

# Staffing by the Numbers

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*For decades companies have benchmarked where they stand relative to the staffing levels in their industry sector. Ratios such as employees per production volume represent one of the most basic units of productivity, and higher productivity leads to greater profits. Is there any wonder why executives closely track these numbers and get very upset if their company is in the lower quartile?*

*Benchmarking is a common business tactic, but does it make sense to use a similar gauge to measure the efficiency of environmental, health and safety professionals? And more specifically, should benchmark ratios be used as a basis for rightsizing an EHS organization? The short answers to these two questions are (1) rarely and (2) never. One word responses will not satisfy business executives who are pushing for staff reductions based on recent surveys. This article could, however, provide information you may need.*

There are very specific EHS activities where standard ratios may be a valid methodology to size staff support. For example, regulatory required personnel training and industrial hygiene monitoring are tasks that are very well defined and can be "normalized" against a standard unit, namely employees. As a general rule, the more the service resembles a well defined commodity, the more likely that simple ratios or other factors can be used reliably. This presents an interesting paradox. Commodity services such as these are typically the first to be outsourced. If anything, staff comparisons using ratios are even less reliable today than they were in the past.

Staffing surveys from which these ratios are derived are almost never at the activity level where comparisons might have some relevance. Usually they are at the organizational level (site/corporate)

or functional level (safety/environment). Aggregating the numbers at these levels might provide some insight into the management philosophy (e.g., centralized/decentralized approach), but little else. Most surveys do not clearly differentiate between full time professionals and collateral support. The prominence of outsourcing today also requires an analysis of total resources, not just internal staff. In addition, key networking and other interface relationships that may profoundly affect how these resources work together are rarely revealed.

The bottom line is that staff size depends on a multitude of factors that dramatically affect the totals (see Table 1). Corporate staffs can range from a "skeleton crew" to hundreds of individuals networked across the company. Similarly, manufacturing site staffs can vary tremendously in size and are highly dependent on the current issues, it's regulatory obligations, and the nature of its operations. Overall, a company's "legacy of EHS issues" and management's philosophy for dealing with them can be a far greater determinant than any common metric such as total revenues.

"It depends" might be the operative expression for determining the best, most cost effective staff level. Not surprisingly, survey results are all over the map. For example, a benchmarking study conducted by Compaq Computer reported a variation in EHS staff size from 3 to 200 per billion dollars of revenue in their survey of large corporations. Another survey report of fifty companies by a major management consulting firm contains charts that look like random scatter diagrams. And in yet another survey, an employee relations firm found about a 13 to 1 spread in the staffing level among survey participants in the utility sector.

### ■ *So what good are surveys?*

After all this survey bashing, why even concern yourself with ratios or even average staff size? First and foremost, because your business management may. For service functions such as accounts billable and payroll, these surveys are an extremely useful tool in judging productivity and the impact of new technology. They provide an overall gauge of where the company stands relative to competitors and CEOs love independent assessments of where their business ranks among its peers.

To state the obvious, resource allocations are ultimately made within organizations at management levels that have very little time to keep current with complex EHS requirements and issues. Management may view EHS primarily as a service function, as exemplified by the recent movement of EHS resources into shared service departments. From management's perspective, surveys *are* the defining technique.

An EHS resource review may also become one element in a much broader study by outside business management consultants to restructure the entire organization. Surveys by such well known management consultants as Mercer may define overall staffing

philosophy for these service functions. EHS functions are sometimes rolled up into categories such as engineering or technical support. If management sets a target of a twenty five percent reduction "across the board," you must deal with the consequences.

While many management consultants are noted for their reputations for excellence in business expertise, they may or may not have the *senior EHS expertise* to perform an adequate evaluation of EHS resource issues. Although there is no magic numerical formula to right size EHS staffs, to inexperienced consultants, these ratios may be just the ticket to demonstrate competency in their analysis, especially if the recommendation is to cut staff. I have heard numerous examples where EHS departments have been "right sized" by management consultants who were totally clueless on how to properly run an EHS function, but were given this responsibility because they were evaluating overall staffing levels.

You should have access to benchmark information on resources because your management may want to use this as a basis by which to judge the EHS organization. Without the groundwork prepared as suggested in this column, you are facing a major, uphill battle. The object is to optimize resources now and demonstrate to executive management that maximum efficiencies are being maintained on an ongoing basis. Your degrees of freedom are severely limited if it is a reactive response.

If your staff size appears to be significantly over or under resourced within your specific industry sector, you should be prepared to put this apparent anomaly in perspective. For example, you can construct a chart using Table 1 to illustrate where the company may stand relative to each of these items to help frame the issue for management.

You might use benchmarking data to support your argument, but it should not be the primary argument, and certainly not the justification to maintain the status quo. Note also that management has limited control over some of the items listed in Table1 (e.g., historical "legacy" of issues), but considerable control over others (e.g., competency of the group).

### ■ *When do you do this?*

If you suspect that executive management believes that they are not getting a sufficient return for the resources expended, and that something is "just not right" with their EHS program, now may be a good time to examine staff size. There are also times

when an evaluation is almost always needed such as during or after a major corporate restructuring. Here is my list of appropriate times to examine staff levels:

- During acquisitions & divestitures
- Following mergers
- While reengineering or restructuring
- After compliance audits finding numerous exceedences
- Prior to a public relations or advertising campaign
- Prior to the budgeting cycle
- When justifying resources for new EHS initiatives

It is during these times that an EHS staff may need to be downsized (or increased) and the company goals and direction for EHS re-assessed. By using simplistic approaches such as staff rations, it is entirely possible to pass muster, but be wasting resources, moving in the wrong strategic direction, or ignoring long term liabilities. In other words, a company may be spending too many resources doing the wrong things very well or the right things very poorly. In upcoming columns we will provide some insight into how to evaluate EHS organizations using much more rigorous techniques. Next month we will take a close look at corporate EHS organization structures.

## ■ *Factors Affecting Overall Staff Resource Level*

**Table 1**

### **Company Driven**

- Nature of the business/Risk of operations (e.g., industry group, environmental "footprint," proximity to sensitive areas)
- Legal/Regulatory requirements (e.g., different states or countries, chemicals and processes)
- Company goals
- Company culture (e.g., degree of integration of environment into line management, tolerance for risk)
- Number of separate sites/Employees
- Communication obstacles (e.g., language barriers, distance between sites)
- Company regulatory compliance history
- Profitability and production rate of facility

## EHS Department Driven

- Competency of the staff
- Experience level of the individuals
- Morale and work ethic of the group
- Maturity of the existing programs
- Organizational structure
- Departmental processes (e.g., use of information management systems)
- Program mix and priorities given
- Cost of EHS staff

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