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Update on Outsourcing:
PAIE safe for now, SHIF claims processing “warrants further consideration”

Earlier this year, the Staff Union learned that the Office was considering outsourcing or offshoring the Payroll Processing and SHIF Claims functions.

As we informed you in Bulletin N° 1411, the Union placed the issue on the agenda of the March session of the Joint Negotiating Committee, and has kept the item on the JNC agenda in all subsequent sessions. During this time, the Union expressed its deep concerns regarding the human, organizational and political implications of such measures. It noted that, for an Organization based on the principle that “labour is not a commodity”, the outsourcing of such key functions simply for economic reasons could have serious negative impacts.

The Chairperson of the Staff Union Committee raised this as one of the main issues in his statement to the March Governing Body, calling on the Office to “practice what it preached” and engage meaningfully on this and any future restructuring schemes.

During the course of the feasibility study, the Union worked together with the affected staff, assisting them in preparations for their meetings with the consultants. The Union also produced a series of comments to the Dalberg¹ report:

<http://www.ilo.org/public/english/staffun/info/communiques/dalberg.pdf>. These included:

- Critiquing of the fact that the potential cost-savings are quantified, while the costs of risks associated with outsourcing were not. The report noted, however, that the risks were numerous and some quite considerable;
- Highlighting the “costs” associated with the human impact of such a restructuring, both on the staff, and in the case of the SHIF Claims, former ILO officials;

¹ Dalberg Global Development Advisors was contracted by the Office to carry out the feasibility study. Dalberg counts among its many interventions within the UN Common System the study which led to the outsourcing of multiple administrative functions from the World Health Organization to Kuala Lumpur.

- Noting that the maximum cumulative savings (which in the opinion of the Union were themselves artificially over-inflated, due to the fact that the consultants incorrectly included certain costs which had already been budgeted) would represent less than 0.1% of ILO's annual budget, thus rendering the impact proposed offshoring and outsourcing negligible.

The Office concluded that it would not be feasible at this stage to outsource or out-post the Payroll Processing Function. However, PAIE is not out of the woods yet, with the roll-out and stabilization of IRIS in the field expected to lead to a further review of the situation.

Moreover, despite the inputs from the Union, and with no meaningful consultations between the Union and management following the results of the Dalberg study, The Office decided that SHIF claims processing would be the subject of further analysis, with another more detailed cost-benefit analysis being undertaken by Dalberg. The Staff Union made a specific request to comment on the Terms of Reference for this study, but the Office moved forward without providing such an opportunity. We understand that this was also the case for our representatives on the SHIF Management Committee. This unfortunate lack of dialogue is once again problematic, in that numerous serious concerns with the methodology could have been raised in advance, ensuring that the outcomes of the study would be more relevant for the staff.

As we move into the phase of the cost-benefit analysis, the Union, including its Former Officials' Section, plans to work closely with the Participants' Representatives on the SHIF Management Committee to ensure that the concerns of all participants are fully taken into consideration. It is hoped that the next phase will lead to greater consultation² in order to ensure a level of confidence in the process, and in any changes which may result.

We will, of course, keep you informed throughout this process. Do not hesitate to contact the Union Secretariat (syndicat@ilo.org), or your representative, for more information.

² As agreed through the Joint Negotiating Committee's *Guidelines for Managing Change and Restructuring Processes* (<http://www.ilo.org/intranet/english/jnc/download/guidelines.pdf>)