Human Resource Management

Florida Government E-xpo 2001
December 11, 2001
MAJOR INITIATIVES

- SERVICE FIRST IMPLEMENTATION
  - Career Service to Selected Exempt Service Transfer
    - Managers, Supervisors, and Confidential Positions
  - Personnel Rules
  - Broadbanding (Classification & Pay)
  - Tuition Vouchers
  - Career Pathing and Performance
MAJOR INITIATIVES

- Workforce Transition and Assistance
  - Workforce Database
  - Managing Change Guidelines
- Military Activation & Supplemental Pay
- Adoption Benefits
- Training – Professional Development Series
- Saving Sharing Plans and Incentives
- Collective Bargaining Contracts and Grievances
- HR Outsourcing Initiative
In an effort to better serve Floridians and meet the needs of the new millennium, I believe changes should be made to our State Personnel System. We are presently working on a plan to outsource many of the state’s human resources functions. I am personally committed to working with the Department of Management Services to ensure the unqualified success of this effort.

-- Governor Jeb Bush
Create a smaller, more effective, more efficient government that fully harnesses the power of technology
OUTSOURCING VS. PRIVATIZATION

**Outsourcing**
Retain ownership of the functions
(focus on policy of “what” we do;
not process of “how” we do it)

**Privatization**
Relinquish ownership of the functions
(getting out of the business)
WHY NOW?

- The five stand-alone systems (non-integrated) are almost 20 years old
  - Budgeting, cash management, accounting/payroll, personnel, and purchasing systems

- Cooperative Personnel Employment Subsystem – COPES is the existing personnel system

- Maintenance on existing system drives operating costs, outdated software, limitations on ability to meet our needs, unreliable, subject to breakdown, etc.

- We are in a new millennium – time to change our 50 year old way of doing business
WHY NOW?

- Technology investment avoidance is becoming a major reason to outsource.
- Investment in state of the art should only be made in core business processes.
- Supporting processes (such as personnel and payroll) can use (rent or lease) technology from companies that have core businesses in these support areas.
- Industry has services available to meet our needs – we are not seeking to purchase new software or replace existing software
  - Estimated $65 - $90 Million to replace COPES
WHY NOW?

- 1990’s – State commissioned a project to modernize or replace the non-integrated subsystems known as FFMIS (Florida Financial Management Information System)
  - Decision was made to replace rather than update

- 1997-1999 – Pilot project to replace COPES and the payroll portion of FLAIR (Florida’s Accounting Information Resource)
  - Pilot project progressed through scoping and planning phase, but discontinued due to rising cost estimates and emerging technology
WHY NOW?

- Mid-1999, State Legislature authorized two new initiatives and KPMG was hired to conduct a business case study on the Modernization of State Government Financial Management Business Practices
  - Study assessed five options and recommended an Enterprise Resource Planning solution at an estimated expense of $281 Million to integrate the five legacy systems. Other alternatives, including outsourcing, are currently also being considered.
- Vendors have made the investment in the technology – we don’t need to – we are seeking to contract for services
- Industry has formed successful partnerships with vendors, changed the role of their HR functions, and delivered better service to their customers, employees and managers.
WHERE ARE WE HEADED?

- E-solution to provide best in class suite of services for HR, payroll, and benefits
- We are seeking to outsource transactions, and insource transformations
- We have good people trapped in bad systems
- Conversion from a paper-based, multiple touch process to a self-service, employee enabled electronic solution
- We expect to employ a highly innovative, entrepreneurial, and efficient management program that challenges the status-quo and existing culture in formulating and implementing high-quality, timely, and cost-effective human resource and personnel services
WHO IS AFFECTED?

- COPES Customers
  - 30 Agencies
  - 67 County Health Departments
  - State Courts
  - Justice Administration Commission

- Bureau of State Payrolls Customers
  - State University System
  - Legislature
  - Auditor General
Project Management & Legal Counsel

- Project Management
  - Fran Brooks
  - Mevatec - Consultants

- Legal Counsel
  - Robert Hosay
BUSINESS PLAN

- Value = performance ÷ cost
- In order to increase value, you must either improve performance, or reduce costs
- Determine “As Is” costs of operations
  - Personnel costs (salaries and benefits)
  - HR Expenses (facilities, rent, equipment, printing, computer systems, postage, telephones, etc)
- Determine the best solution - get the best value - for our employees and taxpayers
## BUSINESS PLAN – “AS IS” COSTS*

(*As reported and verified by each agency)

<table>
<thead>
<tr>
<th>Expense</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Personnel Cost (1287.5 FTE’s)</td>
<td>$ 55,565,821</td>
</tr>
<tr>
<td>Material &amp; Supply Cost</td>
<td>$ 666,103</td>
</tr>
<tr>
<td>Facilities &amp; Maintenance</td>
<td>$ 4,426,031</td>
</tr>
<tr>
<td>Equipment</td>
<td>$ 263,680</td>
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<tr>
<td>Telephones</td>
<td>$ 630,125</td>
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<tr>
<td>Postage</td>
<td>$ 451,961</td>
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<tr>
<td>Security</td>
<td>$ 47,530</td>
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<tr>
<td>Archiving/Data Storage</td>
<td>$ 44,871</td>
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<tr>
<td>Printing</td>
<td>$ 538,103</td>
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<tr>
<td>Training</td>
<td>$ 382,265</td>
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<tr>
<td>Travel</td>
<td>$ 475,341</td>
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<tr>
<td>Recruitment &amp; Selection</td>
<td>$ 907,097</td>
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<tr>
<td>Computer System Expense</td>
<td>$ 7,159,995</td>
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<tr>
<td>Consulting &amp; Contractual Services</td>
<td>$ 154,138</td>
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<tr>
<td>Counseling</td>
<td>$ 989,672</td>
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<tr>
<td>Other</td>
<td>$ 647,653</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$ 73,350,385</strong></td>
</tr>
</tbody>
</table>
WHAT IS NOT BEING CONSIDERED FOR OUTSOURCING?

Policy and Management Responsibilities
- Selection of candidates and specialized recruitment
- Labor Relations
- Grievances
- Disciplinary Actions
- Collective Bargaining Agreements
- Appraisal of employee performance
- Efficiency, Productivity and Incentive Sharing Programs
- Career Pathing and Performance
- Mentoring Program
WHAT IS *NOT* BEING CONSIDERED FOR OUTSOURCING?

Policy and Management Responsibilities

- Policy and Procedure Development and Maintenance
- Agency Unique, Program Specific, and/or Specialized Training
- Federal Computerized Criminal Information Background Checks and Investigations
- Processing fingerprints
- Human Resource Management - change management, employee relations and communications
- Management of employee separations and reductions in force
WHAT IS BEING CONSIDERED FOR OUTSOURCING?

Transactional Processes and Functions
- Applicant Management - Assist supervisors with recruitment, screening, and selection processing
- Payroll Preparation
- *Payroll Production/Payroll Accounting (*not currently in scope, but included in Invitation to Negotiate to obtain pricing for service)
- Collection and accurate reporting of Time/Attendance/Leave
- Administration of Workers’ Compensation Program
- Administration of Benefits Enrollment, Flexible Spending Accounts, and eligibility for participation
- Retirement Benefits Enrollment
WHAT IS BEING CONSIDERED FOR OUTSOURCING?

Transactional Processes and Functions
- Employee Information, Files, and Records maintenance
- Administration of Employee Assistance Program (EAP)
- New Employee Orientation Training and Hire Packets
- Mandatory statewide training (New Employee Orientation, Professional Development Program, Sexual Harassment, Diversity, American with Disabilities Act, etc.)
- Generation of standardized reports and capability to query information
- Collection of data to assist in administration of EEO/Affirmative Action Plans
- Maintenance of organizational charts
INDUSTRY TRENDS

- The amount of emphasis placed on various HR activities is shifting from a reactive and administrative focus to leadership and proactive business-related activities.

- Outsourcing transactional functions and processes will streamline the administration and delivery of HR functions making more time for value-added activities (strategic direction, policy and compliance, program management, governance).
<table>
<thead>
<tr>
<th>Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America</td>
</tr>
<tr>
<td>Dow Chemical</td>
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<tr>
<td>Time Warner</td>
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<tr>
<td>Eastman Chemical</td>
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<tr>
<td>IBM</td>
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<tr>
<td>AT&amp;T</td>
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<tr>
<td>Westinghouse</td>
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<tr>
<td>Federal Express</td>
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<tr>
<td>Hewlett Packard</td>
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<tr>
<td>American Electric Power</td>
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<tr>
<td>JC Penney</td>
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<tr>
<td>Allstate</td>
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<tr>
<td>Proctor and Gamble</td>
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<tr>
<td>KPMG</td>
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<tr>
<td>Microsoft</td>
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<tr>
<td>BP/Amoco</td>
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<tr>
<td>Dell</td>
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<tr>
<td>Motorola</td>
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<tr>
<td>Armstrong World Industries</td>
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<tr>
<td>Marriott International</td>
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<tr>
<td>Sears</td>
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<tr>
<td>McGraw-Hill</td>
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<tr>
<td>AMP Incorporated</td>
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<tr>
<td>Commonwealth Edison</td>
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<tr>
<td>Mayo Clinic</td>
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<tr>
<td>Whirlpool Corporation</td>
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<tr>
<td>John Hancock</td>
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<tr>
<td>Sun Microsystems</td>
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<tr>
<td>General Electric</td>
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OUTSOURCING IN THE COMMERCIAL SECTOR

- Gartner Group
  - 28% of Outsourced Operations are in the Transaction Processing Arena
  - Transaction Processing Arena is the “Fastest Growing” Segment of Outsourcing

- People Solutions, Inc.
  - 80 percent of the cost of running an HR department is transactional
GOVERNMENT OUTSOURCING TRENDS

- Federal Level - Commercial Activities Program (OMB Circular A-76)
  - Department of Defense
    - Positions Under Consideration Range from 200,000 to 300,000
- State and Municipal
  - Texas and Virginia -- Highly Successful
  - Indianapolis, Seattle, and San Diego
WHAT ARE THE BENEFITS?

- Allow agencies to focus on core business and mission
- Better service for our employees and managers
- Reduce expenses - $73.4 million “As Is” costs – 1287.5 FTE’s
- Cost avoidance – estimated $65 - $90 million to replace COPES
- Redirect savings to accomplish other priorities
- Access to “state of art” technology – improve services for employees and supervisors
- Leverage technology with HR administration best practices (case management, cost accounting, analysis, data collection)
- Improve applicant services: one application - multiple vacancies
- Improve ability to communicate and provide information – links to other sites, programs, resources
- Partnership with industry for enterprise solution – we shouldn’t automate an inefficient process
WHAT ARE THE BENEFITS?

- “Real time” answers to status, approvals, benefit eligibility; 24/7 access and action
- Automation of routine transactions – uniform business rules, routing shortens time needed for approval
- Redeployment of personnel to higher talent uses
- Redefinition of the HR Function itself
- Assist in making the transformation to an E-Culture, enable employees to learn on their own and access their own information – self-reliance and ability to make better decisions
- Managers will have time for “high touch”, coaching, mentoring, and performance evaluation, efficiency, and productivity
WHAT DO WE NEED TO GET THERE?

- Request for Information – 14 vendors responded
- Unique Needs and Requirement of Agencies
- Inventory of FTE’s and Functions
- Assembled team of stakeholders to assemble and review information – workload and transactions
- Determined “As Is” Costs for Business Plan
- Invitation to Negotiate (Released on 3/22/2001)
- Intent to Award announced on September 5, 2001
- Agency involvement – workgroups for policy, transition, residual organizations, evaluation, implementation, etc.
- Finalization of terms of contract
- Timeline to implement: January 1, 2002 – December 30, 2002
SELECTION FACTORS

- **Past Performance**
  - Specialized experience
  - Similar project experience

- **Technical**
  - Requirements capability
  - Compliance with State and Federal laws
  - Interface with existing systems
  - Contingency Operations
  - Transition Plan

- **Management**
  - Location (Management, operations, contingency capability)
  - Personnel matrix
  - Quality Control Plan
  - Hiring Our Employees

- **Cost**
  - Reasonableness (Competition and State “As Is” costs)
WHAT WILL YOUR AGENCY LOOK LIKE

- Personnel to handle discipline, grievances, labor relations, and policy development
- Contract administration -- Person to person interface with provider on behalf of the agency
- Residual organization – Focus on Management and Policy
- Retain “Government in Nature” responsibilities only – routine transactions will be outsourced
EVOLUTION OF HR

- **Administrative Experts (Process Oriented)**
  - Compliance
  - Benefits
  - HR Information Systems
  - Compensation

- **Employee Relations Experts (People Oriented)**
  - Labor Relations
  - Environment, Health, Security, and Safety
  - Diversity and EEO
  - Employee Relations
EVOLUTION OF HR

- **Strategic Partners (Process Oriented)**
  - Strategic Planning
  - Culture and Image
  - HR as a Business Partner

- **Change Agents (People Oriented)**
  - Efficiency and Productivity Improvement
  - Training and Development (Gaps in skills needed and experience)
  - Performance Measurement
  - Organizational Design
  - Workforce Utilization
TIMELINES

✓ 11/28/2000  Agency Heads - Briefing on Project
✓ 12/4-7/2000  Q&A Sessions with Agency Heads & Cabinet
✓ 12/07/2000  Established Working Group – Agency representatives
✓ 12/22/2000  Request for Information Released
✓ 02/06/2001  Completed “As Is” Costs for Business Plan
✓ 03/22/2001  Released Invitation to Negotiate
✓ 09/05/2001  Announced Intent to Award
✓ 09/25/2001  Finalized Business Plan
✓ 10/01/2001  Preparation for Implementation and Transition Planning
  ▪ 12/15/2001  Governor's Budget Recommendations
  ▪ 01/01/2002  Potential Award of Contract

Begin Dual processing of transactions and run parallel systems (January 1, 2002 – December 30, 2002)
THE CONVERGYS SOLUTION