



Staff Union



Comments on the Feasibility Study on “Centralizing Selected Processing Functions outside ILO Headquarters” following the Meeting between the Staff Union (C. Land-Kazlauskas, S. Delaprisson, R. Morélot), Dalberg Consultants (W. DeWit, A. Viegner) and ED/MAS (M. Buchholz)

June 2010

1. First, the Union is appreciative for what is, by all accounts a relatively objective report, presenting the risks and potential savings in an understandable and straightforward fashion. We also found the consultants to be professional, understanding and courteous in their interactions with the staff.
2. To date, the Staff Union has not received any clear explanation as to the impetus behind the current study. The Office has explained that the feasibility study was carried out in line with Paragraph 78 of the Programme and Budget, which reads:

“78. Administrative methods of work will also change. Process re-engineering will identify opportunities for streamlining and efficiency. New structures will be explored such as the establishment of shared service centres linked to the roll-out of IRIS to the field as well as the location of some centralized administrative processes in the regions.”

However, a number of questions remain as to the justification and overall objectives of such a study:

- Can such cryptic language delivered in the middle of a 100+ page document represent the “*explicit approval of governing bodies*” recommended by the Joint Inspection Unit?¹ Indeed many of the Governing Body members consulted on this issue were unaware of a desire by the Office to consider offshoring or outsourcing services.
- Based on the P&B text, as well as the title of the Feasibility Study, it is very difficult to understand how the possibility of outsourcing was envisaged by the Governing Body / ILC.
- Representatives of the Administration seem to have different understandings of what was being proposed, with some suggesting that outsourcing was being used only as a baseline (with *status quo* and offshoring being the only proposals being considered), whereas the Dalberg study seems to consider outsourcing as a valid option.
- There is nothing in the P&B or in the Feasibility Study itself which points to the need to realize specific cost savings, providing targets for savings to be achieved. This makes it difficult to contextualize the study. The Office has only been able to provide the explanation that the study represents

¹ JIU/REP/2009/6. *Offshoring in United Nations System Organizations. Offshore Service Centres*

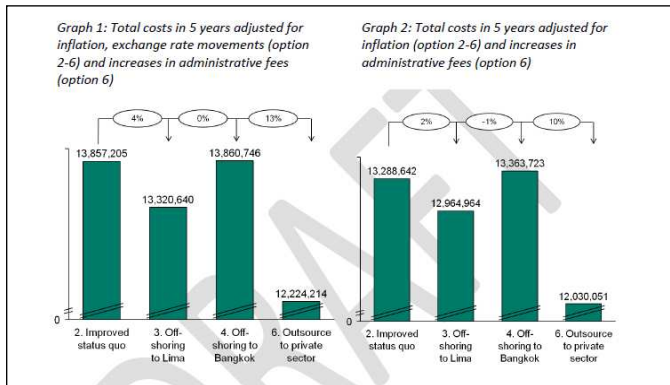
“due diligence” for the Office, as many within the United Nations were also considering outsourcing and offshoring.

3. Although the potential cost savings are quantified (we stress that these are estimates, as they do not take into account all elements of potential future costs), the risks associated with outsourcing / offshoring of PAIE and SHIF claims are not. However, the report itself recognizes these risks to be numerous, and some are expected to have a serious impact. In order objectively assess the proposals contained in the report (to compare “apples to apples”), the actual costs associated with the various risks would need to be quantified, even if only through estimates.
4. In this regard, the Union reiterates that the term “costs” must clearly include psychological and social costs for the staff concerned², as well as active and former officials who make use of the services³. This is in addition to the well-documented political and symbolic costs of offshoring or outsourcing within a values-based organization such as the ILO.
5. While not a formal aspect of the Feasibility Study’s terms of reference, one element that could have been more explicitly reflected in the study – and having an important impact on costs – is what the Office’s intentions are for the affected staff. Is the intention to re-deploy all staff? How have the costs associated with this been taken into account?
6. It appears from the document that the maximum cumulative savings which could be realized through outsourcing the SHIF claims and offshoring the Payroll functions would represent approximately \$400,000 per year. It is essential to note that this sum represent less than 0.1% of ILO’s annual budget. This should be reflected in the report.
7. When taking into account both the risks, and the costs associated with these risks, and the actual level of potential savings realized should the offshoring and outsourcing proposals be implemented successfully, it becomes clear that the risks and costs far outweigh the benefits.
8. With regard to the graphs displayed on pages 9 (for the SHIF) and 12 (for PAIE), the Union pointed out that the presentation of the information was misleading due to the fact that a large portion of the chart was cut off. As presented, these relatively small differences (which ranged, with one exception, between -1% and 8%) tended to be artificially overstated.

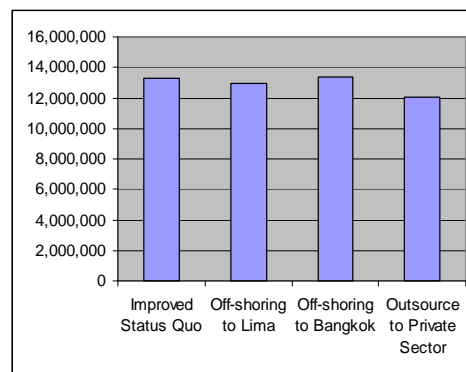
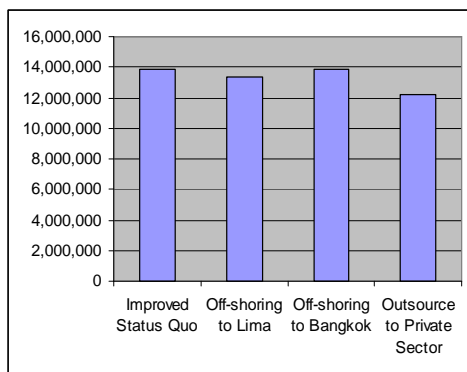
² These could have serious economic costs to the Organization related to: retraining for re-deployed staff, and more importantly stress, motivation and productivity issues related to staff who are placed in a difficult transitional period. These costs could have been – and arguably should have been estimated in the report. There are additional “knock-on effects” that these events may have on staff, for example in those departments receiving the re-deployed officials, or for the staff as a whole.

³ This is particularly true in relation to the treatment of SHIF claims. While the “costs” in this instance will be largely borne by those concerned, it must be said that inordinate delays in processing claims could lead to serious dissatisfaction, which could be held against the Organization, and reflect poorly on the SHIF as a whole.

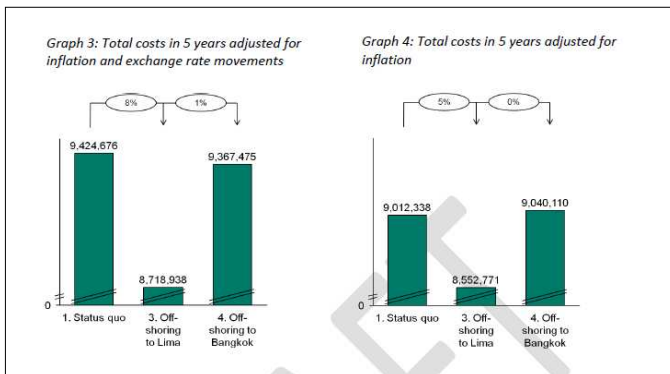
Graphs 1 and 2 from Dalberg Report



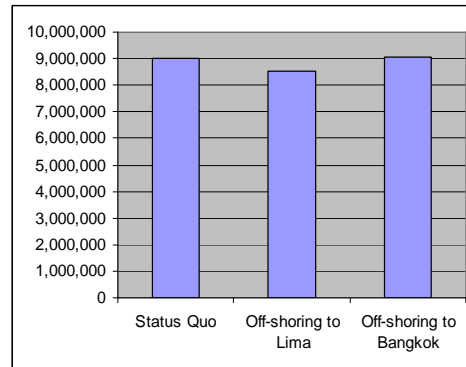
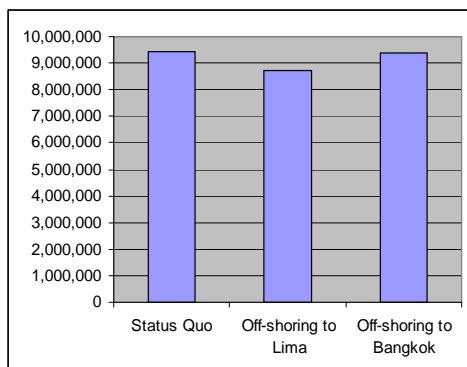
Graphs 1 and 2 from ILO Staff Union Recreation



Graphs 3 and 4 from Dalberg Report



Graphs 3 and 4 from Staff Union Recreation



The above comparisons between the Dalberg graphs and those which the Staff Union have recreated to represent the actual differences clearly illustrate this phenomenon. As such, the Union would recommend that the graphs be re-designed, or the information presented in some other way which is more accurate and less misleading.

9. While it is true that the costs of upgrading the HRIS system will be addressed differently if the SHIF claims are outsourced, the Staff Union is unsure why such a cost, which has been well-known for a long time is being taken into account in this study. In fact, it is our understanding that the necessary financial provisions for undertaking this upgrade have already been made. As such, these costs should not figure in the calculations of the “Improved Status Quo” as indicated in the Dalberg report. The Union recommends that these costs be set aside, and the comparison be made between “Status Quo” (which would actually be the improved status quo, but with the costs being covered by other means), offshoring and outsourcing.
10. The Union has serious questions regarding the proposed solutions which seek to ensure the smooth running of SHIF services. The proposal of keeping certain functions in-house (executive secretary, assistant, help desk) while outsourcing the claims management functions seems not to have been fully thought through. In particular, serious questions remain as to the relations between the in-house and outsourced functions, the end-users, the ILO Administration and the SHIF Management Committee. It would thus be premature to take any actions in relation to this proposal without further analysing the inter-linkages between the various actors, and how an outsourcing arrangement could impact on those relationships. This seems to have been understood better in relation to PAIE, as the interactions between the service and other key functions are more clearly delineated.
11. With respect to the “Qualitative Risk Assessment,” the basis for rating the impact and likelihood of particular risks are arbitrary. There is no objective measure for impact or likelihood, and they seem to have been arrived at through a subjective assessment of the experiences in other organizations. The population of organizations is entirely too small for any real conclusions to be generalized from their experience. In addition, the organizations considered vary widely in their size, locations, mandate and composition.
12. The impact of outsourcing the SHIF claims to a private company outside of Geneva will be considerable, in particular on former ILO Officials. Not only are there a significant number of retired ILO staff residing in the Geneva area, but the special needs of some retirees requires a level of personalized care which a private company outside Geneva could not provide. The Union laments the fact that the consultants were unable to consult the Former Officials’ Section of the Staff Union, when the Union itself offered to set-up such a meeting.
13. Based on the information provided in the Dalberg report, the Union is of the impression that the risks – including the estimated costs associated with such risks, which should have been reflected in the report – when compared with the

estimated cost savings relative to the annual operating budget of the ILO, render the proposed outsourcing / offshoring *a priori* inconsequent.

14. Should there be a real need to cut costs in the future, the Union stands ready to meet with the Administration to consult and brainstorm solutions which could realize savings through lower-risk solutions.