

MEMORANDUM

Date: January 19, 1994

To: PERSONNEL MANAGEMENT LIAISONS

Reference Code: 94-03

**THIS MEMORANDUM SHOULD BE DISTRIBUTED TO:**

AGENCY SECRETARIES  
DEPARTMENT DIRECTORS  
PERSONNEL OFFICERS

From: Department of Personnel Administration  
Office of the Director

Subject: Middle Management Reduction

As the Governor indicated in his 1994-95 Budget Summary, a major lesson of the past decade in both the public and private sectors is that if significant productivity gains are to be realized, service and process innovation must include managerial and organizational innovation as well. Quality initiatives and access to information through improved technology has moved decision-making to the front lines of our departments where we meet the customer and serve the client. Good service and efficient operations means quick response and faster turnaround in the services that Californians demand of their State government.

Private industry has learned that to be competitive and more productive, they must communicate better within their organization. The old pyramidal organization, which was used to facilitate decision-making, training and communications, is giving way to a flatter organization in which managing horizontally is more important than managing up and down in a top-heavy hierarchy.

Some State departments have followed the lead of private industry and have already begun to review their organizations with an eye toward eliminating unnecessary levels of management and supervision.

The State's classification and pay plan, however, has followed the traditional pyramid staffing patterns, with the number of managers and supervisors dependent on the number of employees supervised. Advancement to higher pay in State service has generally required climbing the career ladder, with rewards and recognition for excellent performance coming by way of promotion to a supervisory position. This has led to increasing numbers of managers and supervisors and, in some instances, taken our best production workers and made them less productive supervisors. We should reward performance and career achievement where it occurs without forcing our employees to make this choice.

• •



As an integral part of our initiative to reinvent government, the Governor is requesting that all departments and agencies review their organizational structures. The objective is to reduce administrative overhead and improve services to our customers, the taxpayers.

Currently there are approximately 28,500 supervisors and managers and 140,000 full-time and part-time workers. This is a one-to-five supervisor/manager-to-subordinate ratio. The Governor has established an 18-month goal to reduce the number of supervisors/managers by 10 percent statewide. Some organizations will be able to reduce more than 10 percent while others which have already made reductions may not be able to reduce at the required 10 percent.

#### IMPLEMENTATION

To implement the 10% reduction, the following steps are being initiated.

1. Effective immediately, there is a freeze on appointments to supervisory and management classifications.
  - a. Positions with collective bargaining designations of S1 through 21, M1 through 21, E98 and E99 are covered by the reduction and the freeze.
  - b. Mandatory reinstatements are exempted from the freeze.
  - c. Requests for exceptions to the freeze should be submitted to the Classification and Compensation Division of the Department of Personnel Administration (DPA).
  - d. Each department will be exempted from the freeze when their plan is approved.
2. Departments should develop three alternative plans to reduce supervisor/manager positions by 5 percent, 10 percent and 15 percent. Each plan should project the dollar savings from the reductions and the time frame for completion. Plans should be submitted concurrently to the Departments of Finance (to your assigned budget analyst) and DPA (to your assigned departmental analyst) and should include the following detailed information.
  - a. How organizational levels of supervision and management will be reduced and any redundant levels of review eliminated.
  - b. How positions with partial supervisory responsibilities will be consolidated into full-time supervisory positions.

- c. How supervisors and managers will be retrained to perform new roles.
  - d. Those departments that have already accomplished significant reductions to their managerial/supervisory positions should include a complete description of those reductions.
3. It is recognized that this objective is based on substantially modifying existing pyramid organizational philosophy and that departments will require assistance in developing plans to accomplish the objective. DPA staff is available to provide consultation and assistance to departments in plan development and in classification and compensation changes necessary to facilitate meeting the objective.
- a. Departments may need to establish "specialist" classifications to recognize exceptional expertise and productivity and to provide nonsupervisory career opportunities.
  - b. Departments may need to provide "red circle" benefits to transition employees among managerial, supervisory and specialist classifications.
  - c. Departments will want to consolidate classification levels of supervision and management.

Departments are encouraged to submit plans as soon as possible but no later than March 1, 1994. Exceptions to the freeze will be approved only for critical positions where there is no operational alternative to leaving the position vacant.

We recognize this is a major undertaking but with your assistance and leadership we can achieve the objective and improve public service.

Questions regarding this program should be directed to your DPA classification analyst or your Department of Finance analyst.



David J. Trapelle  
Director  
Department of Personnel Administration



Russell S. Gould  
Director  
Department of Finance