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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FEDERAL PERSONNEL AND
COMPENSATION DIVISION

SEPTEMBER 30, 1930

B-200576



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The Honorable Patricia Schroeder
Chairwoman, Subcommittee on Civil Service
Committee on Post Office and Civil Service
House of Representatives

Dear Chair Schroeder:

Subject: [Supervisor to Nonsupervisor Ratios In the
Federal Government and the Private Sector]
(FPCD-80-65)

In your letter of September 5, 1979, you raised the issue of excessive overhead in the Federal Government, and particularly, whether Federal employees are supervised too much. You expressed concern about unnecessary supervision having a deleterious effect on productivity and being a luxury we could not afford in these times of austerity. You suggested that we compare supervisor to nonsupervisor ratios between the Federal Government and private industry.

We obtained available statistical data from the Office of Personnel Management (OPM) and the Bureau of Labor Statistics for the Federal and private sector work forces, respectively. Although the data is limited in terms of comparability, we were able to compute a supervisor to nonsupervisor ratio for selected industries. This showed the average span of control of Federal supervisors to be slightly higher than their private sector counterparts. These results are generally consistent with a 1976 study prepared for the Civil Service Commission (now OPM) which included an analysis of spans of control between the Federal Government and the private sector (see enc. I for results).

The usefulness of aggregate data such as supervisor to nonsupervisor ratios, however, is very limited. We have strong reservations about the quality of the data collected as well as the comparability of functions between the Federal

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Government and the private sector. Most critical, however, is the fact that there are many legitimate factors which determine what an appropriate level of supervision should be for an organization or function. Comparing aggregate ratios such as supervisor to nonsupervisor ratios serves only to identify what needs to be looked at in more detail.

However, your concerns with overstaffing and its negative effects on productivity is an issue of much concern to us. We believe that the way to address this issue is to examine (1) the soundness of agencies' work force planning systems for determining the optimum number and mix of personnel needed to accomplish their missions, (2) the constraints within the governmental system which inhibit effective work force planning and which contribute to unnecessary Government overhead, and (3) the manner in which agencies are organized to minimize duplication of effort, fragmentation of authority, and unnecessary levels of review and overhead.

This report summarizes for you the data we collected on supervisor to nonsupervisor ratios (enc. I) and discusses some of the work we have completed or initiated in the three areas mentioned above.

AGENCY WORK FORCE PLANNING

Work force planning is the process by which agencies should (1) determine the optimum number and mix of personnel needed to accomplish their missions and (2) identify the volume and type of personnel actions needed during the budget planning or program period to obtain, develop, and maintain that needed work force. To be effective this process must not only be used for internal management and control, but must also be an integral part of the preparation and review of an agency's budget. However, for the process to be fully institutionalized, it should also be part of the overall human resources management system.

Lacking a sound system, the allocation/reallocation of resources to changing priorities and budget cuts tends to be arbitrary and can result in overstaffing and lower productivity. Further, the accountability of a manager to meet program and nonprogram objectives (e.g., upward mobility) is uncertain if resources allocated cannot be tied directly to the work to be accomplished.

We have reviewed various aspects of the personnel requirements process over the years and have pointed out the need for more effective systems in the Federal Government.

Our current assignment, which is nearing completion, is based on a synthesis of the numerous reports we have issued on work force planning and related topics and on interviews we recently conducted with agency managers and officials familiar with the area. We also identified several research efforts and recent proposals that reflect the need for special management attention to improve the level and quality of work force planning.

We found that the attention given to work force planning by Federal agencies continues to be extremely limited and that efforts to develop and use it regularly face obstacles that weaken or nullify their use for effective manpower management. At the same time, we believe that these factors are not insurmountable and that more effective work force planning should be aggressively pursued with the objective of more accurately determining the proper size, composition, and appropriate placement of the work force. We also believe the development and application of a Federal work force planning policy and a framework of preferred methods and procedures is a logical next step toward higher quality manpower and personnel management planning.

This report, which we will be sending you shortly, will specifically address what the executive branch needs to do to improve its work force planning to assure the most productive use of its work force. It will also provide the foundation for action on the part of your subcommittee and other congressional committees.

CONSTRAINTS TO EFFECTIVE
WORK FORCE PLANNING

If Federal managers are to take effective work force planning seriously, there must be incentives to do so and disincentives to effective planning must be removed.

The imposition of personnel ceilings has been one of the principal disincentives that has resulted from our numerous studies. We have found that use of these ceilings tends to severely limit the managers' flexibility to use the most cost-effective mix of people to accomplish the work needed. It also encourages managers to use consultants to do work that should be done in-house and to obtain higher-graded professionals to do work that could be done by lower-graded personnel.

The Office of Management and Budget has tested in five agencies the substitution of full-time equivalents, that is,

work-year controls instead of year-end personnel ceilings. Beginning in 1982, the entire executive branch will be shifted to a system of full-time equivalent controls.

We will initiate an assignment which will (1) evaluate the Office of Management and Budget test of full-time equivalents and whether it has effectively addressed the problems that existed with year-end ceilings and (2) identify alternatives to personnel controls which would be more effective.

GOVERNMENT ORGANIZATION

The topic of organizational structuring, which we consider to be an integral part of the planning process, has a major impact on span of supervisory control and the productive use of personnel. An ineffectively organized agency can result in unnecessary levels of review, duplication of efforts, and other nonproductive uses of people.

Over the last few years, we have examined the organizational structure of the Department of Housing and Urban Development (HUD) and the U.S. Customs Service.

In our report, "Department of Housing and Urban Development Could be Streamlined" (FPCD-77-56, June 16, 1977), we concluded that reducing the number of HUD regional offices would reduce the potential for duplicate work and fragmented authority and responsibility which have been problems in the past. HUD subsequently reorganized. When we reviewed the reorganization proposals, we concluded that HUD could have gone further in streamlining its organizational structure (FPCD-78-33, Apr. 10, 1978).

Our report on the Customs' organization, "Achieving Needed Organizational Change: A Customs Service Dilemma" (FPCD-78-29, Mar. 30, 1978), concluded that while Customs' regional offices provide essential services, it could improve its efficiency by reducing the number of regions as well as district offices. Such a reduction would (1) reduce administrative overhead, (2) provide a more balanced workload, and (3) provide greater uniformity in managing geographic problem areas. While the House passed legislation mandating a reduction in the number of Customs' regional offices, the measure failed to clear the Senate.

More recently, we issued our report (enc. II), "Streamlining The Federal Field Structure: Potential Opportunities, Barriers, and Actions That Can Be Taken" (FPCD-80-4, Aug. 5, 1980). We found that some agencies have, and others might,

streamline their field structure by (1) consolidating and colocating field offices, (2) centralizing administrative support services for field offices, and (3) eliminating unnecessary management levels. We believe that the Federal Government's field structure, where 88 percent of the Federal civilian employees work, is a prime area for exploring ways to reduce unnecessary management levels, cut costs, and increase personnel efficiency.

We are reviewing the organizational relationships between the Department of Health and Human Services and its Administration on Aging. As a part of this review, we will examine potential duplication of functions and excessive red tape imposed by the staff units.

As you can see, we have undertaken a number of assignments which address our mutual concerns with Government overhead and the inefficient use of Federal personnel. We believe the work we have done and will be completing in the near future will provide your subcommittee with a basis for taking the lead toward helping agencies improve their work force planning systems and their organizational structures, thus minimizing any staffing imbalances and unnecessary overhead. It will give you a basis for addressing the following key issues.

1. What actions are needed to provide strong leadership and guidance to agencies to use work force planning systems?
2. What can be done to remove disincentives and barriers to work force planning, and what alternatives to these barriers are available for control and accountability?
3. What actions are needed by agencies to institutionalize work force planning systems?
4. How can agencies better organize to improve work force productivity?

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As arranged with your office, copies of this report will be made available to interested parties upon request.

Sincerely yours,

H. L. Krieger

H. L. Krieger
Director

Enclosures - 2

STATISTICAL DATA INDICATES A SLIGHTLY HIGHER
AVERAGE SPAN OF CONTROL FOR FEDERAL SUPERVISORS

We obtained statistical data on the Federal and private sector work forces from centralized sources, that is, the Office of Personnel Management (OPM) for the Federal Government and the Bureau of Labor Statistics (BLS) for the private sector. We found that, while OPM collects occupational data on the number of supervisors and nonsupervisors, BLS does not. The lack of occupational data for the private sector and the difficulty of assuring true comparability between Federal and private sector occupations precluded a comparison by occupational category.

However, we were able to compute a supervisor to non-supervisor ratio for the total Federal work force using statistical data provided by OPM. We were also able to use published BLS data to compute supervisor to nonsupervisor ratios for certain industries including transportation, public utilities, finance, insurance, real estate, and services. We excluded wholesale and retail trade because they do not appear to be representative of Federal functions. Also, sufficient data was not available for mining, construction, and manufacturing industries.

The comparison results shows the average span of control of Federal supervisors to be slightly higher than their private sector counterparts. As of October 1978 the ratio of supervisors to nonsupervisors was about 1:7.4 for the Federal Government compared to about 1:5.9 for the private sector industries included in our comparison--transportation, public utilities, finance, insurance, real estate, and services.

In 1976 the consulting firm of Cresap, McCormick and Paget, Inc., performed a study under contract with the Civil Service Commission (now OPM) of nonpay comparability between the Federal Government and the private sector. The study, which included a comparison of the organizational structures of 30 companies and 10 Federal agencies, addressed supervisory span of control.

The average spans of control were as follows:

<u>Organizational element</u>	<u>Private sector</u>	<u>Federal Government</u>
Top level (average number of top executives reporting to company president or agency head, bureau director, etc.)	7	16
Second level (average number of senior managers reporting to each top executive)	4	8
Third level (average number of middle managers reporting to each senior manager)	4	3

The consulting firm also compared average spans of control for three functional areas including finance/accounting, personnel, and purchasing, as follows:

Finance/accounting

	<u>Private sector</u>	<u>Federal Government</u>
Number of positions reporting to:		
Top executive	4	4
Second level	3	4
Third level	3	4

Personnel

	<u>Private sector</u>	<u>Federal Government</u>
Number of positions reporting to:		
Top executive	4	6
Second level	4	4
Third level	3	3

Procurement/purchasing

	<u>Private sector</u>	<u>Federal Government</u>
Number of positions reporting to:		
Top executive	4	5
Second level	4	2
Third level	2	3

In its report, the consulting firm noted only limited functional similarity in Federal organizations and private sector companies in their sample and in general, and that any interpretation of supervisor to nonsupervisor ratios should be tempered by that reality. We agree with this qualification. The above ratios should not be considered as a sound basis for conclusive evaluations.

REPORT BY THE U.S.
GENERAL ACCOUNTING OFFICE

STREAMLINING THE FEDERAL
FIELD STRUCTURE: POTENTIAL
OPPORTUNITIES, BARRIERS, AND
ACTIONS THAT CAN BE TAKEN

D I G E S T

At a time when the (1) Federal budget has more than doubled in 8 years, (2) national debt in the same period increased from \$410 to \$834 billion, causing higher and higher annual interest charges, (3) rate of inflation is rising excessively, and (4) President and the Congress are attempting to achieve a balanced budget, the need for the Federal Government to reduce overhead and unnecessary support costs is greater than in many years.

GAO sees the Federal Government's "field structure"--that conglomeration of department and agency offices in the 50 States where 88 percent of Federal employees work--as a prime area for exploring ways of cutting costs and raising Government productivity.

This report was developed largely from (1) previous GAO reports; (2) studies of agency field structures performed by--and management initiatives considered in--the Departments of Agriculture, Commerce, Interior, Transportation, and Health, Education, and Welfare (HEW); 1/ the Law Enforcement Administration and the Office of Management and Budget; and (3) limited discussions with officials in these agencies. This effort, although limited in scope, identified the

1/On May 4, 1980, HEW's responsibilities were split between the new Department of Education and the Department of Health and Human Services.

following ways by which some agencies have, and others might, streamline their field structure and thereby reduce unnecessary and duplicative overhead and support costs.

- Consolidate field offices.
- Collocate offices (locating two or more offices of a department or agency in the same building).
- Establish common administrative support service arrangements for field activities.
- Eliminate unnecessary management levels.

However, employee resistance, management resistance, and external opposition can present very real barriers to effective streamlining and reflect valid concerns which need to be faced aggressively, openly, and objectively. The lack of Government-owned space can also be a sizeable constraint where large amounts of space would be needed.

WHAT CAN BE DONE

To fully identify and take advantage of streamlining opportunities will require a committed and coordinated effort on the part of the executive branch and the Congress. If successful, it could reduce Government costs and improve Federal work force productivity and delivery of services to the public. (See p. 22.)

The following "players" can exercise a key role in addressing the streamlining issue by taking the following specific actions:

The Director, Office of Management and Budget, can

- review its policies to determine whether they provide sufficient direction and guidance to agencies concerning streamlining their field structures,

- initiate efforts by its circular or other means requiring agencies to periodically and systematically reassess their field structures and provide needed oversight to assure that opportunities are undertaken,
- support the General Services Administration's efforts to identify and implement common support service arrangements, and
- help agencies to identify streamlining opportunities and to implement an effective strategy to accomplish needed changes. This could include a clearinghouse role of collecting and disseminating successful applications.

The Office of Personnel Management can

- encourage agencies to evaluate streamlining opportunities and to support development of successful streamlining applications and
- provide consulting services where needed.

The Administrator of General Services can

- give greater priority to studying and implementing common services arrangements, including creating pilot projects to demonstrate successful applications, thereby reassuring agencies that common services can effectively support operations; and
- approach OMB for support in stimulating agency actions where obstacles to common service arrangements are encountered.

The heads of Federal departments and agencies can

- place priority on identifying and implementing streamlining opportunities;

- examine streamlining issues, such as service accessibility, span of control, and optimum size offices, for delivering services most effectively;
- provide resource support to, and coordinate with, other departmental elements to help minimize employee, management, and external resistance to streamlining;
- develop and apply sound organization and staffing criteria to assure that field office numbers and size are appropriate for the work performed; and
- assess whether a more definitive policy is needed. Such policy could provide guidance on kinds of issues which need to be raised; the need to do adequate cost-benefit analysis on streamlining opportunities, and the need for management's attention, leadership, and commitment in overcoming barriers.

The President's Management Improvement Council can assist by fostering cooperation and coordination among agencies in identifying streamlining opportunities and by developing solutions to streamlining issues and barriers.

Where significant streamlining opportunities appear to exist, but are not accomplished, congressional committees can request departments and agencies to

- justify their field structure alignment;
- identify the reorganization studies completed and their implementation status;
- identify the barriers preventing the streamlining of their structures; and
- if needed, provide the legislative mandate to restructure organizations.

