

Painlessly Transitioning Employees to a Contractor's Payroll

White Paper by Greg Edwards, SSC Service Solutions

National Vice President of Sales

February 2012



SSC Service Solutions
PO Box 52370 * Knoxville, TN * 37950
Tel: 800-765-0129 * Fax: 865-523-5560
sales@sscscserv.com * www.sscscserv.com

Table of Contents

Executive Summary..... 3

What You Might Be Thinking..... 4

How the Process Really Works..... 5

The Four Basic Steps..... 5

Employee Transition Summary..... 6

Implementation Details..... 7

Customized Start-up Timeline..... 8

Employee Benefits..... 11

Saving Money While Protecting Employees..... 12

The Benefits of Transition..... 13

FAQ..... 15

Conclusion..... 18

About SSC Solutions..... 19

Executive Summary

Transitioning support services employees from a school's payroll to an outside contractor's payroll need not be a painful process. In fact, it has been shown time and time again that employee transition can be accomplished smoothly and successfully, with no adverse effects on employees, administrators, faculty, students, or the community. Many school administrators worry that their current staff will be laid off and replaced with a new team of employees provided by the outside contractor. In reality, successful transitions happen when an outside contractor introduces outstanding management employees with the skills and resources to motivate the school's existing support services employees to achieve better productivity, performance, and even satisfaction. This document will explain and outline a thorough process that ensures a successful transition while allowing current employees to maintain their jobs, seniority, compensation, and benefits. A key part of the transition process includes thorough communication about the transition at every stage to ensure that all stakeholders are aware of the changes and are able to ask questions and address concerns.

Key Takeaways:

- Current staff will not be laid off and replaced with a new team.
- Current staff will keep their current seniority, compensation, and benefits.
- The transition process is time-tested and can be summarized in four basic steps.
- Thorough planning ensures successful transition through expertise and attention to detail.
- A customizable time frame should be created for each school.
- The contractor should offer a standard benefits package agreed upon by administration.
- A successful program will reduce operating costs and improve outcomes through increased productivity and expertise, not by harming existing employees.
- There are numerous benefits to transitioning employees from a school's payroll to a contractor's payroll, making the decision to use a contractor one that is well worth considering.

What You Might Be Thinking

One of the main reasons school administrators delay transitioning support services employees to a contractor's payroll is fear of the transition process—a concern that current employees will be laid off and replaced with a new team. While unscrupulous contractors may operate this way—cutting costs by eliminating longtime employees—it is not recommended. Improving productivity and saving money are not synonymous with sacrifice; schools should enjoy the benefits of transitioning employees to a contractor's payroll without injuring the employees' livelihood or dignity and without sending a negative message to the school community.

Simply put, the benefits of transition do not come at the expense of existing employees.

Ideally, the contractor values the facility knowledge, tenure, and relationships of the on-site employees and recognizes that preserving continuity through change depends on the support and cooperation of these critical contributors. There should be a desire to keep productive employees who can help meet the goals set by customers, because the loyalty and knowledge these current employees possess cannot be replicated by new hires. It is important to understand that the hardworking frontline associates are vital to implementing a successful program.

During payroll transition, the contractor needs to be committed to minimizing the disruption to all school stakeholders: employees, students, faculty, administrators, and the community. To keep transitioned employees whole, seniority, compensation, and benefits should all be preserved. During transition, employees should be treated with respect and fairness to uphold morale, maintain strong operations and customer service, and ensure support for the transition. Not only is this good business practice, but it is the ethical approach and the only responsible way to ensure the continued loyalty, performance, and productivity of transitioned employees.

It is important to recognize that this kind of change can be scary for employees, and it needs to be handled in a sensitive manner; administration must keep in mind that there is a grieving process during any major change. Honest, open, continuous communication is the key to taking employees from experiencing fear and resistance to embracing the positive new reality and delivering a higher level of performance.

How the Process Really Works

Though there are differing opinions on how best to transition employees, experience has shown that the process can be boiled down to four basic steps.

The Four Basic Steps

Step 1: Information Gathering

Before beginning the actual transition, the contractor should perform thorough pre-transition planning. It starts with a planning session that involves the operations team, human resources, and school representatives. Every relevant aspect of current operations and personnel files is examined in order to comprehensively assess the situation. In addition to planning the procedural steps, a communication plan should be implemented to ensure that employees and other stakeholders are adequately informed through every step of the process.

Step 2: Associate Transition

The contractor should sit down with employees and explain what will change and what will not. HR and benefits information should be distributed and explained so employees know what they can expect as employees of the contractor. Additionally, a Q&A document can be shared to answer many of the questions that commonly weigh on transitioning employees as well as to address issues specific to the transition. Employees are then moved to the contractor's payroll and benefits. The only noticeable difference employees will see is the logo on their paychecks. At this point, new staff should be hired as necessary; then training begins.

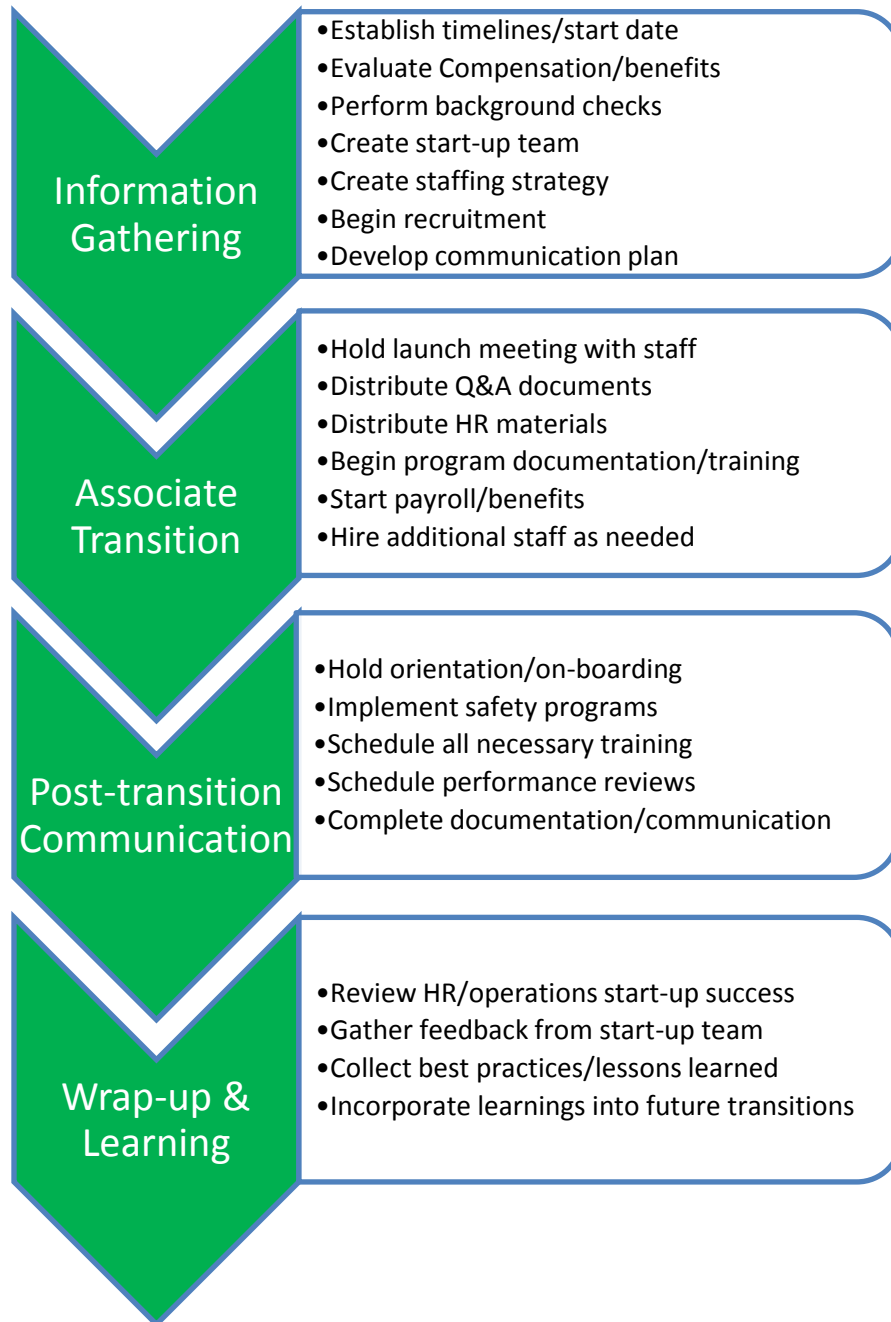
Step 3: Post-transition Communication

Once employees have transitioned to the contractor, rapport is established, performance goals are set, and safety and technical training is received. High-performing associates will welcome the new accountability and focus, but communication must continue appropriately to ensure that they are committed to the vision set out by the school and the department. The bonds built between managers and staff will pay off in improved productivity, reduced turnover, and increased engagement.

Step 4: Wrap-up & Learning

Feedback will be solicited from administration; department management; and, most important, the employees to evaluate the transition and address any issues to ensure ongoing satisfaction.

Employee Transition Summary



Implementation Details

During the transition period, important changes will occur. The main objective is to improve the school's operational and financial situation by pursuing and achieving the goals established by administration. This objective can be met by implementing significant programmatic changes and making necessary adjustments to management, schedules, equipment, technology, and task design to ensure the success of the transition.

Providing seamless service throughout transition requires both the focused coordination of the management team and continual communication with the support services employees, administration, and user departments.

Although the employee transition process can be boiled down to four basic steps, the operational implementation of a high-caliber program is more detailed. It requires a well-tested, step-by-step transition plan covering all the minute considerations, from kickoff to completion. It includes communications plans, kickoff projects, and more, all designed to make sure every aspect of implementation is considered and addressed. This detailed plan serves as a blueprint for operational implementation.

Elements of each plan can vary, but generally the following steps should be covered in detail.

1. Pre-start	14. Program implementation
2. Appointment of the start-up team	15. Implementing new staffing plan and duty lists
3. Appointment of the resident team	16. Completion of impact projects
4. Common goals session	17. Staff training
5. Finalize start-up plan and budget	18. Systems implementation
6. Supplies and equipment procurement	19. Financial controls installed
7. Meetings with key users	20. Building staff morale
8. Interaction with department staff	21. Development of transferred supervisors
9. Identifying impact projects	22. Internal communication and daily meetings
10. Designing work schedules and duty lists	23. Administrative briefings
11. Administrative and infrastructure details	24. Committee review meeting
12. Facility document review	25. Program start
13. Baseline quality assurance audit	26. Customer rounds and communication

Customized Start-up Timeline

During any transition, it is important to create a customized start-up plan for each school. This form is the foundation for a successful program, ensuring that all parties are on the right track to achieving the vision that has been laid out. Below is a sample start-up plan. While the specific details included in the example may not be relevant to every school, the sample is a good illustration of the level of detail a start-up plan should encompass.

SSC Facilities Management															
Facilities Services Start-up Plan															
Account		Sample Facility													
Regional VP	Bob Terraforte, RVP														
POM															
Individuals Assigned:		Support Personnel:													
Supporting VP:	Eric Kermit, RVP	Keith Moeltner, RM													
EVS		POM													
Sales Support:	Greg Edwards, SD	Dan Hogan, RM													
		Custodial													
HR Recruiting:	Brian Troxler	Billie Rabel, Project Manager													
		George Johnson, Grounds													
HR Recruiting:	Sandra Schuster	Larance Brewer													
		Randy Hunsberger													
		Phil Boyden, Interim Mgmt.													
		Betsy Oleschak, Assist. UD													
	Luna Barkley, Assist. UD FMA														
		Leading	Approx. Start Date	% Completion										Finish Date	Comments
				1	2	3	4	5	6	7	8	9	10		
				0	0	0	0	0	0	0	0	0	0		
Phase 1 - Pre-start Procedures															
Obtain Proposal and Contract for Review		GE/KT	16-Feb												2/25/10
Set Up House Code (Karen Farrelly)		KM	29-Jan												1/29/10
Conduct Transition Meeting with Client		KM	16-Feb												2/16/10
Recruit and Select Managers (with Client)		KM/DH	18-Jan												2/16/10
Assemble/Schedule Start-up Team		KM/DH	29-Jan												2/16/10
Arrange Start-up Accommodations		KM	16-Feb												2/23/10
Order Start-up Custodial, Grounds, POM Equipment and Supplies		KM/DH	16-Feb												2/23/10
Order Hardware/Software		KM	16-Feb												2/23/10
Order Start-up Materials Grounds/Custodial/POM		KM	16-Feb												2/23/10
Obtain Invoice # and Submit Initial Invoice		KM	23-Feb												2/23/10
Meet with Customer Human Resources to Go Over Staff Transition		GE/BT/KM	28-Jan												2/16/10
Plan and Hold Employee Transition Meeting		BT/SS/KM	16-Feb												2/16/10
Phase 2A - Start-Up Team Arrival Procedures															
Meet with Client to Review Start-up Process/Chart		BT/BO/KM	18-Jan												1/18/10
Hold One-on-One Employee Meetings with SSC Support		BT/KM/SS	16-Feb												2/16/10
Orientation of New Unit Manager		BO/PB	1-Mar												
Secure and Organize Management Office		BT/PB/BR	23-Feb												3/22/10
Set Up and Organize Storeroom: Inventory Existing Supplies and Chemicals		DH/GJ	1-Mar												
Inventory All Janitor Closets to Determine # of Solution Centers		LB/RH	1-Mar												3/8/10
Receive New Equipment and Supplies; Set Up Store Room and Equipment for Issue		BO/LB	1-Mar												

Employee Benefits

When transitioning employees to an outside contractor's payroll, there are two ways to address benefits for employees: Employees transitioned to a contractor's payroll may retain their current level of benefits, including paid time off (PTO). Or the contractor can offer employees a standard benefits package that is comparable to the market standard, which becomes available to employees after the completion of a probationary period.

The benefits commonly offered include these:

Vacation/Personal/Holiday Pay

Sick Leave/Jury Duty/Funeral Leave

Health/Dental/Vision Insurance

Flexible Spending Accounts (Health/Dependent Care)

Life/Supplemental Life Insurance

Short-term/Long-term Disability Insurance

Employee Assistance Program plus Work/Life Benefit

401(k) Savings Plan

Employee of the Month/Length of Service Awards

Opportunity for Pay Increases and Career Advancement

Saving Money While Protecting Employees

As anyone who has managed a support services department knows, despite the unending cost of supplies and equipment, about 80% of the department budget is spent on labor. It appears that the only way to make a significant impact on the budget is to slash jobs, which will naturally result in reduced quality and morale.

However, it is possible for a contractor to take over management of an in-house operation without terminating employees. It may be hard to believe, but current employees can keep their jobs, current salaries, and health benefits, as well as paid time off and other benefits, and department costs will significantly decrease—even with the addition of a contract fee.

How is this possible? A contractor brings to schools expertise and resources that are beyond the reach of in-house operations. A support services department operated by a contractor has access to tools, technology, program standards, training, and management resources that allow the department to achieve significantly higher productivity levels. And increased productivity doesn't mean cutting jobs.

As the gradual attrition of employees (10% annually) occurs naturally over time, the contractor will closely manage work responsibilities and frequencies to ensure that quality standards are met while total staffing levels decline and vacant positions are eliminated. Once the optimal staffing level has been achieved, the contractor will hire new applicants as necessary, at pay and benefits rates consistent with local standards for similar jobs (in industries such as healthcare, hospitality, or retail). In this way, overall staffing levels are brought in line with benchmarks without forcing employees out of their jobs and without breaking promises to the school community.

Savings obtained through the natural cycle of employee attrition are not immediate. However, contractors should work with school administration to develop reasonable expectations of how quickly savings will be fully delivered (typically within one to two years). And savings achieved in this manner are sustainable because they are respectful of existing employees and maintain the spirit of teamwork necessary to achieve mutual goals over time.

The Benefits of Transition

While this document has attempted to show that a successful transition to a contractor's payroll while protecting existing employees is possible, and that there is a valuable process for gracefully transitioning employees, it has not addressed the important reasons to make the change and begin the journey in the first place. There are many long-term benefits to transition, but the most obvious are described here.

Increase Productivity and Quality

A specialized contract firm can bring industry-leading programs and cutting-edge technology to each new program. This results in immediate process improvements over in-house programs. A more efficient department allows for more attention to the extra details that translate into dramatic improvements in the school's image. This is one of the most important reasons to transition employees. They become part of a specialized, high-performing team backed by the expertise and resources of a best-in-class support services organization.

Improve Department Cohesion

While administrators may worry that outsourcing will create contention between the department and the rest of the school, it actually creates a customer service mentality within the department. It is also important to consider the relationship between the department's management and its hourly staff. Having all department employees on the "same team," serving the school community, improves their internal relationship and results in better performance.

Free Up Human Resources

Support services departments usually demand greater human resources overhead than other school departments demand. The school's HR staff may become overburdened while handling open support services positions and other issues, such as labor relations, when they can better serve the school by focusing on their other critical responsibilities. Transition moves the burden of staffing to the contractor, which will maintain a fully staffed department delivering consistent service quality.

Expand Employees' Opportunities for Advancement

A support services employee has limited options for career advancement within an individual school. However, at a company that specializes in providing support services, employees receive specific job training, cross-training, and promotions. Successful associates can climb the ranks to become successful managers within the contract firm. Large, successful firms offer opportunities for associates to move geographically or to new locations in order to support the company's growth and need for quality associates who want a successful career in support services.

Eliminate Workers' Compensation Risk

Support services workers have physically demanding jobs, and the risk of injury is relatively high. When these employees are transitioned to outside payroll, the cost of insuring this risk is transferred from the school to the contractor. Most contractors have a dedicated safety division, responsible for training associates on job-specific safety protocols. Safety training and diligence in addressing claims can minimize employees' days out of work.

Address Skyrocketing Fringe Costs

The primary financial benefit of transition results from addressing a problem school administration may not even recognize. The cost of employee benefits is rising at an alarming pace, and, as a percentage of income, fringe costs are extraordinarily high for support services workers. The problem is often masked because, at many schools, benefit costs for all employees are aggregated into one pool and the overall fringe rate appears reasonable (see example at right).

Accurately calculating the fringe rate for support services employees is a good first step in managing the costs. But the problem is compounded by the sharply increasing costs of healthcare. Nationally, healthcare premiums are rising at 8-12% per year. Assuming that payroll costs are only increasing at 2-4% annually, it becomes obvious that the cost of benefits will quickly overtake income as the largest portion of compensation. Transitioning employees moves this burden to the contract firm.

Example:

Calculate the *True* Cost of Employee Benefits for Support Services Workers

Commonly Used Method

1. Take average annual income of all school-paid employees (including support services, faculty, administrators, etc.).
 - \$50,000
2. Find the average annual healthcare costs.
 - \$10,000
3. Divide to find "fringe rate."
 - **20%**

Accurate Method

1. Take average annual income of all support services employees only.
 - \$19,000
2. Find the average annual healthcare costs.
 - \$10,000
3. Divide to find "fringe rate."
 - **52%**

FAQ

1. Won't I lose control of the department if a contractor is managing these employees?

An administrator actually gains more control over the department. The contractor's tenure depends entirely on customer satisfaction. If the manager does not perform, he or she can be replaced more easily than a school-paid manager. The contractor can find a better fit without burdening the school's human resources staff. If the contractor is not responsive, it can be replaced by a competitor.

Contractors offer greater flexibility when staffing changes are necessary, either to add staff quickly for a project or to cut back on staff to save costs. They provide a deeper pool of resources to fill positions rapidly, introduce technology, and share best practices.

2. What happens to the people who are near retirement? Will they lose their pensions if they transfer to a contractor's payroll?

Loyal, long-term employees near retirement shouldn't lose their benefits. There are two scenarios the school could follow: 1) Those employees who are "vested" in their retirement can remain on the school's payroll. As they retire, those positions can be filled by new contractor-paid employees. Those within the "vesting" window will be given first opportunity to be hired by the contractor at the same wage rates, seniority, and retirement contributions. 2) All employees can remain on the school's payroll, and when these employees leave the employ of the school, these positions can be filled by new contractor-paid employees if necessary.

3. Can I hire a contractor just to train my employees?

While employee training is an important part of the program, it is only one part of what makes the department successful. A strong on-site leadership team with access to training, technology, programs, and best practices offers advantages over in-house operations. In addition, depending on the contractor, a contractor's manager can be part of a nationwide network of experts who support and advise each other when necessary. Finally, capital investments for new equipment or campus enhancements may be available from the contractor to help improve the school's image.

4. We tried outsourcing one other time and it failed. How can we be sure that won't happen again?

An outsourcing relationship can fail for many reasons, but these are the primary causes: 1) the contractor underbid the business; 2) the contractor lost sight of the school's goals; and 3) the start-up period was not handled correctly. Successful contractors retain business only by earning and maintaining great relationships with the schools they serve.

A good contractor will understand the goals of every client and tailor a solution to meet those goals. It should staff the department based on a firm understanding of the expectations around budget, quality, and ability to meet special requests that arise in the course of a hectic academic year. And great focus should be placed on ensuring a well-planned, flawlessly executed start-up and employee transition. By establishing a solid foundation, a school can build a successful long-term relationship with its chosen contractor.

5. What will happen to employees' accrued vacation and sick bank days?

Prior to the transition, the school must compensate employees for any unpaid vacation, personal days, or sick days the employees have accrued.

6. Will employees have to change physicians to participate in your healthcare plan?

Not typically. Reputable contractors will provide their employees health plans that are national in scope and accepted by virtually all physicians.

7. How do you handle vacation if employees currently receive more time than you offer?

During contract discussions, the school maintains discretion over which benefits, including vacation, sick, and personal time, it wishes to grandfather for long-term employees. Because this paid time off must be backfilled by temporary labor, it must be accounted for in the contract price as a bridging cost.

8. Will a contractor match the employer's current salary?

A contractor should grandfather current employees (subject to background checks) at their current levels of wages and benefits. As employees retire or move on, new employees will be hired at levels competitive with similar local employment opportunities.

9. What about communication with the campus community about the transition?

Upon the award of a contract, the contractor should help administration craft a memorandum announcing the contract and the goals to be achieved through the partnership. It is important that the school community hear from school administration on why the decision to outsource was made and that the chosen contractor has administration's full support. The contract management team should also set up meetings with key school stakeholders to answer questions and allay fears or doubts about what will happen during the transition and start-up as well as during ongoing operations.

10. What other schools have recently gone through a transition?

Any reputable contractor should be willing to provide references upon request.

11. What can we expect one year after the transition?

One year into the relationship with a contractor, any initial worries about the new contract will have been alleviated. The new manager will be embraced as a part of the school community. Programs will be fully implemented, and productivity and quality will have seen marked improvement. Employees will be trained in both operational and customer service skills. Work schedules will be fully in place, and quality assurance scores will reflect constant improvement. Comments from faculty, staff, administrators, and students will be shared in a monthly administrative report. The contract management team will be reevaluating administration's goals to ensure it is meeting them and planning for any expectations of future success.

Conclusion

While making the decision to transition support services employees to an outside contractor's payroll is not one that should be made lightly, it should be viewed as a great opportunity to achieve success without harming employees. Partnering with a responsible contract organization brings access to industry-leading tools, talent, and resources to vastly improve performance compared to an in-house program.

As this document has outlined, an outside contractor needs to be deeply sensitive to concerns around how employees are treated and must make every effort to ensure that current employees maintain current levels of wages, benefits, and quality of life. A true partner will not save money on the backs of hardworking hourly staff. Rather, by driving productivity enhancements through better process and better technology, labor costs will be reduced over time through the natural attrition of personnel.

It is important to recognize that experienced employees are the key to any successful transition and to treat them with respect, ensuring that they help achieve the goals of school administration. But above all, it is important to choose an outside contractor with a long-standing history of implementing a time-tested, detailed process to transition employees and operations, while creating a high-performing program based in best practices and tailored to the specific needs of each school.

About SSC Service Solutions

For quality-focused educational institutions, SSC Service Solutions is the premium provider of support services. With more than 40 years of industry experience and highly trained, skilled professionals, we specialize in Custodial & Campus Services, Plant Operations & Maintenance, and Grounds Management. Our goal is to provide schools with the highest standard of customer service and measureable, consistent quality. We work with each school to create a flexible, customizable, and cost-effective approach that meets its goals and fits its budget.

Part of Compass Group

As a member of Compass Group North America, we can leverage the resources that this \$9.9 billion food and support services organization has to offer. Compass Group has existing relationships with close to 1,000 educational institutions through its [Chartwells](#), [Bon Appétit](#), [Flik](#), and [Canteen](#) organizations. SSC brings our leading support services expertise to this world-class network of companies.

Compass Group brings an unshakable financial stability to support our growth, allowing us to invest in innovations for our customers. This support also brings peace of mind to our customer relationships by allowing us to take more risk and guarantee outcomes. Compass Group is also uniquely able to offer up-front capital investments for the improvement of our customers' facility infrastructure. These investments can bring immediate and long-term financial payoff.

Sustaining a Learning Environment

The quality of any facilities services programs depends on the ability of the department manager to respond to the customer's specific needs, anticipate challenges before they become problems, and motivate and coach associates to deliver excellence. At SSC Service Solutions, we believe great managers are the key to consistent, reliable, high-quality programs. That's why, investing more resources than any other provider, we train every one of our managers in both the technical skills and the customer service skills our clients demand. We have built a culture based on "hiring for attitude," development through training and mentoring, and always pushing ourselves to learn and improve. It's a slow, rigorous process, but we don't cut corners when it comes to our people.