Florida’s People First Initiative: Should State Government Personnel Services Have Been Privatized?

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Action Report
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Problem Statement

The People First initiative involves outsourcing the State of Florida’s human resource responsibilities, which was previously primarily handled by the personnel offices of state agencies. Policymakers believe that the State of Florida would receive a number of benefits from outsourcing the human resources administration, staffing administration, payroll administration, and benefits administration services. The People First initiative was supposed to provide world-class tools and services, including staffing, human resources administration, payroll preparation, and benefits administration. The initiative eliminated 1,287.5 Full Time Equivalent positions across 30 agencies¹.

Implementation began on August 21, 2002, under a contract between Convergys Customer Management Group, Inc. (the service provider) and the Department of Management Services. Convergys, the service provider, began providing the services, activities, and tasks according to the following timeline:

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<tr>
<th>Function</th>
<th>Go-Live Date</th>
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<tr>
<td>Staffing Administration</td>
<td>May 1, 2003</td>
</tr>
<tr>
<td>Payroll Administration</td>
<td>June 1, 2003</td>
</tr>
<tr>
<td>Human Resources Administration</td>
<td>June 1, 2003</td>
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<tr>
<td>Benefits Administration</td>
<td>January 1, 2004</td>
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The present research investigates problems reported by state employees in regards to staffing, payroll administration, human resources administration, and benefits administration. After the implementation of the Convergys contract, problems with the People First system began to emerge. The problems became noticeable when Convergys began providing payroll administration services. State of Florida employees have pointed out such problems as chronic payroll errors, cancellation of insurance or other
benefits for employees, mistakes in withholding of taxes, duplicate salary payments, extremely long waits on the phone, and misinformation from the help line.

The research focuses on the decision by the State of Florida to outsource its human resource functions. Problems with the People First system were encountered after the initiative was implemented, but disagreement exists among policymakers over the issues of whether appropriateness and effectiveness of outsourcing.

This paper examines the People First business plan and contract and evaluates their scope and quality. At the same time, alternative ways that the state could have proceeded are identified and assessed. The policy options that are considered for correcting the known problems are:

- Contracting out personnel services for a smaller number of agencies;
- Outsourcing a smaller number human resources services, and
- Ending People First and purchasing new software to update the State of Florida’s personnel system so that the human resource services can be provided in-house.

The problem is significant in public administration because governments across the country are under pressure to do more with less. Governments have been experimenting with providing services by contract rather than directly. Critics of privatization argue that contracts create numerous accountability problems, sometimes sacrifice service quality for efficiency and financial savings, and often fail to increase efficiency or reduce costs (14).

Outsourcing is a management approach that allows operational responsibility for enterprise processes or services to be delegated to an external agent (11). The contract
development process is an integral part of outsourcing because it formalizes the relationship between “outsourced” and “outsourcer” (11). Research has found that three capacities need to be considered and addressed when developing contracts for outsourcing: feasibility capacity, implementation capacity, and evaluation capacity. Feasibility involves the capacity to make or buy the good or services (11). The implementation capacity involves the capacity to bid the contract, select a provider(s), and negotiate a contract (11). The evaluation capacity involves the capacity to assess the contractor's performance (11).

In public administration, public managers and officials often fail to establish an effective contract management process. In the absence of the capacity to monitor and audit contracts, governments may be unable to determine whether the vendor has delivered the service according to contract specifications (12). Therefore, expanding the scope of government’s capacity to include contract management is necessary in a world in which governments are increasingly providing services through contracts or alternative delivery arrangements.
Background and Literature Review

According to Chapter 110 of the Florida Statutes, the Department of Management Services office of human resource services helps state agencies administer more efficient and effective human resource programs by providing technical assistance, training, and information in the form of:

- development of policy and program manuals and guidelines;
- administration of classification and compensation plans;
- development of statewide program reports;
- administration of training and professional development programs; and
- providing administrative oversight and management of the personnel information system to support human resource processes and transactions.

The responsibilities listed above are assigned to all State of Florida agencies including the Department of Management Services. All State of Florida agencies and the Department of Management Services are required to abide by the statutes listed above because accurate records need to be maintained for personnel records.

It is the goal of the Department of Management Services to make the state personnel system the model human resource system for the public sector. Through partnerships with entities from the private and public sectors, the Department of Management Services human resource management administrators researches and analyzes trends, innovations and best practices to incorporate these into key human resource policies, practices and strategies to ensure the effective management of the State's most valuable resources.

The problems with staffing, payroll administration, human resources administration, and benefits administration evolved when the Governor directed the Department of
Management Services to research the feasibility of outsourcing the human resource functions of state agencies. The decision to outsource was made after the Department of Management Services composed a business plan that documented the process, methodologies and findings of the outsourcing initiative¹. After the decision was made to outsource the State of Florida’s human resource functions, the Department of Management Services was assigned the responsibility of overseeing the outsourcing initiative.

The contract between Convergys Customer Management Group Inc. and the Department of Management Services required controls to be in place contractually before human resource services were to be outsourced. The requirements that were to be in place contractually were:

- **No Infrastructure Costs**: there are no additional infrastructure investments beyond those in Section 2.7, required of the Department in order for Service Provider to provide the Services and the Department shall provide the Service Provider with access to existing State systems as may be needed for Service Provider’s performance hereunder (10).

- **Management Program**: provide a highly innovative, entrepreneurial, and efficient management program that challenges the status-quo and existing cultures in formulating and implementing high quality, timely and cost-effective human resource/personnel services. The program must embody sound financial concepts that result in appropriate costs while continuously focusing on improving customer support (10).

- **Quality**: application of quality concepts and performance monitoring through meaningful indicators that leads to continuous process improvement (10).

- **Cooperative Relationship**: form a cooperative relationship between the Department and the Service Provider that establishes a mutual understanding of the requirements, and roles and responsibilities of the Parties (10).
• Self Service Functions: provide the Covered Population with a means of self-service through a web-based approach that is supplemented by additional electronic means, including but not limited to e-mail, facsimile and IVR (10).

• Clear Goals and Measures: provide for clearly defined goals supported by detailed task requirements (10).

The contract is monitored by the Department of Management Services through periodic meetings that were mutually determined by Convergys Customer Management Group Inc. and the Department of Management Services. The meetings include monthly performance review meetings, a quarterly management meeting to review status of ongoing tasks, schedules, changes, problems, and such other matters as appropriate, and an annual planning meeting (10).

The benchmarks used in assessing the performance of the contract are performance metrics. Performance metrics apply to the delivery of Services to the State of Florida by the Service Provider during the term of the contract (10). The contract has 24 performance metrics that apply to all of the outsourced functions (Appendix 1). The Department of Management Services requires Convergys Customer Management Group Inc. to submit a report for each Performance Metric by the 5th day of each month for the previous month. The report must indicate whether the Service Provider met the Performance Metric and must include all supporting data (10).

The decision to outsource human resource service was based on anticipated improvements in services and reduction in costs. The initial problems began when the Convergys Customer Management Group Inc. started operating the State of Florida’s first
human resource function to be contracted out, staffing administration on May 1, 2003. Payroll administration and human resources administration started being operated by Convergys Customer Management Group Inc. on June 1, 2003. The final human resource function to be undertaken by Convergys Customer Management Group Inc. was benefits administration, which was given to Convergys on January 1, 2004.

The problems associated with the People First initiative include chronic payroll errors, cancellation of insurance or other benefits for employees, over withholding of taxes or duplicate payment of salaries, extremely long waits on the phone and wrong information given out by customer-service employees on the help line². The number of calls being received daily reached 3,735 in November regarding benefits and insurance questions³.

Doug Darling, director of finance and accounting for Chief Financial Officer Tom Gallagher, addressed problems associated with the initiative. Darling said “there has been an increase in payroll and benefit errors since People First was phased in last year.” The increases have been in the number of overpayments, no-payments and benefits issues. The Department of Banking and Finance was canceling about 200 checks per month because of errors by People First, but now they are averaging well over 1,000 and sometimes they are going up as high as 1,700 per month in cancellations due to errors³.

There have been reports that the problems associated with the People First system have been improving since January 2005. It has been reported that the volume of calls has decreased from 3,735 on January 24, 2005 to 1,153 on February 24, 2005³. Officials working closely with the People First initiative have reported that the average waiting time on the help line was 21 minutes in January but that some callers were still waiting 45 minutes or more. Chris Emerick, the Convergys Vice President for public-sector
operations, stated that the wait time for callers was down to eight minutes in the first part of February and the average wait time was around three minutes³.

Policymakers in the legislative and executive branches disagree about how much improvement has occurred since the problems first became evident. Convergys executives and the chief state manager of the People First system recently told legislators that the service is improving in the privatized personnel system. Convergys executives believe the system is working as designed and that the service is improving in the privatized personnel services. However, some lawmakers in Tallahassee believe many improvements have really been made. Some Florida legislators disagree and explain that waiting times on the Convergys help line and other errors associated with the People First system are still occurring. Also, according to State of Florida employees, the problems are still continuing, and it is extremely difficult to work with Convergys to fix the problems when errors are made (8).

The state’s previous personnel information system, the Cooperative Personnel Employment Subsystem (COPES), is approximately 20 years old and involves significant paper-driven processes, interface challenges, and operates in a proprietary mainframe/limited technology environment (not web accessible, limited employee access to data and limited management tools). Moreover, because of its age, COPES must be replaced. To upgrade the system would cost over $80 million on software.

The objective of the Department of Management Services outsourcing project is to obtain a world-class service provider of HR, payroll, and benefits services. The current scope of the services impacts 1,384 full time equivalent (FTE) positions across 30 agencies. The baseline scope of services includes:

- Time, attendance, and leave
• Basic recruitment services
• In-process services
• Employee record management
• Gross pay calculation
• Benefits and flexible spending account management
• Retirement enrollments
• State training (not agency specific)

According to outsourcing advocates, the State of Florida will receive a number of benefits from outsourcing the HR, payroll, and benefits services. The State will avoid the cost of rebuilding the current Cooperative Personnel Employment Subsystem (COPES),¹ which estimates indicate would cost approximately $65—$90 million. In addition, a successful outsourcing decision means the State would receive the HR, payroll, and benefit services at a lower cost than the current cost of in-house operations¹. Furthermore, a decision to outsource will result in the vendor providing state of the art technology to perform the requested services. Therefore, the State will be able to take advantage of cutting edge technology without having to pay the estimated $80 million dollars in capital cost of building the technology; the result being that the State immediately improves performance and better serves its employees. The costs associated with outsourcing the State of Florida’s human resource functions with Convergys Customer Management Group Inc. for five years is $205 million dollars and the cost for seven years is $278 million dollars with an annual cost of $40 million¹.

The literature reports there are three main arguments against 100 percent outsourcing of the personnel function. The first is that a significant portion of personnel work is so central to the culture and strategic objectives of the organization
that it can be undertaken effectively only by the organization itself (4). Therefore, the personnel system should be retained within the organization since it is an integral element of the business. The second reason that the personnel system should not be outsourced is practical. The occurrence of situations such as industrial disputes with vendors may be unpredictable, but these issues require immediate action (4). It is very difficult to specify such tasks and even more difficult to contract out these services. Finally, the third aspect is that there is not a significant market for the provision of a total personnel system (4).

Traditionally, HR activities have been performed in-house. However, HR activities are increasingly being outsourced. In some instances, HR outsourcing has shown to reduce costs by providing economies of scale, increasing incentives and accountability, and increasing access to specialized expertise (12). In other instances, outsourcing has been found to limit the development of distinctive competencies and to create inefficiencies because contractors lack of firm-specific knowledge and engagement in opportunistic behavior (13). Transaction Cost Economics (TCE) offers a useful framework for understanding the conditions under which HR outsourcing is likely to benefit organizations (12). TCE argues that in acquiring inputs, firms must choose between alternative governance structures. When firms rely on outside suppliers, they are relying on market contracting as a form of governance (12). When they rely on internal employees, they are relying on organizational hierarchy as a form of governance (12).

Transaction Cost Economics believes that governments will and should choose governance structures that minimize the transaction costs associated with obtaining a
desired level of quality (13). Transaction costs usually include unit price, the expected costs associated with forming and maintaining contractual and employment relationships, and the costs associated with monitoring performance and quality (12).

Research has concluded that there are four main reasons for outsourcing in public service organizations, which are: to achieve best practice, to improve the cost discipline skills of managers, to improve the quality of the service and to help senior managers focus more clearly on the core competencies of the organization (5). When outsourcing HR functions, it is important to have flexible contract terms but include identified outcomes and measurable performance standards (14).

Research has concluded that the outsourcing of HR functions has hurt morale among employees in agencies where it is being used extensively or under consideration (14). Kakabadse et. al., 2001, has also reported that outsourcing entails a loss of certain assets, such as:

- Loss of knowledge and skills in providing for particular services;
- Loss of technology and R & D capability;
- Less operational flexibility;
- Lower operational effectiveness;
- Poor use of in-house staff;
- More demotivated staff;
- Greater numbers of staff reductions;
- Lost opportunities in terms of recognizing and dealing with organizational needs and with community needs.

Overall, the literature on outsourcing raises a number of red flags regarding the contracting out of certain services, especially those that are central to an agency’s mission or critically important to the performance of its responsibilities. Most personnel services fall into the latter category, because people do the work of government and their quality,
morale, and terms of employment are primary determinants of the quality of public service received by the citizenry.
Research Methodology and Evaluative Criteria

Research Methodology

The first method used in analyzing data on the People First initiative involves thoroughly reviewing the MEVATEC Corporation Business Plan on Human Resources Outsourcing Initiative. The research on the outsourcing initiative was led by a project team, which was established by the Secretary of the Department of Management Services. The project team consisted of functional subject matter experts and acquisition personnel, representatives from the affected agencies, and contracted consultants¹. A steering committee was established to provide overall project structure and guidance, management oversight, and served as the initiative’s policy-making authority. The steering committee formed working groups to ensure agency participation in planning for the residual organization, identifying tasks and human resource functions, inventory personnel and determining as is costs, implementation and transition planning, and communications. The analysis of the Business Plan on Human Resources Outsourcing Initiative involves examining the methodology and findings that were concluded by the project team and steering committee.

The second method used in analyzing data on the People First initiative involves assessing the contract between Convergys Customer Management Group Inc. and the Department of Management Services. This method examines the contract to determine if it could have been written differently to account for the problems that are currently occurring with the initiative. Examining the contract includes a thorough review of the contract management section in the contract between Convergys Customer Management Group Inc. and the Department of Management Services.
The final method analyzes the data through the legislative reports on the People First initiative to determine if outsourcing the State of Florida’s human resources functions were economically feasible and effective. This analysis includes reviewing the benefits and disadvantages of outsourcing, the costs associated with outsourcing the Florida’s human resource functions or providing the services in house, and the effectiveness of outsourcing the human resource functions versus providing the services in-house.

**Evaluative Criteria**

The first criterion used in evaluating the management policy options involves cost. The cost criterion will examine the costs of outsourcing the State of Florida’s human resource functions versus providing the human resource functions in-house. This criterion determines if there is a cost savings associated with outsourcing the State of Florida’s human resource functions versus allowing the State to continue providing these services in-house. The cost criterion reviews the conclusions found in the Business Plan on the Human Resources Outsourcing Initiative, the Convergys Customer Management Group Inc. contract and the State of Florida legislative reports. The indicators used in examining the cost criterion will be reviewing the costs associated with outsourcing the State of Florida’s human resource functions versus providing these functions in-house.

The second criterion used in evaluating the management policy options involves assessing the effectiveness of the human resource functions. This criterion examines each option and determines which management policy option would be most effective for the State of Florida to use to provide human resource services. The effectiveness criterion examines the different options to try and determine which option provides a
greater benefit to the human resource functions. The effectiveness criterion will review the conclusions found in the Business Plan on Human Resources Outsourcing Initiative, the Convergys Customer Management Group Inc. contract, and the State of Florida legislative reports. The indicators used in examining the effectiveness criterion reviews the effectiveness of outsourcing the State of Florida’s human resource functions versus providing these services in-house.

The third and final criterion used in evaluating the management policy options is functional appropriateness. This criterion reviews the advantages and disadvantages associated with the three options to determine which option best assures that HR functions are effectively handled while at the same time other public sector capabilities are not diminished. The functional appropriateness criterion reviews the conclusions found in the Business Plan on Human Resources Outsourcing Initiative, the contract between Convergys Customer Management Group Inc. and the State of Florida legislative reports. The indicators that used in examining the functional appropriateness criterion will be reviewing the extent to which each human resource function can be outsourced without putting the public sector in jeopardy of being able to guarantee core functions.
Management Policy Options

Option I: Contracting out Personnel Services for a Fewer Number of State of Florida Agencies

The first management policy option would be to contract out personnel services for a fewer number of State of Florida agencies. This option allows for an approved amount of State agencies to have their human resource services outsourced, while the remaining state agencies human resource services are provided in-house. Contracting out the human resource functions for a smaller amount of state agencies allows Convergys to handle the human resource services for fewer of state agencies until and if they begin providing human resource functions for all state agencies.

Contracting out a smaller number of state agencies human resource services gives Convergys the opportunity to begin providing human resource services for the State of Florida on a smaller scale. This option allows Convergys a transition period to work out any problems that may arise before Convergys begins providing human resource services for all state agencies. However, this advantage is offset by disadvantages.

A potential disadvantage of contracting out a smaller number of agencies human resource functions involves the market for potential vendors. Research has found that large-scale projects are likely to attract more bids than small-scale ones, as the potential profits justify investing resources in preparing and submitting bids (6). A second disadvantage of outsourcing a smaller number of state agencies human resource functions, is duplication of work. Public authorities often face a complex and costly bidding process, which is often time consuming and labor intensive (6). Therefore,
having to deal with a complex and time-consuming contract process twice would misuse valuable time, effort and money for the State of Florida.

There have been numerous arguments against 100 percent outsourcing of personnel functions. Therefore, a third disadvantage of outsourcing a smaller number of agencies is that a significant proportion of personnel work is so central to the culture and strategic objectives of the organization that it can be undertaken effectively only by the organization (4). This research provides evidence that personnel should be retained, at least in part, as an integral element of the enterprise. A fourth disadvantage of contracting out a smaller number of agencies human resource services is the potential for service interruptions. Industrial disputes and other problems are unpredictable, but when they occur they require immediate action (4). Therefore, it is impossible to specify tasks precisely enough to contract them out, or to find an external provider that can guarantee immediate and informed responses they are required. The final disadvantage is that there is no significant market for the provision of a total personnel service. This means that the market for personnel services is characterized by hundreds of providers of different specialist services, rather than by large outfits providing complete personnel function (4).

Contracting out personnel services for a smaller number of the state agencies may end up costing the State of Florida additional money. The state will have to pay an estimated $239.3 million over 7 years to the service provider to outsource a smaller amount of state agencies human resource services ¹. The total cost for the State of Florida to end People First and begin providing human resource services is estimated to be $651 million from fiscal year 2002 to fiscal year 2009, which includes the $80 million dollar cost to upgrade the Cooperative Personnel Employment Subsystem (COPES)
The total cost for outsourcing human resource services for fewer agencies is $319.3 million, which includes the estimated $80 million for upgrading the COPES system. This option would cost the State of Florida more money because the state would have to pay for the outsourced human resource functions for some agencies while also paying for software upgrades to the COPES system.

Outsourcing a fewer state agencies human resources’ functions can have positive and negative outcomes in regards to the effectiveness criterion. Research has concluded that outsourcing can improve the quality of the service, which would mean that fewer state agencies human resource services would become more effective (5). Research has also found that outsourcing can help senior managers focus more clearly on the core competencies of the organization, which can lead to having more effective managers in state agencies (5). Finally, it has been determined that outsourcing in the public sector can lead to agencies working to achieve best practice. Achieving best practice may help the entire public service organization as a whole work to become more effective (5).

However, there are downsides to outsourcing. It has been concluded that in order for outsourcing to be effective, it is essential for the government to monitor the contractor. If the contractor is not monitored, the services provided will be inefficient (6). In addition, it has been determined that the quality of services received while outsourcing can be less effective because a significant proportion of personnel work is extremely central to the culture and strategic objectives of the organization and it can only be undertaken effectively by the organization itself (4). Therefore, the outsourced provider may not provide the outsourced services as effectively as the governmental provider because the outsourced providers do not have a vested interest in
the organization. When utilizing an outsourcing initiative, the government leaves the how to aspect of providing human resource functions in the hands of the outsourcing provider, which can lead to having less accountable individuals handle the State of Florida’s human resource functions. Contracting out human resource services for fewer agencies would entail all of the costs and most of the disadvantages of outsourcing. However, the benefits of in-house services would be provided to only a subset of state agencies.

**Option II: End People First and Upgrade the Cooperative Personnel Employment Subsystem (COPES)**

The second management policy option is to end People First and upgrade the Cooperative Personnel Employment Subsystem (COPES), in order for the human resource services to be provided in-house. The COPES system is the state’s existing personnel information system and is approximately 20 years old. This system is a significant paper driven processes, has many interface challenges, and operates in a proprietary mainframe with limited technology environment. This system is not web accessible, allows limited employee access to data and has limited management tools.

However, in order to upgrade the COPES software, it will cost the State of Florida an estimated $80 million dollars. Upgrading the COPES software will allow the State of Florida to improve the technology and operate a state of the art human resource system. Upgrading the COPES system would allow the State of Florida to provide additional human resource services and continue to provide the already functional and
operating services more efficiently and effectively. The basic scope of the transactional services provided by COPES and the human resource staff are:

- Time, Attendance, and Leave
- Applicant and Recruitment Services
- New Employee and Orientation Processing
- Employee Record Management
- Salary and Payroll Preparation Transactions
- Benefits Administration
- Flexible Spending Account Management
- Retirement Enrollment Assistance
- State Mandatory Training (agency specific training not in scope)

Upgrading the COPES software system will provide the State of Florida with a variety of benefits and disadvantages. The first disadvantage of upgrading the COPES system is cost related. Cost is a disadvantage for the state because it will cost the State of Florida an estimated $80 million dollars to upgrade the software. The MEVATEC Corporation Business Plan for Human Resources Outsourcing Initiative argues that the State of Florida should not spend $80 million dollars on software, when there are more pressing needs such as education, care of the elderly, public safety, and transportation. A second disadvantage of upgrading COPES and providing human resource services in-house is the cost of reactivating 1,200 positions that were eliminated under People First.

An advantage of upgrading the COPES software system is that the State of Florida will be able to employ state personnel employees to provide human resource services. However, upgrading the system will require all individuals working in state
agency personnel departments to be trained on the new software. Training all state personnel employees on the new human resources software will cost an estimated $382,265.

**Option III: Outsourcing a smaller number of human resource services**

The final management policy option is outsourcing a smaller number of human resource services for the state. This option allows general human resource functions and recruitment and selection to be outsourced while benefits and payroll administration are provided by state agencies. This option requires the state to purchase new software to update the State of Florida’s COPES system so that benefits and payroll administration can be provided in-house. This option considers the costs for Convergys as well as upgrading the COPES system to determine if costs would be reduced while allowing the state to keep some core human resource functions in-house.

Outsourcing a smaller number of human resource services includes general HR functions for 441 full-time employees and recruitment and selection for 170 full-time positions¹. Contracting out general HR functions and recruitment and selection allows Convergys to provide services for the state on a smaller scale. Providing payroll administration and benefits services in-house allows the state to provide core human resource functions in-house. This option reduces the costs associated with the service provider and allows some core human resource functions to be provided in-house. The estimated costs for outsourcing general human resource and recruitment and selection services would be half of the initial contract price because the services to be outsourced have been reduced by half. However, the state will still need to upgrade the COPES
system with this option because core human resource functions will be provided in-house and the software will still be a priority.

A potential disadvantage of outsourcing only general HR functions and recruitment and selection is that public authorities often face a more complex and costly bidding process, which is often more time consuming (6). A second potential disadvantage of outsourcing the recruitment and selection process is the outsourced provider will be screening resumes for qualifications and reporting deficiencies in resumes to managers (10). Having an outside provider screen resumes for qualifications may cause potential candidates to be passed over because their qualifications do not match the qualifications given to the service provider. The service provider may pass over potential candidates because they do not understand the job position and responsibilities.

Outsourcing fewer human resource services has the potential of costing Florida additional money due to the fact that they will have to pay the outsourced provider an estimated $70 million for general HR and recruitment and selection administration while providing the payroll and benefits administration services in-house. Also, Florida will have to pay an additional $80 million dollars to upgrade the COPES system to provide payroll and benefits administration services in-house. The state will also have to pay personnel employees that provide the payroll and benefits services.

Outsourcing a smaller number of human resource services may decrease the effectiveness and performance of the services because the individuals performing those services are not held accountable by the State of Florida. When employing an outsourcing initiative, the government allows the service provider to determine how the
human resource services will be provided, which can lead to having less accountable individuals handle the State of Florida’s general HR and recruitment and selection services.

Outsourcing fewer core human resource functions and providing payroll and benefits administration services in-house can be advantageous for the state in many ways. First, the state can have increased accountability in the payroll and benefits services they provide because these services will be done in-house. This allows the government to determine how the payroll and benefits services would be provided. Secondly, this option provides reduced costs for the state compared to outsourcing all human resource functions for fewer agencies and providing human resource services for the other agencies in-house. Finally, this option gives the state the opportunity to upgrade the COPES system and work towards providing all core human resource functions in-house and achieve potential savings.
Conclusion/Recommendation for Action

After thoroughly reviewing the proposed management policy options against cost, functional appropriateness and effectiveness, the recommendation for action is to end People First and purchase new software to upgrade the Cooperative Personnel Employment Subsystem (COPES) so that human resource services can be provided in-house. This option will provide more effective human resource services for state agencies because the state will be using human resource software that provides state of the art performance. Secondly, this option allows state employees to provide the human resource functions. These employees will provide quality services in line with the performance expectations created by the State of Florida. Therefore, allowing state employees to perform the human resource services, may allow the state to provide more effective and efficient human resource services and hold state employees accountable for the services that they provide.

Ending People First and purchasing new software to update the COPES system provides the greatest amount of cost benefits to the State of Florida. Even though, implementing this option will cost the state an estimated $80 million dollars for software upgrades, it will allow the state to update technology and provide quality human resource services. This option will end up saving the state money in the future because they will not have to make annual payments to an outsourcing provider.

The final reason for choosing to end People First and purchase new software to upgrade the COPES system is that this option provides the most functional appropriateness to the State of Florida human resource functions. This option will allow the state of Florida to reinstate the former organizational structure and personnel
departments. However, a downside of this option is that the state will need to train all personnel employees using the new software. Research has concluded that a significant proportion of personnel work is so central to the culture and strategic objectives of the organization that it can be undertaken effectively only by the organization. Implementing this option allows for the organization to maintain the human resource functions and provide the services in an effective manner.

The management policy option of ending People First and purchasing software to upgrade the Cooperative Personnel Employment Subsystem (COPES) in order that human resource functions can be provided in-house was chosen over the other two options because it is the most cost effective, provides a greater amount of functional appropriateness to state agencies and more effective in providing the human resource services. The first management policy option of contracting out personnel services for a fewer number of State of Florida agencies will cost the State of Florida more money in the long run. This option will require the state to pay for the outsourcing services and the human resource services for other state agencies that are provided in-house. Secondly, this option was not chosen because public authorities often face a more complex and costly bidding process while negotiating contracts, which is often more time consuming.

The final management policy action, outsourcing a smaller number of human resource services will provide the least amount of functional appropriateness to state agencies. This option will cost the state additional money because they will be paying the outsourced provider for general HR and recruitment and selection services while paying state personnel employees for providing the payroll and benefit administration services. Secondly, this option requires outside provider to screen resumes for
qualifications and this may cause potential candidates to be passed over because there
qualifications do not exactly match the qualifications given to the service provider. The
service provider may pass over potential candidates because they do not fully understand
the job position and responsibilities.

The recommended policy action of upgrading the Cooperative Personnel
Employment Subsystem (COPES) and continuing to provide the human resource
functions in-house will help provides the conclusion that the State of Florida should not
outsource their human resource functions. Upgrading the COPES system and continuing
to provide the human resource functions in–house provides the greatest cost benefits,
provides more effective services and allows the state to receive many benefits.
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<th>Cost</th>
<th>Effectiveness</th>
<th>Overall Functionality</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Option I: Outsource services for a smaller number of agencies</td>
<td>Positive</td>
<td>Negative</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>Option II: End People First, Upgrade COPES</td>
<td>Negative</td>
<td>Positive</td>
<td>Positive</td>
<td>Positive</td>
</tr>
<tr>
<td>Option II: Outsource a smaller number of human resource services</td>
<td>Negative</td>
<td>Negative</td>
<td>Negative</td>
<td>Negative</td>
</tr>
<tr>
<td>Total Outsourcing</td>
<td>Positive</td>
<td>Mixed</td>
<td>Negative</td>
<td>Mixed</td>
</tr>
</tbody>
</table>
References


3  Cotterell, Bill. (2005, February 24). People First Progress Touted: But Optimism Tempered By Local Lawmaker. Tallahassee Democrat, pp 1B, 2B.


8  Cotterell, Bill. (2005, March 3). Senate panel: Convergys’ capability in question. Tallahassee Democrat, pp 1A,2A.

Human Resources, Benefits and Payroll Administration Services.

Contract By and Between Convergys Customer Management Group Inc. and The Department of Management Services.


2.8 Performance Metrics.

2.8.1 General

The Performance Metrics described herein shall apply to the delivery of Services to State by Service Provider during the term of the Contract. Upon completion of the Blueprint Phase, the Department shall approve methodology and calculation of the Performance Metric definition and shall agree with the Service Provider to a specific standard of performance within the Standard Range (“Performance Metric”) set forth herein for each Performance Metric, and the Contract shall be amended accordingly. The Service Provider shall comply with the Performance Metric identified during the Blueprint Phase throughout the duration of the Contract. The Parties have classified Performance Metrics into two levels: Critical and Important. This classification is intended to ensure the Service Provider is properly focused on the Performance Metrics most significant to the Department.

The Performance Metrics shall be measured each month and reported to the Department by Service Provider in accordance with Section 2.8.3.

2.8.2 Performance Credits

Commencing ninety (90) days after transition from the State to the Service Provider’s workforce, in the event the Service Provider fails to meet the Performance Metrics in accordance with this Section, the Service Provider shall credit the Department’s monthly invoice(s) as provided herein.

a. If Service Provider fails to meet the same Critical Performance Metric for two consecutive months, Service Provider shall credit the Department’s next monthly invoice in the amount of one thousand dollars ($1,000.00).

b. If the Service Provider fails to meet the same Critical Performance Metric for a three consecutive months, the Service Provider shall credit the Department’s next monthly invoice in the amount of twenty thousand dollars ($20,000.00). For example, if a Performance Metric is not met for each of the months of March, April and May 2004, the Service Provider shall credit the Department’s May 2004 invoice in the amount of $1000 and its June 2004 invoice in the amount of $20,000.00.

c. If Service Provider fails to meet the same Critical Performance Metric for more than three (3) consecutive months, the Service Provider shall credit the Department’s invoice in each subsequent month invoice in the amount of seven thousand dollars ($7,000.00) for each month the Critical Performance Metric in excess of three months is not met. For example, if a Performance Metric is not met for each of the months of March, April, May, June and July 2004, the Service Provider shall credit the Department’s May 2004 invoice for $1,000, the June 2004 invoice in the amount of $20,000, the Department’s July invoice in the amount of $7,000.00, and the Department’s August invoice in the amount of $7,000.00.
e. Upon mutual agreement of the Parties, Performance Metrics may be suspended from time to time for certain special circumstances including, but not limited to, annual enrollment in the Plans. Accordingly, upon the resumption of adherence to the Performance Metrics, the suspended or excused months shall not be used for purposes of any calculation of Performance Credits. For example, assume that for the period January through July 2004, Performance Metrics during the months of March and April are suspended or excused. The following chart illustrates the months to be considered when calculating whether a Performance Credit shall be applicable:

   January - the first consecutive month
   February - the second consecutive month
   May - the third consecutive month
   June - the fourth consecutive month
   July - the fifth consecutive month

Suspension of a Performance Metric for a month shall not excuse Service Provider from accumulating data relevant to that Performance Metric for that month and reporting such data to the Department as part of the management reports delivered pursuant to the Contract.

f. Notwithstanding anything to the contrary, the total of any and all Performance Credits paid or to be paid by Service Provider pursuant to this Contract shall not exceed two hundred fifty thousand dollars ($250,000) for any calendar quarter.

2.8.3 Reporting

The Service Provider shall provide the Department with a report for each Performance Metric by the 5th day of each month for the previous month. Each report shall indicate whether the Service Provider met the Performance Metric for the Performance Metric and shall include all supporting data. Any Performance Credit due shall be reflected on the Department’s invoices in accordance with Section 2.8.2.
2.8.4 Relief from and Adjustment of the Performance Metrics

The Parties shall negotiate in good faith to provide prospective relief from or to amend the Performance Metrics in the event that Service Provider is taking all reasonable actions to promptly remedy the cause of the failure to achieve the Performance Metrics.

During the period that additional employees are retained to provide Services as a result of a Change Order or mutually agreed upon modifications to the Services the appropriate adjustment shall be made to the “Exceptions” paragraph of the Performance Metrics to reflect additional capacity based upon per employee capacity.

2.8.5 Performance Metrics

1. The following Performance Metrics apply to all Functions:

**Performance Metric 1 - Authorized Access Management Percentage**

Definition: Authorized Access Management Percentage for any month shall mean the number of times Authorized Access Entry into the State’s database maintained by Service Provider (“State’s DB”) divided by number of times the State’s DB was accessed for the month. Authorized Access Entry shall mean a valid User of the State’s DB information as defined within an approved User Profile. All unauthorized access will be reported to the Department’s Project Manager within one (1) hour of identification by the Service Provider.

Priority: Critical

Standard Range: Greater than or equal to ninety-nine percent (99%).

**Performance Metric 2 - Security Profiles Percentage**

Definition: Security Profiles Percentage for shall mean the number of times Service Provider assigns to a member of the Covered Population a unique security profile, as defined by the Department, within one business day of a status change to such Covered Population member’s master record divided by the total number of status changes occurring during the month.

Priority: Critical

Standard Range: Greater than or equal to ninety-nine percent (99%).

**Performance Metric 3 - Self-Service Availability Percentage**

Definition: Self-Service Availability Percentage for shall mean the time that the Web and IVR are available to the Covered Population divided by the sum of the time the Web and IVR are to be available to the Covered Population as provided for in Section 2 during the month. Measure assumes 7 days a week, 24 hours per day of availability. Any downtime related to a major system enhancement will be agreed to in advance by the Parties.

Priority: Critical
Standard Range: Greater than or equal to ninety-seven percent (97%).

**Performance Metric 4 -- Cycle Time of Fulfillment Percentage**

**Definition:** The Cycle Time of Fulfillment Percentage shall mean, the number of times the Service Provider has mailed information requested by a member of the Covered Population within three (3) business days of receipt of the request, divided by the total number of requests for written information submitted by Covered Population.

**Priority:** Important

**Standard Range:** Ninety eight percent (98%).

**Performance Metric 5 – Abandon Rate Percentage**

**Definition:** The Abandon Rate Percentage shall mean the number of inbound calls from the Covered Population and Covered Entities that are answered by Service Provider divided by the number of calls offered to Service Provider’s queue. Service Provider is not accountable for calls received in which a caller hangs up while the call is being routed, prior to being offered to the Service Provider’s queue or within twenty (20) seconds of entering the queue.

**Priority:** Important

**Standard Range:** Less than or equal to three percent (3%).

**Performance Metric 6 - Telephone Answer Speed**

**Definition:** Telephone Answer Speed Percentage shall mean the number of Covered Population calls (less abandoned calls) which are answered by a HR Specialist within twenty (20) seconds of the first call ring upon exiting the VRU, divided by the total number of Covered Population calls received by the HR Specialists (less abandoned calls) during the month.

**Priority:** Important

**Standard Range:** Greater than or equal to eighty percent (80%).

**Performance Metric 7 - Forced Disconnect Percentage**

**Definition:** The Forced Disconnect Percentage shall mean the number of calls that are prevented from entering the queue to the HR Specialists
(“Forced Disconnect”) divided by the total number of calls received by the HR Specialists during the month. If Forced Disconnects are necessitated due to exceeding queue capacity, the Service Provider shall notify the State within thirty (30) minutes of the queue capacity being exceeded to approve commencement of continued Forced Disconnects or to approve extension of time allowed for calls to reach the Service Provider’s HR Specialists.

Priority: Important

Standard Range: Less than or equal to two percent (2%).

**Performance Metric 8 – Service Center Contact Answer Percentage**

Definition: The Service Center Contact Answer Percentage for any month shall mean the number of email messages, written correspondence, or inquiries received by Service Provider requiring a response, that are answered within two (2) business days of Service Provider’s receipt divided by the total number of such email messages, written correspondence or inquiries received during the month. Acknowledgement of inquiry or request must take place by the end of the next business day.

Priority: Important

Standard Range: Greater than or equal to ninety-five percent (95%).

**Performance Metric 9 - Call and Case Quality Percentage**

Definition: Call and Case Quality Percentage shall mean the number of contacts that are accurate based on the total number of accurate calls determined through quality monitoring divided by the total number of calls and/or cases monitored for Accuracy by Service Provider in providing the Services during the month. Accuracy means that calls and/or cases monitored shall be accurate and timely based on predefined criteria established by Service Provider and agreed to by the Department.

Priority: Critical

Standard Range: Greater than or equal to ninety-five percent (95%).

**Performance Metric 10 - Case Investigation Resolution Percentage**

Definition: The Case Investigation Resolution Percentage shall mean the number of case investigation requests received by HR Specialists from State that are resolved within two (2) business days divided by the total number of such requests received during the month.
For the purpose of this Performance Metric, “resolved” means: (i) that the case investigation has been closed, or (ii) that the Service Provider has requested (from the Covered Population, or State or other third party Plan service provider) all information or data necessary to resolve the case investigation and is awaiting such information or data.

Priority: Important

Standard Range: The average of the Case Investigation Resolution Percentage for each month of the measuring period shall be greater than or equal to TBD, provided, however, that in any month in which the number of case investigation requests is less than 100, the standard shall be deemed to be met if the number of Case Investigation Resolutions is equal to the number of case investigation requests received reduced by three.

Performance Metric 11 – Data Input Accuracy Percentage

Definition: Data Input Accuracy Percentage shall mean with regard to information received from the Covered Population, the total number of error free data entries divided by the total number of data entries into the system monitored for Data Accuracy by Service Provider during the month, including the accuracy of maintaining the EEO and Gender Parity information needed for reporting purposes.

Priority: Critical

Standard Range: Between ninety-five percent (95%) and ninety-nine percent (99%).

Performance Metric 12 – Customer Satisfaction Rating

Definition: Customer Satisfaction shall mean the percentage of employees, managers, supervisors, personnel officers, applicants and retirees who are receiving timely and accurate Services from the Service Provider. For the first year, the Service Provider will utilize the survey format previously administered by the Department indicating performance and quality monitoring of Services provided and customer satisfaction surveys will be conducted to ensure overall satisfaction of service received. During the Business Process Blueprinting, the parties will agree upon any improvements to the customer satisfaction structure and corresponding impact to the Performance Metrics.

Priority: Important

Standard: The average Customer Satisfaction Rating for the first year period shall be greater than or equal to ninety percent (90%).

2. The following Performance Metrics only apply to Payroll Administration Services
**Performance Metric 13 – Payroll Time and Attendance Data Accuracy Percentage**

Definition: The number of Covered Population time and attendance data entries processed accurately divided by the total number of Covered Population time and attendance data entries received by Service Provider via a web-based self service tool to process during the month.

Priority: Critical

Standard Range: between ninety-seven percent (97%) and ninety-nine percent (99%).

**Performance Metric 14 – Post Leave/Attendance Data Percentage**

Definition: The Post Leave/Attendance Data Percentage for any month shall mean the number of times Service Provider posts leave and attendance data received by Service provider to the web for viewing and printing in PDF format within one (1) business day divided by the total number of times Service Provider receives such data to post during the month.

Priority: Important

Standard Range: between ninety-seven percent (97%) and ninety-nine percent (99%).

**Performance Metric 15 – Pay Affecting Adjustments Accuracy Percentage**

Definition: Process the Covered Populations employee’s compensation data as received from the State within the predefined cut-off dates in accordance with Bureau of State Payrolls annually published deadlines for payroll cycle.

Priority: Critical

Standard Range: Between ninety-eight percent (98%) and ninety-nine percent (99%).

3. The following Performance Metrics only apply to Benefits Administrative Services:

**Performance Metric 16 – Process Status Change Percentage**

Definition: The Process Status Percentage for any month shall mean the number of times Service Provider processes the Covered Population’s elections related to miscellaneous deductions, benefit enrollments, status changes or terminations within five (5) business
days of Service Provider’s receipt of a status change request or prior to the next scheduled payroll submission schedule as established by the Bureau of State Payrolls, whichever is sooner, divided by the total number of times Service Provider receives such status change request during the month.

Priority: Important

Standard Range: Between ninety-seven percent (97%) and ninety-nine percent (99%).

**Performance Metric 17 – Process Retiree Status Change Percentage**

**Definition:** The Process Retiree Status Percentage shall mean the number of times Service Provider processes the retirees in the Covered Population’s benefit elections within three (3) business days of Service Provider’s receipt of a status change request divided by the total number of times Service Provider receives such status change request received during the month. Applications for Retirement received from Covered Population will be forwarded to the Division of Retirement within three (3) business days.

Priority: Important

Standard Range: Between ninety-seven percent (97%) and ninety-nine percent (99%).

4. The following Performance Metrics only apply to Human Resource Administration Services:

**Performance Metric 18 – Process Classification and Organizational Changes Percentage**

**Definition:** The Process Classification and Organizational Changes Percentage shall mean the number of times Service Provider processes requests for Covered Population’s classification changes of the Covered Population to an employee’s record and changes to the organization structure of the Covered Entities to a Covered Entity’s Organization Chart and Structure within five (5) business days of Service Provider’s receipt of such change request divided by the total number of times Service Provider receives such change requests received during the month.

Priority: Important.

Standard Range: between ninety-seven percent (97%) and ninety-nine percent (99%).
Performance Metric 19 – Process Grievance Percentage

Definition: The Process Grievance Percentage for any month shall mean the number of times Service Provider forwards grievances received from the Covered Population to the Covered Population’s supervisor within one (1) business days of Service Provider’s receipt divided by the total number of times Service Provider receives such grievances during the month.

Priority: Important

Standard Range: Between ninety-seven percent (97%) and ninety-nine percent (99%).

6. The following Performance Metrics only apply to Staffing Administration Services:

Performance Metric 20 – Process Requests for Vacancies Percentage

Definition: The Process Requests for Vacancies Percentage shall mean the number of times Service Provider processes a valid request from State to advertise a vacant position on the web within one (1) business day of Service Provider’s receipt of such request divided by the total number of times Service Provider receives such a request during the month.

Priority: Important

Standard Range: Between ninety-seven percent (97%) and ninety-nine percent (99%).

Performance Metric 21 – Process Requests for Applicant Packages Percentage

Definition: The Process Requests for Applicant Packages Percentage shall mean the number of times Service Provider provides to the Covered Entities hiring manager an applicant package via the web within three (3) business days of a job advertisement’s closing divided by the total number of valid applicant’s received during the month.

Priority: Critical

Standard Range: Between ninety-seven percent (97%) and ninety-nine percent (99%).
7. The following Performance Metrics only apply to Records Services:

**Performance Metric 22 – Imaging Percentage**

Definition: The Imaging Percentage shall mean the number of times Service Provider scans and indexes to a Covered Population’s record within five (5) business days of Service Provider’s receipt of documents to be scanned and imaged divided by the total number of times Service Provider receives such imaging requests during the month.

Priority: Important

Standard Range: Between ninety-seven percent (97%) and ninety-nine percent (99%).

8. The following Performance Metrics only apply to Interface Requirements:

**Performance Metric 23 – Transmission and Processing Interfaces**

Definition: On a monthly basis, the total number of transmissions and interface files processed within the pre-defined timeframes divided by the total number of files processed during the month.

Priority: Critical

Standard Range: Greater than or equal to ninety-nine percent (99%).

9. The following Performance Metrics only apply to Contingency Operations Services:

**Performance Metric 24 – Disaster Recovery Percentage**

Definition: The Disaster Recovery Percentage shall mean the number of times Service Provider restores SAP application and database functionality for key Services provided to the Covered Population within twenty-four (24) hours of disaster affecting the Service Provider’s data center in Jacksonville, Florida divided by the total number of times Service Provider is to restore such database operations after a disaster during the month. Maximum data to be restored must not exceed one (1) business day of transactions.

Priority: Critical

Standard Range: Greater than or equal to ninety-nine percent (99%).