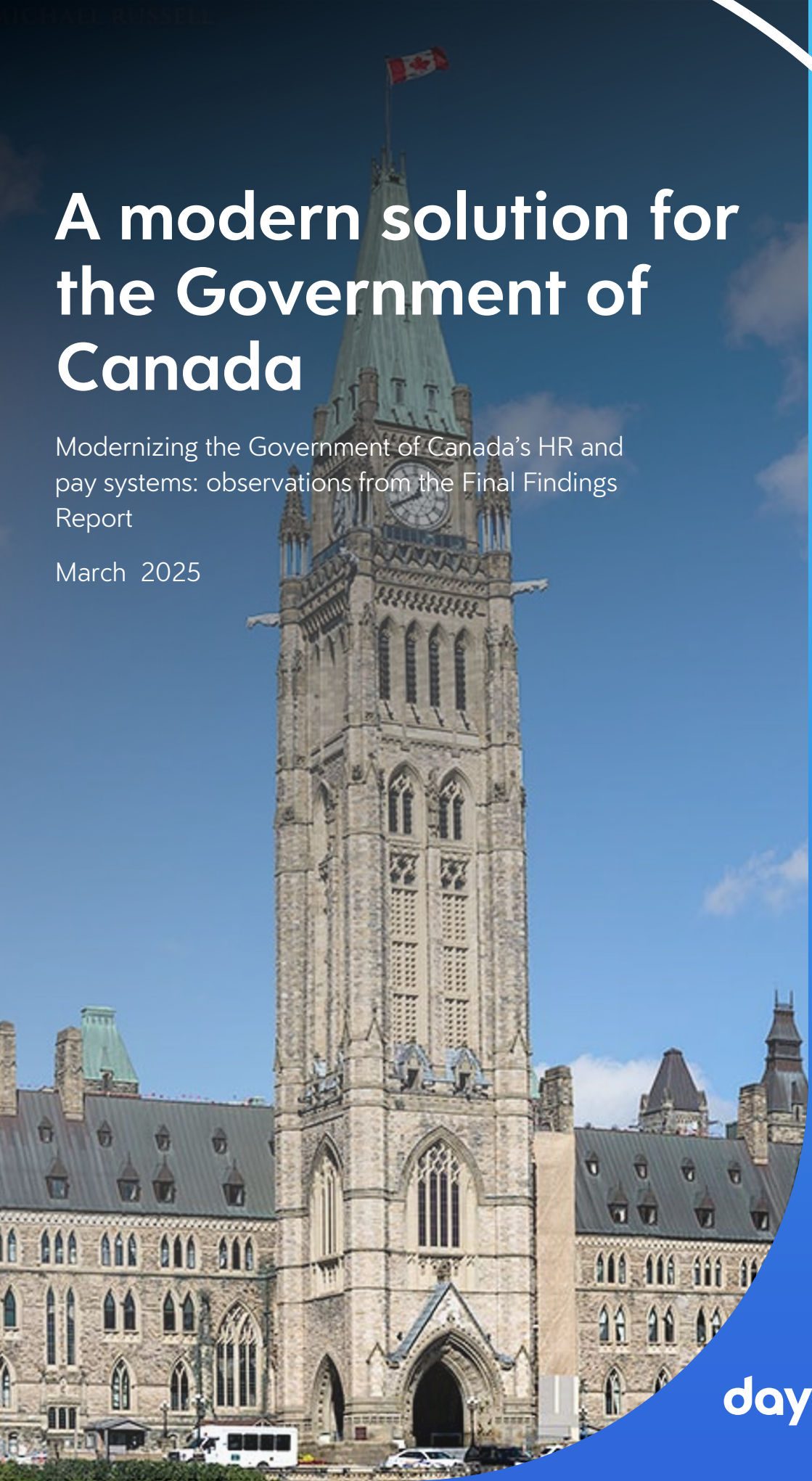

A modern solution for the Government of Canada

Modernizing the Government of Canada's HR and pay systems: observations from the Final Findings Report

March 2025

dayforce

Observations from the GC's Final Findings Report[1]

Overview

01 History: the plagued Phoenix pay system

02 Agile procurement: the Next Generation HR and Pay project

03 Key findings
- Technical viability
- Flexibility and adaptability
- Addressing Phoenix's shortcomings

04 Conclusion

[1] Government of Canada, "Next Generation Human Resources and Pay Final Findings Report," February 2024

History: the plagued Phoenix pay system

In 2016, the Government of Canada (GC) introduced the Phoenix pay system to streamline and modernize the payroll process for federal public officials. Built on Peoplesoft and customized by IBM, Phoenix was intended to replace an older, outdated system while automating payroll processes to improve efficiency, accuracy, and cost-effectiveness.

However, the Phoenix system grappled with significant technical challenges from the outset, leading to thousands of employees being overpaid, underpaid, or not paid at all. Many experienced delayed pay, incorrect deductions and errors in bonuses or leave entitlements, creating widespread financial and administrative disruptions. Additionally, it was built without fully integrating HR and pay functions, leading to disconnects between employee records, payroll processing and HR transactions.[1]

These issues resulted in at least five significant challenges to the GC:

01 Financial disruption

- Many public officials faced financial hardships due to incorrect or missing pay.
- In some cases, employees were forced to take loans or seek financial assistance while waiting for pay corrections.

02 Declining public official morale

- Persistent pay problems created frustration and a loss of trust in the government's ability to manage its own payroll system.
- Many public officials reported stress and dissatisfaction due to ongoing uncertainty surrounding their wages.

03 Costly fixes

- The GC had to allocate significant resources to try to fix the system, with costs exceeding **$3.5 billion** by 2024.
- Efforts included hiring additional staff to manually correct errors and support affected employees.

04 Reputational damage

- Phoenix's failure drew criticism from unions, opposition parties and the public, intensifying pressure on the GC to quickly resolve the crisis.
- The issue also made international headlines, highlighting the GC's inability to pay its employees accurately.

05 Legal challenges

- Payroll errors led some employees to pursue legal action for compensation, adding another layer of complexity and legal costs.

80%

Canadian federal employees who were impacted by payroll issues

$3.5B

Total remedial costs due to the faulty Phoenix payroll system

408K

Payroll issues that remain unresolved and in backlog[2]

[1] GC, "Lessons Learned from the Transformation of Pay Administration Initiative," June 2024
[2] Ottawa Citizen, "Phoenix backlog remains as government works towards replacement," October 2024

Agile procurement

In response to the incredible challenges resulting from the failed Phoenix pay system, the GC adopted a unique agile approach to procuring its future system, referred to as the **Next Generation Human Resources and Pay project (NextGen HR and Pay)**.

The project's core mandate aims to assess the feasibility of implementing an integrated HR and pay SaaS solution that meets the GC's complex requirements, and to determine if a commercial solution can effectively replace existing systems while improving the experience for employees and administrators.

NextGen HR and Pay

- To initiate this process, the GC selected three vendors—SAP, Workday, and Dayforce—for a research and experimentation phase.
- This phase aimed to evaluate the proposed SaaS solutions against the GC's intricate HR and pay requirements, assessing their viability, clarifying business process redesign, and testing vendor relationships.
- Following an unsuccessful trial with another vendor, the GC began evaluating Dayforce in September 2021.

Dayforce as a solution

- From September 2021 to January 2024, the GC put the Dayforce solution through extensive testing and validation.
- To determine its viability in replacing over 33 separate HR systems and a single pay system, testing focused on **17 critical HR and pay capabilities**. Results were evaluated against functionality, complexity, accuracy, and compliance with other mandatory requirements such as security, privacy, accessibility, and official languages.
- The pilot program was tested across **five departments** including the Canadian Heritage and the Fisheries and Oceans Canada, which represented over **80% of the GC's payroll complexity**.

Key findings

Following rigorous testing, Dayforce was determined to be a technically viable solution for the GC's HR and pay processes.

Technical viability

Feasibility
Dayforce met **85%** of critical GC HR and pay requirements out-of-the-box

High success rates
95% of test cases for basic functionality passed, with a **99%** success rate in managing complex scheduling

Complex scenarios
Dayforce successfully managed complex scenarios, such as shift schedules, multi-role employees, and regional and linguistic diversity

Mandatory requirements
Dayforce met/committed to meet the GC's requirements for security, privacy, official languages, and accessibility

Flexibility and adaptability

In addition, Dayforce demonstrated the ability to adapt to the GC's unique needs by:

- Simplifying processes
- Standardizing pay rules
- Enabling product enhancements and cloud extensions

Addressing Phoenix's shortcomings

Dayforce's SaaS model addressed many of the issues that plagued the Phoenix pay system:

Continuous updates
Automatic updates ensure the system evolves with changing needs

Reduced maintenance
Cloud-based infrastructure minimizes downtime and IT burden

Enhanced access
Moved from disparate system to an integrated HR and Pay solution

Cost-effectiveness
Reduced reliance on costly customizations and operational inefficiencies

Conclusion

The failure of the Phoenix pay program underscored the need for a fundamentally different approach to HR and payroll management at the GC.

Through a structured, paid pilot process, the GC has identified a technology solution with the capacity to:

- Handle its complexity
- Ensure its employees are paid accurately and on time
- Provide a modern and efficient user experience