

Administrative Response to Office of the City Auditor - City Productivity and Performance Audit

Management Staffing Analysis

Recommendation

That the September 18, 2020, Employee Services report CR_8428, be received for information.

Executive Summary

This report provides Administration's response to the final findings in the Office of the City Auditor's (OCA) 2020 Report on City Productivity and Performance Audit: Management Staffing Analysis.

This Auditor's report fulfills one of three objectives of the Productivity and Performance Audit. In addition to management staffing analysis, the City Productivity and Performance Audit is also reviewing:

- municipal benchmarking through the productivity or performance of City program areas in comparison with other municipalities or industries when this information is available;
- internal services productivity for program and service areas between 2015 and 2019.

Council-approved service packages to address Council priorities were the primary driver of new FTEs added following budget decisions between 2017 and 2020.

The City's Organizational Design Framework provides leadership with protocols, processes, templates and tools to enable a consistent approach to organizational design. The protocols within the Framework are based on organizational design best practices, including the appropriate number of layers and spans of care.

The City of Edmonton's Executive Leadership Team's (ELT) 2020-2021 work plan is about examining the actions needed and allocation of resources to recover and achieve the City's goals outlined in its plans. This will require thoughtful consideration related to the services Administration will be able to provide and the supportive workforce resources required. As part of this work and budget processes, Council will

set direction on how the City will prioritize services and programs, which may also impact the City's workforce.

Report

The Office of the City Auditor (OCA) concludes that there has been an increase in supervisory positions since 2017. Management's response to the OCA Report's findings are outlined below.

Audit Report Highlights

- 1. Workforce Growth:** *Since 2017, the workforce has increased by 232 FTE. Budgeted personnel costs have increased by approximately \$63 million due to wage increases and new FTEs.*

Management Response

Of the \$63 million attributed to workforce growth, \$19 million resulted from workforce growth. The remaining \$44 million is related to negotiated and in-range wage increases.

Overall, the City of Edmonton's workforce has grown at a slower rate than its population. Between January 2017 and 2019, the City of Edmonton population grew by 4.94 percent. In this same period, FTE growth was 1.77 percent, which represents an increase of 197 FTEs. The City of Edmonton's FTEs would have increased by approximately 550 FTEs between 2017-2019, if it had kept pace with the City's population growth (all other factors being equal). The City's population growth is one of many factors contributing to overall workforce growth. Edmonton's population growth per year has slowed between 2019 and 2020 to 1.7 percent, resulting in 34.43 FTEs, or a 0.3 percent increase in FTEs.

- 2. Changes to classification categories:** *Branch Manager, Director, Manager, Professional and Union classification categories increased in FTE.*

Management Response

In addition to changes in FTEs noted above, City responsibilities have evolved in response to growing service requests from City Council and residents, and higher service standards. In response to Audits in 2015 and to Council's expectations, Administration adjusted its structure to consolidate project management of capital projects within a newly created Integrated Infrastructure Services department in Fall 2015 and continued with additional reorganizations which took effect up until March 2016.

- 3. Staff to Supervision Ratios:** *In the report's analysis, a supervisor is any position that has at least one employee reporting to it - regardless of classification, job title, or position in the organization hierarchy. Using this definition, there are more supervisors per employee in 2020 than there were in 2017.*

Management Response

The City defines leaders of people as supervisors who spend more than half of their time leading and supervising employees who report directly to them. This includes in scope and out of scope employees, but not Deputy City Managers, Branch Managers or Directors. The changes in the ratio of staff to supervisors reflect enhanced leadership oversight, as outlined in the City's Organizational Development Framework.

Not all positions with a supervisory function are considered leadership roles. Professional positions that perform technical, specialized or strategic functions beyond supervision are responsible for 87% of growth in out of scope positions (103 of 119 FTEs). The City is responsible for delivering a number of significant infrastructure projects that align with Council's strategic direction and priorities for capital spending. To complete this work, Administration must be able to hire and retain highly specialized professional and technical experts who can ensure appropriate oversight of these important projects. For people with technical expertise, supervision is a secondary or tertiary responsibility of their role and could constitute as little as five percent of their time invested in direct supervision of other staff (e.g., engineers, land use planners) in the course of their other oversight functions. Salaries for these employees are comparable to other similar roles in Edmonton, and they are not compensated for this additional responsibility.

- 4. Supervisor span of control:** *There has been a shift in the organization to supervising smaller groups of employees. This is the result of adding more supervisors.*

Management Response

In November 2019, the Employee Services Department developed and implemented a new Organizational Design Framework. This Framework provides leadership with protocols, processes, templates and tools that enable a consistent approach to organizational design. The protocols within the Framework are based on organizational design best practices, including the appropriate number of layers within the organization and appropriate spans of care. It also provides Administration with insight into structure and helps with building teams that are the right size and have the right accountabilities at the right level. The Framework sets the standard for spans of care and layers in the organization.

While current organizational reviews are addressing these spans and layers, change can take time due to complexities such as collective bargaining agreements, legislative requirements, impacts on organizational culture, and service delivery.

Through the Framework and other corporate workforce initiatives, Administration is taking a holistic approach to transform the City of Edmonton into a more integrated and effective organization. Changes to supervisory oversight and spans will ensure the City continues to deliver on services through well-managed teams at all levels of the organization in alignment with the City's strategic goals.

- 5. Cost of Supervisors:** *The cost of supervisors per organization FTE has increased by approximately \$3,400 since 2017. This is primarily the result of adding more supervisors and increases in compensation for union supervisors and non-union supervisors not at the top of their salary range.*

Management Response

For many leaders, supervision is not a full focus of their role. For people with technical expertise (non-management), supervision is a secondary or tertiary responsibility of their role and could constitute as little as five percent of their time invested in direct supervision of others (e.g. engineers, land use planners).

The increases in compensation amount includes both economic increases and merit increases. Negotiated economic increases for unionized and out of scope confidential supervisors totalled approximately 5.5 percent from 2017 to 2020. Since 2017, management staff economic increases have been frozen.

- 6. Middle Management and front-line supervisors:** *The increased number of supervisors is reflected in both "middle management"¹ and front-line supervisor positions. Middle management increased by 22% and front-line supervisor positions increased by 19%.*

Management Response

The definitions used in the Auditor's report do not align with HR leading practice, nor with the City of Edmonton's compensation and classification approach. For example, the OCA defines supervisors as any employee with a direct report, whereas the City of Edmonton leadership model includes five levels, with each level having specific leadership expectations and complexities. Further, the current job classification approach considers jobs to be in a supervisory/management level if they spend more

¹ OCA defines "middle management" as all managers and supervisors in the organization except the City Manager, Deputy City Manager and Branch Managers, who supervise another supervisor. This includes out of scope and in scope employees.

than half of their time leading and supervising employees that report directly to them. Within the City's management structure, these individuals are referred to as Leaders of People, and include both in and out of scope employees, but not Deputy City Managers, Branch Managers, or Directors. A singular direct report would not meet this definition.

The City defines Leaders of Leaders as those who supervise Leaders of People. As of January 31, 2020, there were 131 FTEs in this category compared to 130 FTEs in 2017, resulting in 0.77 percent growth.

The increase in the number of supervisors is also aligned with a shift in ensuring greater oversight of teams delivering front-line services. In 2016, several organizational restructuring changes took place at the City to address some of these issues.

Potential Cost Saving Scenarios: *The OCA report states that the elimination of supervisor FTEs would result in cost savings for the organization which will be critical to ensuring the sustainability of the City of Edmonton organization.*

Management Response

Recommendations about potential cost saving scenarios should take into account that the current size and scope of the workforce reflects the variety of services delivered to Edmontonians. The size of the City's future workforce (FTE numbers) will be informed by Council's direction on priorities-based budget and ELT's workplan. Potential changes to the scope, service level or delivery approach for City's 73 various diverse lines of service would also impact FTE numbers. As well, the current increase in supervisor FTEs reflect an increased need for leaders to support teams in delivering on complex capital projects, ensuring compliance on more robust provincial workplace health and safety guidelines, meeting increased public expectations on community engagement and consultation, and supporting demands for service delivery.

The cost savings projections in the OCA Report are based on the assumption that all other costs will remain constant in light of cuts of supervisory roles. Costs may increase as a reduction in management workforce could have direct impacts and costs on employee health and safety and appropriate leadership supervision. Continued reductions in supervisory FTEs may achieve cost-savings while also leading to inefficient teams and potential negative impacts to service levels and citizens' experiences of the City's services.

Additional Considerations

Seasonal Workforce

The City of Edmonton's workforce includes seasonal and temporary employees. As a result, depending on the time of year, the size of the workforce can vary due to employees who work in golf courses, waste, roadway maintenance, and our green shack program. As these employees are not part of the City's permanent workforce, they are typically not included in the City's calculations of span of care or supervisor ratio.

ELT Workplan: Modernizing the workforce and Reviewing Services

As the City recovers from COVID-19 it will require thoughtful consideration related to the programs and services Administration will be able to provide and the supportive workforce resources required. Specifically, Administration will focus on creating a high-performing and agile workforce, align compensation with market rates, and develop flexible work practices and spaces. While the City continues to be aligned with the City's strategic plan, the work will review how services will be delivered, resources will be allocated to recover, and how the goals outlined in these plans will be achieved.

Data Reliability

The report states that five percent of the City's personnel budget each year is not allocated to individual positions in the data. The personnel costs not attributable to individual positions are mainly overtime, employee allowances, Workers' Compensation Board premiums, unique benefit plan contributions (mainly the Fire Fighter Supplementary Pension Plan), statutory pay, and some other items, all offset by the City's salary discount factor. These types of personnel costs are not typically allocated to individual FTEs.

Audit Recommendation: Review Supervisor Responsibilities

We recommend Administration review supervisor responsibilities in the organization in order to reduce costs and layers of supervision.

Response Party: City Manager

Accepted by Management

Management Response:

The Organizational Design Framework outlines the number of layers allowed in the organization as a maximum of seven, from City Manager to front-line employee. Of those seven layers, a maximum of five should be management. Any variations from this must be approved by the City Manager, and this approach will also apply to all reorganizations going forward. This will help to increase agility, better manage costs, improve the employee experience and clarify responsibilities.

Administration is exploring more effective and efficient solutions and technologies that will modernize the City's job classification system within the Modernizing the

Workforce initiative. The desired outcome is to implement a comprehensive classification structure/hierarchy for all jobs within the City that will attract talent, provide flexibility and fluidity to respond and adapt to an ever changing workforce and more clearly identify the appropriate salary and benefits of jobs.

As the City recovers from COVID-19 it will require thoughtful consideration related to the programs and services the City will be able to provide and the supportive workforce resources required.

Implementation Date: In November 2019, Council approved the implementation of the Organizational Design Framework, which has been used for subsequent reorganizations. Administration is exploring a modern job classification system with the expectation that it could be fully implemented in 2023.

Administration is implementing several initiatives that were developed over the last 18 months. Collectively, these initiatives will ensure that the City has robust workforce planning processes in place to ensure that the right people are doing the right work, with the right working conditions to be successful.

ELT's work plan may result in changes to the City's workforce and the policies that support efficient, effective and relevant service delivery. Administration will leverage existing governance capacity to increase speed of service, decrease overhead and administrative costs, and remove unnecessary regulatory red tape while still ensuring that employees have a safe and respectful workplace.

Administration is also leading the Enterprise Commons project, which will transform finance, human resources and supply chain processes. The modernization of technology and processes is expected to enhance job and position architecture functionality and processes to better support the organization, increase visibility of organizational and workforce data. This will enable leadership to adhere to the Organizational Design Framework and other ongoing organizational development projects, as well as integrate budget and workforce data allowing for increased data transparency and real-time visibility for decision makers.

Others Reviewing this Report

- M. Persson, Chief Financial Officer and Deputy City Manager, Financial and Corporate Services
- C. Owen, Deputy City Manager, Communications and Engagement
- G. Cebryk, Deputy City Manager, City Operations
- J. Meliefste, Acting Deputy City Manager, Integrated Infrastructure Services
- R. Smyth, Deputy City Manager, Citizen Services

- S. McCabe, Deputy City Manager, Urban Form and Corporate Strategic Development
- B. Andriachuk, City Solicitor