

Tab #4
Span-of-Control
Ben Noble
November 2, 2010

Issue:

Should spending reductions for 2011, 2012 and beyond target management efficiencies? If so, how can this be done?

Background:

Span-of-control refers to the number of “direct reports” that are the responsibility of any given manager or supervisor. A wide span of control refers to situation with a relatively larger number of direct reports and less management personnel. As a definitional issue, the terms “manager” and “supervisor” are restricted to those that are responsible for evaluating other employees, and thus excludes team leads, strategic advisors and others who do not have this specific responsibility. (Note, just to confuse things, some strategic advisors in the City that do have an official supervisory role.)

Another way to measure the relative level of management oversight is compute the ratio of total employees to the number of managers and supervisors. This ratio is typically calculated at a departmental level. This is a much broader measure of the relative size of management that looks at an organization overall, rather than at the role of specific positions. Although more general, the staff-to-management ratio has the advantage of also capturing the effects of management layering, in which managers and supervisors report to other managers or supervisors. Even if the span-of-control at each management level is relatively broad, a “tall” organization with many layers may still have a higher level of management oversight than is necessary or desirable.

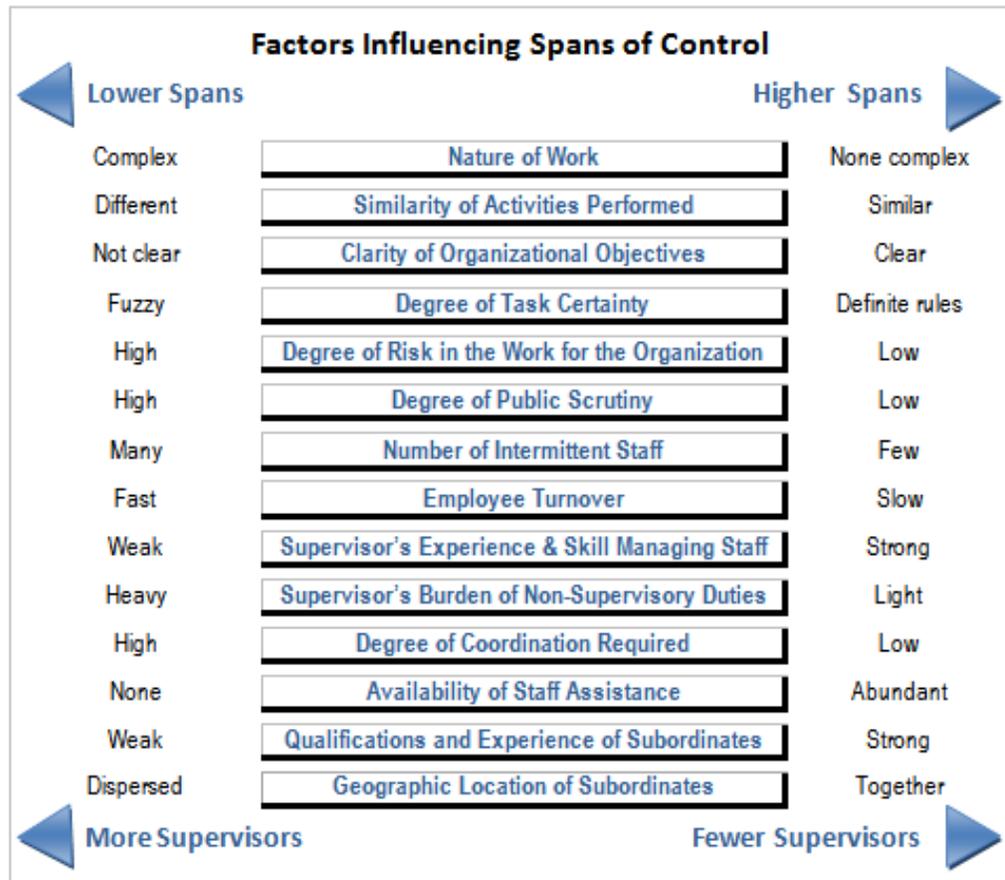
History

Reducing span-of-control and the ratio of managers to employees has been raised as a question and/or policy goal on a periodic basis. A 1996 report from the City Auditor reviewed the Executive’s assessment of the issue. The report acknowledged the value of the Executive’s then on-going work, and recommended additional longer-term steps, such as changes in the classification and compensation system and more effective performance evaluation, that could improve the overall culture of management.

A 2004 Council SLI requested the Auditor to revisit this early analysis. The goal of this new work was to measure current City management levels, to compare those to the results from 1996 and to benchmark the City relative to other jurisdictions. The results of this work showed the relative size of management had decreased over the previous 10 years (with the average ratio of staff to managers increasing from 5.9 in 1995 to 6.8 in 2005). Nonetheless, performance varied by department and the Auditor’s review identified a number of positions with narrow spans of control (3 or fewer direct reports).

What is the right level of span-of-control?

A brief review of several reports developed by other jurisdictions confirms the intuitive conclusion that there is no single answer to the question of what is the “correct” span-of-control or the most appropriate ratio of staff to management. Management levels can vary with the complexity of the work in question, the geographic spread of the staff, the range of responsibilities assigned to management roles (i.e. “working managers” may have more limited oversight and thus lower spans-of-control), etc. The picture below, from a report by the Portland Auditor, highlights a number of factors that can influence the appropriate span-of-control.



Furthermore, review of best practices in this arena makes it clear that reductions in management ranks are best achieved through careful re-organizations that consider the organization as a whole, identify where management functions can be most effectively streamlined, and evaluate how process changes can empower decision making at lower levels of the organization.

Proposed Budget:

The Mayor has made the reduction of “senior staff” – including both management ranks and strategic advisors – a priority in his proposed budget. Of the 294 positions proposed for abrogation, 64 are managers or other senior-level positions. Thus, 22 % of the total position reductions are taken

from these ranks, which currently represent about 9% of the City's workforce. However, the Mayor's approach focused not only on managers but also senior-level positions that did not have management responsibilities. While helping to reduce costs, reductions in this latter group do not affect span-of-control. About half of the proposed senior-position reductions appear to be of non-supervisory personnel.

Focusing on just the larger departments, the following table summarizes the proposed changes in senior-level staff that have supervisory responsibilities.

Supervising Strategic Advisors, Managers and Executives for Selected Departments - 2011-2012 Changes						
Department (Large Depts, excluding Police and Fire)	2010	Proposed Changes		Upper Level Supervising Positions	2011 Total Dept. FTE	Percent of SA, Mgrs & Execs.
	Upper Level Supervising Positions	Abrogations (filled and unfilled)	Reclasses & Hours Reductions			
<i>FAS</i>	55	(3)	(3)	49	556	9%
<i>DOIT</i>	24	(1)	0	23	196	12%
<i>DPR</i>	51	(5)	(1)	45	888	5%
<i>HSD</i>	27	(1)	0	26	322	8%
<i>PER</i>	14	(2)	0	12	103	12%
<i>SCL</i>	99	(3)	(3)	93	1,825	5%
<i>SDOT</i>	73	(4)	0	69	765	9%
<i>SPU</i>	130	(7)	(2)	121	1,415	9%
Total	473	(26)	(9)	438	6,069	7%

Police and Fire are excluded from this analysis because the titles in their management structures do not match those of the other departments. However, their proposed span-of-control reductions are modest, involving only a few additional positions.

**Staff
recommendation/
Options**

This analysis does not provide a firm basis for recommendations regarding reductions in specific positions or even within specific programs. Although management ratios vary across departments, the operations and functions of each department are sufficiently distinct that there may be good explanations for such variations. Furthermore, as noted above, management efficiencies are most effective if taken up from within and with a view of the overall organization.

That said, the revenue reductions associated with the pending State initiatives could create a significant General Subfund shortfall in 2011, 2012 and beyond. Some reductions will almost certainly be necessary, and directing that some share of these reductions come from management functions is entirely reasonable. In this context, the following table presents a set of high-level reduction targets for the larger departments. (Note that separate management reductions have been separately proposed for several of the smaller departments/offices.) These targets would be set by reducing 2012 appropriations by the amounts shown. The

specific impact on the General Subfund from such reductions is also identified in the table.

The intent is to have the departments develop their 2012 budgets with these as targets for savings generated by management efficiencies. These reductions would not necessarily be restricted to the ranks of executives, managers or strategic advisors. Other supervisory functions might also be restructured and some non-labor saving related to management may also be possible. Some reduction in service levels (either internal or external) may result from such reductions, but Council's interest would be in minimizing such service impacts. By setting these targets for 2012, Council would be providing significant time for the departments to adjust to the reduced funding levels and to develop carefully-crafted proposals.

Proposed Management Efficiency Targets for 2012

Department	2012 Dept. Budget (\$ '000)	2012 Reductions Targets (\$ '000)		Comments
		Total	GSF	
<i>FAS</i>	\$186,106	(\$600)	(\$330)	Relatively larger target recognizes opportunities to further restructure recent merger of DEA and FFD.
<i>DOIT</i>	\$49,095	(\$250)	(\$83)	Target roughly proportional to those for other internal service functions.
<i>DPR</i>	\$143,253	(\$250)	(\$250)	Lower target recognizes significant budget reductions already proposed.
<i>HSD</i>	\$134,647	(\$200)	(\$200)	This target is in addition to proposed reductions in contract oversight, and is intended to focus on management and supervisory positions.
<i>PER</i>	\$11,638	(\$130)	(\$69)	Lower target recognizes significant budget reductions already proposed.
<i>SCL</i>	\$1,148,071	\$0	\$0	City Light already given an overall efficiency target for 2012.
<i>SDOT</i>	\$316,000	\$0	\$0	Spending reductions imposed through cuts related to changes in CPT proposal. Council anticipates that a share of these reductions will be implemented through management efficiency.
<i>SPU</i>	\$858,458	(\$500)	\$0	This would complement additional workplace efficiency targets already set for SPU. Savings would improve overall financial performance of various utility funds.
<i>SPD</i>	\$255,007	(\$700)	(\$700)	Represents roughly 1% of support and administrative functions.
<i>SFD</i>	\$162,164	(\$200)	(\$200)	Represents roughly 1% of support and administrative functions.
Total		(\$2,830)	(\$1,831)	