

Outsourcing human resources

Florida's "People First Initiative" takes outsourcing to a new level

BY LESLIE SCOTT

Florida's 20-year-old Human Resource Information System was simply unable to keep up with the demands being placed on it. To make matters worse, programmers had difficulty maintaining and repairing the software, because it was written in an outdated programming language.

With system difficulties becoming commonplace, the Florida Department of Management Services began to investigate the option of buying a new HR software system.

Estimates to replace the system – which supported 29 state agencies, 67 county health departments, the state courts and the justice administration, in addition to providing payroll support for the state university system, Legislature and auditor general – ranged from \$65 million to \$90 million.

With limited funding available, this price tag was much too steep for something that wasn't considered a "core" government function. In addition, Gov. Jeb Bush's directive, known as the Service First Initiative, required all state agency heads to explore public and private sector best practices in their areas. Specifically, the Department of Management Services, which oversees the state's Division of Human Resources, was asked to look at the potential of outsourcing HR functions, since that was becoming a best practices trend.

So in December 2000, the department began work with a consultant to identify its options and determine if outsourcing was the best option. By identifying the activities

that weren't core functions of government, they developed a business case showing that outsourcing a number of processes and functions was clearly the way to go.

With business case in hand, the department released an Invitation to Negotiate (Florida's version of a Request for Proposal) and received responses from interested service providers. Ultimately, Florida-based Convergys Employee Care, a global leader in integrated billing, employee care and customer care services, was chosen as the company that would take Florida to this next level.

The outsourcing agreement

In August 2002, Florida and Convergys signed a seven-year, \$280 million dollar contract that is expected to save the state \$173 million over the life of the contract. It's believed to be the largest government outsourcing project of its kind to date.

"Working with Convergys enables us to provide the highest quality human resources services possible to the men and women who dedicate their careers to public service," said Gov. Jeb Bush. "By leveraging Convergys' service delivery expertise, resources, and technology, we can expand and improve the human resource services our employees receive, while sav-

ing Florida taxpayers millions of dollars."

Convergys, which already has the latest technology to meet the demands of the state's 189,000 employees, will provide the following transactional processes and functions to Florida: staffing, payroll preparation, human resource administration (workforce data management, human resource learning and performance management), and benefits administration (open enrollment and general benefits administration). The contract also provides that Convergys will maintain HR call centers in Tallahassee and its campus in Jacksonville to support the state's contract.

What HR functions are not included in the contract and will remain the state's responsibility? In a nutshell, policy and management responsibilities – maintaining the critical infrastructure of government. These include selection of candidates and specialized recruitment, labor relations, grievances, disciplinary actions, collective bargaining agreements, employee performance appraisals, criminal background checks, and management of employee separations and reductions in force.

Implementation

The outsourcing project, now known as the People First Initiative, is scheduled to

Benefits of outsourcing

- Allows agencies to focus on core business and mission
- Better service for employees and managers
- Reduction of expenses – \$73.4 million
- Estimated cost avoidance – \$80 million
- Redirection of funds to other priorities
- Immediate access to "state of the art" technology and "best in class" services
- Movement of Florida into the e-government forefront

Source: Florida Department of Management Services.

be implemented in four phases, with full implementation by January 2004. The scheduled phases are as follows:

- May 2003 – Staffing
- June 2003 – Payroll Preparation
- June 2003 – Human Resource Administration
- October 2003-January 2004 – Benefits Administration.

No lost jobs

Gov. Bush was clear that he didn't want state employees in the unemployment line because of this outsourcing project. The 1,300 state employees who supported the state's HR functions have all maintained employment. As part of the contract, Convergys was obligated to offer jobs to a number of employees. The rest either remained in their current positions or were offered other positions with the state.

Effects of outsourcing

The Department of Management Services believes all state employees will benefit from the outsourcing. Clearly, there is a projected cost-savings, but it is anticipated that employees, particularly managers and supervisors, will have more time to concentrate on their agency's core services. In addition, there will be self-service portals that will allow employees to change their personal information in the state system, such as an address change or a name change due to marriage.

Take the hiring process as an example of how this system will work. A hiring manager will post a vacancy via the Convergys system. Convergys will solicit applications, receive and input applicants into the sys-

tem, all under the name of Florida state government. The state hiring managers will conduct interviews, make the hiring selections, and then contact Convergys to let them know who they have decided to hire. Convergys will then take over the administrative functions, from sending the letter of hire to conducting the employee orientation. This leaves the hiring manager time to concentrate on core business functions, not routine functions and transactions.

Monitoring success of the Florida-Convergys partnership

The Florida-Convergys relationship has been a true partnership, committed to successful outcomes, said Brian Andrew, senior director for Convergys. "Both sides have done their part and we have worked together to eliminate any obstacles that may have come up."

Bill Simon, secretary of Florida's Department of Management Services, agreed. "People First is about giving world class tools and services for state employees," he said. "We have a unified mission and our efforts have been aligned. Our state employees deserve the best, which is exactly what the process will deliver."

Andrew added that Convergys has seen no significant differences in working with a public-sector entity. "Overall, there are more similarities than differences," he said.

To ensure that both sides are meeting their obligations to the contract, an independent third party contract monitor has been retained to oversee the quality assurance surveillance plan and performance measures.

The contract has guidelines and safeguards in place to assure Florida has a con-

Outsourcing vs. privatization

Outsourcing: Retain ownership of functions (focus on the policy of "what" we do, not the process of "how" we do it).

Privatization: Relinquish ownership of the functions (getting out of the business).

Source: Florida Department of Management Services.

tingency plan should there ever be issues regarding Convergys' performance.

The future of outsourcing in state government

"Outsourcing made perfect sense for Florida because of the huge financial burden the state would have faced in replacing its outdated systems," said Jeff Schutt, president-elect of the National Association of State Personnel Executives and director of the Colorado Division of Human Resources. "NASPE members around the country are monitoring the Florida/ Convergys partnership very closely. If Florida and Convergys are successful, more states are going to look toward solutions such as this."

In addition, Florida already has another project called MyFlaMarketplace, an e-procurement system that will outsource purchasing for the state.

"There's been a high level of curiosity," Andrew said of other state governments. He thinks more states are going to follow the outsourcing route, but maybe not to the extent Florida has with its HR project. "With tight budgets, states are finding outsourcing an attractive solution because of its ability to save them money."

For more information, visit www.myflorida.com/dms/hrm/hrout/HR_Outsourcing_Project.html or www.convergys.com.

— *Leslie Scott is association manager of The National Association of State Personnel Executives, an affiliate of The Council of State Governments.*

Lessons learned

- Establish a steering group to run interference and provide executive level view of the initiative.
- Involve the personnel directors in the agencies.
- Make sure you have commitment, not just involvement.
- Have a good data collection plan.
- Communicate with employees early, often and honestly.
- Numbers are the language of management; have your house in order.
- Expect a battle around every corner; this is major change.
- Be patient and persistent.

Source: Florida Department of Management Services.