Meeting Date: March 21, 2007

Subject: Purchase Order Amendment – Mercer Human Resource Consulting

Recommendation

It is recommended that the Commission authorize a purchase order amendment to increase the upset limit contract amount with Mercer Human Resource Consulting ["Mercer"] for the implementation and review of our revised attendance management program by $300,000 to $680,300.

Funding

Sufficient funds are included in the 2007 TTC Operating budget.

Background

Since 2000, the absence rates for unionized employees have been steadily increasing. Both the Human Resources and the Operations Departments implemented measures in an attempt to address the problem with little or no success as the rates kept rising. It is estimated that attendance costs the Commission $20 million each year. Management recognizes that absenteeism is a significant issue and it needs to ensure that it has best practices in place to increase attendance and reduce costs.

In 2005, senior management determined that management needed assistance from an external consultant to review the current attendance management program and develop recommendations to improve the absence rate. Through a competitive bidding process, the Commission contracted with Mercer to conduct the review.

Discussion

In February 2006, Mercer presented its findings to senior management. The review was the result of extensive meetings with Operations managers and Human Resources staff, and file and document reviews. Mercer advised that there was an opportunity for improvement in the absence rate with some significant changes to the way employees and absenteeism for illness are managed. In summary, Mercer recommended two principle changes: early contact with employee at work location and more effective short term claims and disability management. The central idea is earlier intervention with employees to ensure a more timely return to work.

Based on the recommendations, Mercer estimated that the total opportunity savings is 16,000 days annually. To put this in context, unionized employees had 116,338 days of sickness (short term disability) in 2006. If we assume a conservative average cost of $150 per day, the potential savings are estimated at approximately $2.4 million per year. This does not include any savings of overtime costs or productivity. Based on these potential savings, senior management decided to proceed with changes to the short term claims and disability management and to test or pilot the proposed changes to management of employees at the work location.

Since April 2006, Commission staff has been working closely with Mercer to develop a new attendance management program based on the recommendations. To date, the program and its related processes have been developed, the changes to the short term claims and disability management have been implemented, the pilot of the proposed changes to management of employees at the work location has begun, training for all pilot location managers is complete, and performance measures for the processes have been developed.

To complete the work, more funding is required. Specifically, more funds are required to evaluate the changes to the short term claims and disability management, determine whether the changes tested at the work location should be implemented Commission-wide, develop training for all managers on the changes, and determine whether the Commission has appropriate resources to support the changes. Essentially, senior management needs to properly evaluate the changes, and if appropriate, support a roll-out of the changes across the organization. This will require Mercer to review the performance measure and related data, to conduct feedback sessions with management and human resources staff, to review employee and union feedback, to recommend changes, and to report to senior management as required. If senior management decides to implement the changes Commission-wide, extensive training will be required for all levels of management. Funding for this training has been included in this request.

Justification

The increase in the amount of $300,000 is required to evaluate the changes to the attendance management program, determine whether to implement the changes Commission-wide and, if so determined, to provide management training. Given the potential savings of $2.4 million annually, management supports continuing with the project.

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