal***

### **Quality and Accountability**

- Would the contractor be required to meet specified quality standards, and would they be enforced?**
- Would the contractor be free to change staffing levels?**
- Are health and safety issues addressed in the contract?**
- Are the contractor's employees qualified to do the work?**
- Might contracting-out disrupt services?**
- Does the proposal account for all tasks currently done in-house?**
- Would contracting-out compromise confidentiality including privacy of clients?**
- Would contracting-out limit management's ability to innovate or lock the public sector into inadequate service provision?**
- Would management become dependent on external contractors?**

**The full costs of contracting-out need to take into account direct and hidden costs.**

## **DIRECT COSTS OF CONTRACTING-OUT**

- Wages and Benefits of Workers**
- Salaries of Private Sector Managers**
- Supplies**
- Capital equipment**
- Overhead**
- Insurance**
- Profits**

## **THE HIDDEN COSTS OF CONTRACTING OUT**

- What are the legal and administrative costs to the public sector for tendering and negotiating the contract?**
- What are the ongoing costs of overseeing the contract?**
- Would the contractor have a monopoly, and how would that affect costs?**
- Does the contractor's bid look like a low-ball bid?**
- What is the pricing method, and what risks are there of escalating costs?**
- Are there public sector overhead costs that would continue to apply even if the service is contracted out?**
- Are all capital equipment costs built into the contract?**
- Are all supply costs built into the contract?**
- Has the employer factored in the usual costs of fixing problems with contractor's work?**
- Who is responsible for insurance?**
- What are the GST costs to the facility?**