**NEXT GENERATION HR AND PAY INITIATIVE**

**Issue**

Treasury Board of Canada Secretariat (TBS) is leading the Next Generation HR and Pay initiative: an effort to develop a new Human Resources (HR) and pay solution to replace the current Phoenix pay system.

**Background**

Since problems with the Phoenix pay system began to surface in early 2016, the Government of Canada has been working to stabilize the system. While this required work continues, the Government of Canada has committed to finding options for an alternative, long-term, and sustainable Next Generation HR and pay solution. In Budget 2018 an allocation of $16 million over two years was announced to support these efforts.

In July 2018 the Next Generation HR and Pay team was established under the Chief Information Officer of Canada, in collaboration with the Office of the Chief Human Resources Officer. This team was mandated to bring forward recommended options for a new HR and pay solution to replace the current Phoenix pay system. Based on lessons learned from Phoenix, this solution will consider both HR and pay as these functions are so closely intertwined that an integrated solution is required to be successful.

In order to inform future recommended options, the Next Generation HR and Pay team is currently working through an agile process, in which iterative conversations are being held with industry and stakeholders to understand what possible technological solutions are available. Feedback obtained through these conversations will in turn inform the Government of Canada’s business requirements, enabling course-corrections throughout the procurement as information is presented or discovered (attached as an annex is more detail on this gated agile procurement process).

While work is being advanced to identify a replacement to Phoenix, understanding the change management and business transformation which may be needed to support a new solution is critical to its success. To this end, the Office of the Chief Human Resource Officer will lead the development of a Business Transformation Framework to be able to provide advice on the level of change that may be required based for a new solution(s).

In addition, to ensure that technology is not driving the Next Generation HR and pay solution and that the user is at the heart of this process, the Next Generation HR and Pay team is engaging with users, including but not limited to, employees, HR practitioners, compensation advisors, managers, and bargaining agents. Engagement with heads of HR, Chief Information Officers (CIOs) and Chief Financial Officers (CFOs) is also occurring so as to understand how the implementation of a new HR and pay solution will work and what level of effort would be required in terms of change management, data migration, and transformation so that new solution can be successfully implemented.

**Considerations**

The agile procurement process for a technology solution (which will be Software as a Service) is currently in its last gate and is expected to close April 2019. Following the completion of this process, recommended options will focus on identifying a maximum of three possible vendors and systems that would then be piloted with select department(s) or agency(ies). The scope, as well as the identification of possible pilot departments or agencies is still to be determined and will be the focus of efforts over the next four weeks.

In order to pilot any options, additional funding will be required. While existing funding provided in Budget 2018 will be leveraged ($8 million for 2019-20), discussions with the department of Finance in the context of Budget 2019 have been ongoing. Cost associated with the pilot would include, but would not be limited to, change management, project management, implementation and transition, and vendor costs. Access to that additional funding as well as project and contracting authorities necessary to carry out the proposed pilot would need to be sought.

**Next Steps**

Following the completion of Gate three of the agile procurement process, options will be provided concerning the scope of pilot(s) and the proposed pilot(s) department(s) and agency(ies).

Pending additional funding, your approval will be sought to obtain project and contracting authorities to allow the selected pilot(s) to proceed.

**ANNEX A – Overview of the (Next Generation HR and Pay agile procurement process)**

* **Gate 1** launched October 1, 2018 and closed November 13, 2018. The gate resulted in five successful bidders that were eligible to participate in the Gate 2 Invitation to Qualify (ITQ). The second gate of the APP was more specific and challenging for bidders. It included 47 rated criteria, spread across three key evaluation areas:
  + the system’s ability to meet business capabilities,
  + the system’s underlying technology, maturity and robustness; and
  + the bidder’s implementation experience, approach maturity and suitability to become a long-term strategic partner for HR and pay.
* **Gate 2** launched November 23, 2018 and closed on February 4, 2019. The gate resulted in 3 bidders that are eligible to participate in Gate 3. Gate 2 was evaluated using an innovative evaluation strategy which made use of the following four methods:
  + Bid Evaluation: a more traditional bid evaluation conducted by a multi-disciplinary team of evaluators.
  + Subject Matter Expert Challenge: an interactive evaluation session during which bidders pitched their proposed solution to key Subject Matter Experts (SME) from across the GC.
  + User Experience (UX) Evaluation: a hands-on evaluation of the proposed solutions conducted by 200 public servants from coast to coast to coast.
  + Additional vendor challenges: The difficulty level was increased throughout the gates as additional steps and content were released to more appropriately convey the complexity and reality of the federal government’s HR and pay context.
* **Gate 3** will launch shortly. Possible criteria includes:
  + Potential deployment models and roadmap;
  + Data cleansing, migration and governance approach;
  + Pay rules and pay load testing;
  + Contract terms and conditions;
  + Change management capacity and strategy;
  + Service level agreement;
  + System, pilot and enterprise implementation costing; and
  + Maintenance and on-going costs.
* As part of engagement efforts with users, the Next Generation HR and Pay team held a number of User Expos in the National Capital Region and in the regions. In total, 14 engagement sessions were held in Ottawa, Gatineau, Montreal, Dartmouth, Victoria, Edmonton and Winnipeg from January 14, 2019 to February 11, 2019.
* Engagement efforts have also included collaboration from other governments and large enterprises who have undertaken similar HR and pay transformations in their own organizations. This includes lessons learned from the Governments of Alberta, California and Australia. As part of this work, the Next Generation HR and Pay team is also reviewing and assessing recommendations from a number of third-party reports, including reports by the Auditor General of Canada, Goss Gilroy, and Parliamentary committees.