

TO: Chair and Members of the Finance & Facilities Committee

FROM: Christopher Mackie, Medical Officer of Health

DATE: 2018 November 1

ENTERPRISE RESOURCE PLANNING – HUMAN CAPITAL MANAGEMENT UPDATE

Recommendation

It is recommended that the Finance & Facilities Committee:

- 1) Receive Report No. 046-18FFC re: “Enterprise Resource Planning - Update” for information;*
- 2) Recommend that the Board of Health approve the outsourcing of payroll services; and*
- 3) Recommend that the Board of Health approve the implementation of a comprehensive Human Resource Capital Management System within the financial parameters identified herein.*

Key Points

- The implementation of a Human Capital Management System will improve efficiencies and support future growth.
- A competitive bid is currently in process to establish a preferred solution.
- The solution will include the outsourcing of payroll services, a more robust time and attendance system, significant reporting capabilities and automation of current manual processes across the Human Resources, Finance, Operations and Information Technology portfolios.

Background

All of the current Human Resources processes including payroll are manually-driven. These processes involve paper records, electronic documents (Word, Excel) and shared network drives. None of these information sources are integrated, which creates inefficient processes and duplication of work. The creation of critical resource planning dashboard reports to support evidence-informed resource planning across the organization is labour intensive and timely.

In addition to the Human Resource (HR) processes, administration of payroll represents higher risk due to key-role dependency and limited cross training or back-up resources with comprehensive knowledge of the manual payroll system. The cross training risk was addressed recently but the inefficiency of the process cannot be addressed without an investment in new software and outsourcing of payroll administration to a competent team of resources.

ERP Requirements

Processes impacted by implementation of a Human Capital Management (HCM) System include the following:

- A. Talent Management (recruitment, on-boarding, performance management)
- B. Learning and Development (e-course delivery, tracking of Continuing Education Credits)
- C. Employee Management (Employee and document management, Employee self-service)
- D. Time & Attendance Management (eliminating paper tracking for dual reporting, vacation and shift scheduling)
- E. Reporting and Dashboard Capabilities
- F. Payroll and Benefits Administration

Benefits of a Human Capital Management System

A Price Waterhouse Coopers (PWC) study completed in March 2012 investigated the opportunity costs of operational inefficiencies in payroll and HR administration. This study of 150 organizations determined the average cost to maintain separate systems is \$200 per employee per year. This represents a \$68,000 cost to MLHU for operating multiple payroll, time and attendance, and HR data administration systems which are not integrated. This figure represents time efficiencies for all MLHU staff that could be reallocated from less task-focused processing responsibilities to more strategic functions. Similarly, studies investigating the Return on Investment related to workforce management have found the payback period is approximately two years or less.

Aside from the financial benefits from of the implementation of a HCM system, there are a number of other considerations. The risk of non-compliance from both a legal and regulatory perspective is mitigated as a third party provider will ensure systems are up to date in an ever changing landscape. Support for payroll and HR processes are also enhanced through dedicated consultants. Employee experiences are also improved through mobile device applications, self-service, recruitment and onboarding. These streamlined processes have been found to improve employee engagement and reduce turnover.

RFP

As a result, the Middlesex-London Health Unit issued a Request for Proposal 18-04 on October 12th for a comprehensive Human Capital Management System which would include outsourcing Managed Payroll Services. This RFP will close on October 26th. Initial cost estimates for this proposal are approximately \$175,000 annually for license and outsourcing related costs and up to \$90,000 for one-time implementation fees. These costs will be funded through offsetting efficiencies within the Healthy Organization Division.

Next Steps

Upon approval from the Board of Health the Healthy Organization Division will proceed with the implementation of a Human Capital Management System. Results of the RFP will be provided at the next Finance and Facilities Committee meeting.

This report was prepared by the Healthy Organization Division.



Christopher Mackie, MD, MHSc, CCFP, FRCPC
Medical Officer of Health / CEO