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PRESS★



CALIFORNIA

**STATE PERSONNEL BOARD
1968**

ANNUAL REPORT

**ON STATE SALARIES AND
PERSONNEL MANAGEMENT**



CALIFORNIA STATE PERSONNEL BOARD

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Executive Officer

December 6, 1968

The Governor of California
and
Members of the Senate and the
Assembly of the State of California

Gentlemen:

The State Personnel Board, at its regular meeting on December 6, 1968, adopted this report on State Salaries and Personnel Management as the annual report provided for in Government Code Section 18712. As further provided in this Section, this report is transmitted to the Governor and to each House of the Legislature.

Our salary increase fund recommendations for the 1969-70 Fiscal Year appear in the Employee Compensation Section. In other sections of the report we have commented on selected topics of personnel management which we believe will be of interest to you at this time.

Respectfully submitted,

CALIFORNIA STATE PERSONNEL BOARD

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SUMMARY OF SALARY AND EMPLOYEE BENEFIT RECOMMENDATIONS FOR 1969-70 FISCAL YEAR

- ◀ To keep the salaries of State civil service employees in line with salaries paid for comparable work outside State service, the Personnel Board recommends the appropriation of \$39,713,000 from the General Fund and \$36,078,000 from Special and other funds to provide salary adjustments in the 1969-70 Fiscal Year. \$24,750,000 from the General Fund and \$30,020,000 from Special and other funds will permit a 5% general increase for State employees. \$14,963,000 from the General Fund and \$6,058,000 from Special and other funds is included for needed special adjustments in excess of the 5% general increase recommended.
- ◀ In order to bring State employee benefits and supplementary compensation practices into closer alignment with those of private industry, the Personnel Board further recommends that:
 - Funds be appropriated to meet the State's overtime obligations under amendments to the Fair Labor Standards Act which require certain State schools and hospitals to pay premium pay for overtime. An appropriation of \$780,000 is needed to finance the State's obligation from February 1, 1967, through June 30, 1969. An additional \$350,000 is required for the coming fiscal year.
 - Legislation be enacted and funds appropriated to pay premium pay for overtime to other State employees who are not covered by the Fair Labor Standards Act, but whose counterparts in private industry receive premium pay. The estimated additional annual cost will be approximately \$1.4 million from the General Fund and \$3.4 million from Special and other funds.
 - Funds be appropriated to provide payment of night-shift differentials to selected classes of State employees at an annual cost of approximately \$1,750,000 from the General Fund and \$250,000 from Special and other funds.
 - The State's contribution to health insurance be increased \$5.28 to a total of \$13.28 per employee to cover entire payment of the employee's basic plan at an additional total cost of about \$5 million per year.
 - The State provide unemployment insurance benefits to its employees laid off due to budget reductions or other reasons of economy at an estimated annual average cost of \$154,000.

I. EMPLOYEE COMPENSATION

A. Salary Setting Policies and Practices

The Personnel Board is responsible for setting the salary ranges of the State's 116,000 civil service employees. Government Code Section 18850 assigns this responsibility to the Personnel Board and also provides the basic policies that guide the Personnel Board in establishing and adjusting State salaries. These policies are:

- Salary ranges of State classes shall be set in proper relation to each other so that "like salaries shall be paid for comparable duties and responsibilities".
- Consideration shall be given to prevailing rates for comparable service in other public employment and private business.
- The cost of any salary adjustments shall not be "in excess of existing appropriations which may be used for salary increase purposes".

The State reviews the status of State employee salaries and the need for salary adjustment funds on an annual basis. In the fall of each year, the Personnel Board conducts extensive surveys of the salaries and wages being paid in private industry in the San Francisco Bay and Los Angeles areas to employees doing work comparable to that being done by State employees. The Personnel Board also surveys salaries paid in other public agencies and refers to salary surveys conducted by other organizations, both public and private.

In November of each year, following the publication of the survey results, a public hearing is held by the Personnel Board at which time State departments, employees, and employee organizations have an opportunity to present their views of salary increases required for the next fiscal year. This hearing is in addition to numerous conferences between the staff and departments and employee groups that occur throughout the year on specific salary questions and problems.

Government Code Section 18712 requires that the Personnel Board prepare this annual report for the Governor and the Legislature on the status of State salaries. The salary surveys of private industry and government and the views and information of State departments and employees are all considered fully by the Personnel Board in arriving at the recommendations included in this report.

In order that State salaries may be considered in the light of the most current data, the salary surveys are again conducted in February and March while the Legislature is in session. The results of these surveys are then available for use in reviewing the adequacy of the Personnel Board's estimate of fund needs made earlier in its report to the Governor and the Legislature and in making any revisions to earlier fund estimates that are indicated. Salary adjustments made by the Personnel Board, within funds appropriated for that purpose, are usually effective at the beginning of the new fiscal year.

B. The State's July 1968 Salary Adjustment Program

In its December 1967 Report to the Governor and the Legislature, the Personnel Board recommended the appropriation of \$35,515,000 from the General Fund and \$31,700,000 from Special and other funds for salary adjustments during the 1968-69 Fiscal Year. The requested amount was to provide a 5% general adjustment for almost all employees along with special inequity adjustments to a smaller number of employees at a cost of \$12.8 million from the General Fund and \$3 million from Special and other funds.

In 1968, the Legislature appropriated and the Governor approved funds which made possible the 5% general increase recommended by the Board. The increase was effective July 1, 1968. For special adjustments, \$3.9 million from the General Fund and \$4.7 million from Special and other funds were made available.

The appropriations in 1968 provided \$8.6 million for special adjustments in contrast with the Board's recommended fund of \$15.8 million. \$5 million of the requested funds were to provide a 5% special adjustment for Nurses and Psychiatric Technicians which was not possible within the lesser amount appropriated. For some of the classes for which the Board felt that there was support for special adjustments of 5% or more, it was able to provide special adjustments of only 2-1/2%. As a result, salaries for these classes continued to lag behind those of their counterparts outside State service.

The special adjustments granted by the State Personnel Board effective July 1, 1968, were as follows:

+2-1/2% for 20,000 employees in the fields of medicine, psychology, uniformed law enforcement officers, food preparation and services, laundry and other personal services, building trades, fire prevention, public health, education administration, agricultural inspection and for senior clerical personnel.

+2% for 4,650 correctional officers, youth authority group supervisors and related personnel.

+5% for employees in forest firefighting classes while they are on firefighting duty.

+5% for 500 employees in a variety of classes where a special increase was necessary to bring about proper internal alignment with other State classes.

The increase for State employees resulting from the general and special adjustments averaged 5.7 per cent.

C. Changes in Salaries Outside of State Service

The need for State salary increases is influenced mainly by increases in salaries paid in private industry and, to a lesser extent, by salaries paid by other large public employers in California. The following paragraphs summarize recent changes in the private and public sectors and indicate the urgency for appropriate State salary adjustments.

1. Private Industry: Salaries and wages in private industry are currently increasing at the greatest rate since World War II. The annual rate of increase has risen from between 3-1/2% and 4% in the years immediately prior to 1966 to a current annual rate between 6% and 7%.

Between March 1968 and October 1968 the State Personnel Board's private industry surveys showed an increase of 3.9%; a rate higher than for any previous corresponding period. Based on this trend, it is estimated that the Board's March 1969 surveys will show an annual change in private industry salaries of more than 6%.

Other indicators of change in salary levels are equally strong. The Bureau of Labor Statistics reports that first-year wage increases resulting from major collective bargaining agreements settled during the first six months of 1968, averaged 7.5% in manufacturing industries and 7.7% in nonmanufacturing industries. Many of these contracts emphasized large wage increases in the first year with various fringe options in subsequent years. Even so, the annual average wage increase for these contracts was over 5% for the life of the contract thus assuring a continuation of a high salary increase trend.

Pace-setting contract settlements in recent months include the July agreement between the Machinists and Auto Workers Unions and major Aerospace firms; and the August settlement between the steelworkers and the major steel producers, both calling for a 6% adjustment immediately. The three-year agreement between the Communications Workers of America and the Bell System will increase wages and benefits about 6.5% per year and is comparable to earlier agreements in the auto, rubber, and copper industries. Nationwide collective bargaining agreements as reported by the Bureau of National Affairs averaged 20¢ per hour in the third quarter of 1968. This is considerably above the 14.9¢ per hour average for the third quarter of 1967 which was the highest figure reported since 1945.

2. Local Government: The increases granted during the past year by California's 25 largest cities and 25 largest counties averaged 6.5%. Average increases granted July 1, 1968, by the three major local government competitors were: Los Angeles City, 5.5%; Los Angeles County, 6.2%; and San Francisco, 7.9%. It is estimated that large local public agencies will, as in recent years, grant increases by July 1969 at least comparable to those occurring in private industry.
3. Federal Government: The Federal Government granted increases averaging 4.9% to its classified workers in July 1968 which were intended to erase half the lag between Federal rates and June 1967 national average private rates. Provisions have already been made for an additional adjustment in July 1969 to eliminate the remaining half of the lag and to reflect the advance in private rates in the year ending in June 1968. Federal officials are now estimating that the increase for Federal employees in July 1969 will average 8% with some of the top executive and administrative levels receiving substantially more.

D. The State's Salary Adjustment Needs

In recommending the salary adjustment fund needs, the Personnel Board has taken into consideration existing salary levels, clearly established salary trends and the information and recommendations presented by various State Departments and employee groups.

The Board estimates that an appropriation of \$39,713,000 from the General Fund and \$36,078,000 from Special and other funds will be needed for salary adjustments for State civil service in the 1969-70 Fiscal Year. These funds would provide an average adjustment of 6.7%.

Approximately \$54.8 million of the funds recommended for 1969-70 would be needed to grant a 5% general increase to practically all civil service employees. In addition, \$14,963,000 from the General Fund and \$6,058,000 from the Special and other funds is needed to provide special adjustments for employees in classes for which prevailing salary data and recruitment and retention difficulties indicate an urgent need for such adjustments.

In representations to the Personnel Board in its salary hearing on November 7, 1968, employee groups uniformly recommended adjustments beyond those now being recommended by the Board. The employee groups requested general increases ranging from 7.5% to 10% plus special adjustments ranging from 2.5% to 35%. The general increases and special adjustments recommended by the employee groups would require an appropriation of between \$125 million and \$150 million. These recommendations were in addition to requests for improvements in employee benefits.

The Board has given serious consideration to the information and views presented by the employee groups but believes that the funds recommended by the Board will be adequate to keep State employee salaries in line with those being paid outside State service and will allow the State to recruit and retain a qualified work force.

E. Executive Compensation

1. The Problem of Executive Compensation

The most glaring inequity and inconsistency in the State salary structure relates to executive compensation. The salary lag of department directors in California is becoming increasingly significant. In addition, the salary structure for senior management positions is severely compacted.

When compared with other large government jurisdictions the salaries of many State executives are low. For example in the State of New York, the state most comparable to California in size, organization and complexity, the average salary paid to department heads is \$34,556 per year. For similar departments in California the average director's salary is \$25,727 per year. This is a difference of over 34%.

The following table shows how certain California state positions compare with positions in related fields in other California jurisdictions and other states.

Table I

<u>STATE POSITION</u>	<u>ANNUAL SALARY</u>	<u>LOCAL AGENCY & STATE POSITIONS</u>	<u>ANNUAL SALARY</u>
DIRECTOR, DEPARTMENT OF PUBLIC WORKS	\$25,725	COUNTY ENGINEER, LOS ANGELES COUNTY	\$32,820
		CITY ENGINEER, LOS ANGELES CITY	31,104
		DIRECTOR OF PUBLIC WORKS, SAN FRANCISCO	33,036
		COMMISSIONER OF HIGHWAYS	
		NEW YORK	35,500
		MICHIGAN	29,000
		WISCONSIN	24,312
DIRECTOR, DEPARTMENT OF MENTAL HYGIENE	27,300	HEALTH OFFICER, LOS ANGELES COUNTY	28,692
DIRECTOR, DEPARTMENT OF PUBLIC HEALTH	27,300	DIRECTOR OF PUBLIC HEALTH, SAN FRANCISCO	32,244
		COMMISSIONER OF HEALTH	
		NEW YORK	38,000
		MICHIGAN	32,000
		WISCONSIN	30,656
COMMISSIONER, CALIFORNIA HIGHWAY PATROL	23,625	SHERIFF, LOS ANGELES COUNTY	35,000
		CHIEF OF POLICE, LOS ANGELES CITY	32,820
		CHIEF OF POLICE, SAN FRANCISCO	28,368
DIRECTOR, DEPARTMENT OF SOCIAL WELFARE	25,725	DIRECTOR OF PUBLIC SOCIAL SERVICES, LOS ANGELES COUNTY	35,500
		GENERAL MANAGER, DEPARTMENT OF SOCIAL SERVICES, SAN FRANCISCO	27,180
		DIRECTOR OF PUBLIC WELFARE	
		NEW YORK	35,000
		MICHIGAN	29,500
		WISCONSIN	33,856

Executive salaries have increased at a slower rate than the salaries of their exempt and civil service subordinates. As a result the differentials in salary between directors and their subordinates have diminished. There are currently 108 civil service classes whose salary ranges are compacted because of the low salary ceiling created by the salaries of department directors.

Currently, in 20 departments, the salary differential between the director and chief deputy director is less than 5%. This is illustrated in Table II on the following page.

Table II

<u>Department</u>	<u>Per Cent Differential Between the Director and his Chief Deputy*</u>
Agriculture	0.1%
Conservation	0.1
Corrections	0.1
Equalization	0.1
Fish and Game	0.1
Franchise Tax	0.1
General Services	0.1
Highway Patrol	0.1
Mental Hygiene	0.1
Motor Vehicles	0.1
Parks and Recreation	0.1
Public Health	0.1
Public Works	0.1
Water Resources	0.1
Youth Authority	0.1
Housing and Community Development	2.4
Health Care Services	4.5
Rehabilitation	4.5
Alcoholic Beverage Control	4.6
Professional and Vocational Standards	4.9

*That per cent by which the Director's salary is greater than the salary of his Chief Deputy.

2. Approaches to Executive Salary Adjustments

Significant improvements in executive salaries have been made in other governmental jurisdictions in recent years. Some jurisdictions have adopted systems for the timely review and adjustment of executive salaries. Among these are the Federal Government (Commission on Executive, Legislative, and Judicial Salaries), the State of Michigan (State Officers' Compensation Commission), and the County of Los Angeles (Executive Salary Review Committee). Each has established a commission or committee to review the salaries of executives and to recommend to the law-making body a program for salary adjustment.

The lack of a regular systematic review and updating of executive salaries is a major deficiency in the personnel program of the State of California.

3. A Study is Underway

Both the Governor and the State Legislature have directed the Commission on California State Government Organization and Economy to study the problems of executive compensation. The Commission's report will be completed by February 1, 1969. It is hoped that the recommendations made by the Commission will receive consideration and action by the Legislature and that a system of timely review and adjustment of executive compensation in California State Government will be provided.

II. EMPLOYEE BENEFITS

Employee Benefit Trends

A report of the Chamber of Commerce of the United States, "Employee Benefits, 1967", indicates that the average cost of employee benefits in 443 nonmanufacturing firms surveyed was 25.6% of the total payroll - excluding such additional supplementary compensation practices as night-shift differential and premium pay for overtime. By comparison, the State's cost for Fiscal Year 1967-68 was 23.7% or 1.9% less than in private industry. Supplementary compensation practices of premium pay for overtime and holidays and shift differentials represent an additional 3% expenditure by industry with no corresponding expenditure by the State.

Although the State employee is considered to be relatively well treated in some benefit areas such as sick leave, paid vacation and paid holidays, this is more than offset by below average health and welfare and life insurance coverage and the absence of unemployment insurance.

Specific areas where State compensation practices appear to be lagging most are discussed separately below:

A. Premium Pay for Overtime

In no other area do the differences between the practices of private industry and State loom so large as in the payment of premium pay for overtime. Virtually all industries pay nonsupervisory employees at least time-and-one-half for overtime. In most, the premium pay is required by law. The State now pays a premium for overtime to a small group of employees at the State Printing Plant, the San Francisco Port Authority and temporary craftsmen whose compensation is governed by special statutes.

Recently the State has been required to pay time-and-one-half for overtime to a large group of State employees as a result of the inclusion of State "hospitals, rest homes, and schools" under the overtime provisions of the Federal Fair Labor Standards Act as amended in February 1967. In June 1968, the United States Supreme Court ruled that the amendment was constitutional, thereby requiring states as well as other governmental jurisdictions to begin paying the premium rate for covered employees.

The Personnel Board staff is currently consulting with the United States Department of Labor to determine the exact coverage for State employees. The California Attorney General has advised that the State of California will be obligated to pay the premium rate for overtime worked by these employees since February 1, 1967. Estimates for this retro-active payment are as high as \$780,000 to June 30, 1969. Financing will also be necessary to continue this payment in future years at an estimated cost of \$350,000 per year if overtime use continues at the present level. To conform to the law, it will be necessary for the Legislature to appropriate funds to meet the State's obligations under the Act.

Implementation of the Fair Labor Standards Act represents only a partial solution to the problem of overtime compensation in State service. There are large numbers of additional employees who are not covered by the mandatory provisions of the Act, but whose counterparts in private industry are covered and received premium pay when required to work overtime. This condition represents an internal inconsistency in State compensation policy; approximately 20% of those State employees

entitled to premium pay by industry standards receive that pay, while most of the others - equally entitled to it by industry practice - do not. For these additional employees not covered by the Fair Labor Standards Act, the estimated additional annual cost of overtime pay at a time-and-one-half rate will be approximately \$1.4 million from the General Fund and \$3.4 million from the Special and other funds. The estimates are based on the Calendar Year 1967 experience and the assumption that the use of overtime continues at the same level as in the past. It is possible, however, that this estimate, based on past performance, can be reduced by more rigorous overtime administration.

For over 15 years the Board has recommended that legislation be enacted permitting the payment of time-and-one-half for overtime to State employees when justified by prevailing practice. The Board again urges the adoption of such legislation. For the State civil service, the Board recommends it be authorized to determine those occupations and classes which should receive premium pay for overtime on the basis of prevailing practice in private industry and other public agencies.

B. Work Week of Fire Suppression Classes

Although reductions have been made in the work week schedule of fire suppression classes in the Division of Forestry in recent years, the hours presently served by these employees, including duty, standby and on-call time are still among the highest required by public fire service organizations.

The Personnel Board recommends that the Division of Forestry and the Legislature further reduce the work week for these classes to more closely parallel the work week prevailing for comparable classes in other public fire service organizations.

1. Recent Changes for State Forestry Personnel. Prior to 1961, the maximum extended duty week of Division of Forestry fire suppression personnel was 120 hours. Effective July 1, 1961, this was reduced to 104 hours for both seasonal and permanent employees.

Assembly Bill 1351, effective July 15, 1965, declared that the normal work week of permanent employees of fire suppression classes of the Division of Forestry shall not exceed 96 hours. These employees are now on a maximum 96-hour duty week during the fire season. The duty week for one quarter of these employees who work in the local contractual fire protection program is 96 hours during the entire year. The fire season averages six months per year for the other three quarters of the fire suppression personnel. During the remainder of the year, these employees work

a 40-hour week. Therefore, during the course of one calendar year, the average of fire season and nonfire season duty weeks for these employees is 68 hours.

At the time the work week for permanent employees was reduced to 96 hours, the duty week for the seasonal class of Forest Firefighter (Seasonal) was returned to 120 hours. The Legislature approved the 96-hour duty status for permanent personnel by taking into account the funds which would be saved by returning the Firefighter (Seasonal) employees to a 120-hour duty status.

2. Prevailing Practice. The current salary-setting base for the Division of Forestry fire suppression classes includes eleven local fire protection agencies which perform fire service comparable to the Division of Forestry and also the United States Forest Service. The duty week of these eleven local agencies averages about 78 hours. The duty week for the United States Forest Service is 75 hours. The 24 largest municipal fire departments in the State have an average duty week of approximately 60 hours, with a range of 52-67 hours.

C. Night-Shift Differential

Although it is common practice to pay night-shift differentials in industry and in many governmental jurisdictions, the State provides this benefit to only a small fraction of the employees who actually work evening and night shifts.

Surveys in the Los Angeles and San Francisco Bay Areas by the Bureau of Labor Statistics in the last two years reveal that 80% to 90% of the surveyed employers who have formal night shifts provide a differential payment for workers on these shifts.

In 1966, the Personnel Board established a basic compensation plan for night shift employees providing for a differential of 10¢ per hour (\$17.33 per month) for the evening shift and 15¢ per hour (\$26.00 per month) for the night shift. This plan has been extended to only about 500 workers, all of them employed at toll bridges or hydroelectric plants, where it has been financially possible to pay the night-shift rate because of special funding. Approximately 16,000 other employees work in positions subject to night work, either in rotating or permanent shift assignments. Approximately half of these work in occupations whose counterparts in private industry or other public jurisdictions receive night-shift differentials. The Personnel Board, as it has since 1966, again recommends that sufficient funds be appropriated so that night-shift differentials may be extended to the additional classes of State employees where practice supports such payments. The annual cost of night-shift differentials is estimated at \$1,750,000 from the General Fund and \$250,000 from Special and other funds.

D. Health Benefits

The 1968 increase in the State's contribution to the cost of basic employee health insurance from six to eight dollars represents an improvement in the State's health insurance plan. Unfortunately, even this increase did not significantly improve the State's relative position; it continues to lag far behind prevailing practice in private industry.

A 1968 study of collective bargaining agreements that include employer contributions to health and welfare plans (conducted by the State Department of Industrial Relations), revealed that:

- 88% of the workers were covered by plans paid in full by the employer; and
- the average monthly employer contribution to health and welfare plans (including life insurance) was \$30.45.

If the State's contribution to basic health benefits for the employee only were increased from \$8 to \$13.28 per month to cover the full cost to the employee, the cost to the State would amount to approximately \$5 million per year.

The Personnel Board, as it has since 1966, supports the recommendation of the Public Employees' Retirement System for full payment for the basic health plan for each employee.

E. Unemployment Insurance

Not only is employer contribution to unemployment insurance the prevailing practice, it is required by law in most industries. State employees, however, are without this protection in case of layoff.

State employment is relatively stable compared to most industries. The average number of layoffs per year from permanent full-time positions for the last five years has been 160. The number laid off in any one year ranged from a low of 100 in 1964 to a high of 260 in 1967. Although the numbers are not large, these employees are forced to carry a burden not required in most other types of employment. Based on experience factors, the laid-off employee would receive payments averaging \$60 per week for about 16 weeks. Based on the number of layoffs in the last five years, the average annual cost to the State would have been approximately \$154,000.

The Personnel Board recommends again this year, as it did in 1967, that an unemployment insurance program be provided with the following features:

- It would apply to State employees with permanent or probationary status;
- It would apply only to layoffs due to budget reductions or other reasons of economy;
- It would be funded by State reimbursement of the unemployment insurance fund in the amount of actual insurance payments; and
- The disability insurance feature of the Unemployment Insurance Code would not apply to State employees.

F. Summary

Enactment of Board recommendations for provision of unemployment insurance benefits and an increase in the State contribution to employee health insurance would increase costs by another .8 of one per cent of payroll. This increase would make the State costs of benefits 24.5% of payroll - still 1.1% below nonmanufacturing industry's 1967 contribution of 25.6% of payroll.

The payment of premium pay for overtime, night-shift differentials, basic health insurance costs, and unemployment insurance and the recommendation for reduction in the work week schedule for fire suppression classes are all strongly supported by prevailing practice.

III. EMPLOYER-EMPLOYEE RELATIONS

The effort to establish mutually satisfactory relationships between a public employer and its employees and their representatives continues to be one of the most dynamic areas in government today. Significant changes in law, policy, and practice are occurring throughout the country and California is no exception. Recent activity in the State Legislature in this area has included: interim committee hearings; the introduction and consideration of numerous bills; and enactment in 1968 of Senate Bill 1228, which requires some features of a more formalized negotiation system for local government.

Although State employees were specifically exempted from coverage of Senate Bill 1228, its provisions do have an immediate interest for the State Personnel Board. House Resolution 530 requests the Personnel Board to submit findings and recommendations to the State Assembly by February 4, 1969, regarding the statutory changes made by Senate Bill 1228, "including procedures for implementing these changes with respect to State employees subject to their jurisdiction".

In order to respond adequately to this request, the Personnel Board has: (1) addressed a detailed questionnaire to State executives and employee organizations representing State employees soliciting their views and specific proposals on how a more formal employee relations process might be structured, and (2) conducted a public hearing on this subject providing an opportunity for all interested groups and individuals to present their views. This approach will permit the Board to ascertain the viewpoints of those most affected by any change in the law or policy before submitting its findings and recommendations.

In addition, and of fundamental importance are the efforts made by Personnel Board and Staff members to comprehend the significance and evaluate the effects of alternatives to policy decisions which must be made in the development of appropriate legislation. Board and Staff members have engaged in exhaustive research and participated in conferences on the subject over a period of at least two years.

Pros and cons currently are being considered in connection with such factors as:

- Scope of the Legislation.

- Determination of appropriate bargaining units.

- Compulsory arbitration policy status of supervisors.

- Impasse procedures.

- Administrative structure and procedures for implementation.

There are no simple or universally accepted solutions to the several issues raised in implementing and administering a formalized negotiation process. The impact on the State's personnel management program, administrative processes, and decision-making structures which might result from a negotiation system is as yet unmeasured.

The Personnel Board believes that any plan for more formalized employee representation must maintain a proper balance between the enhancement of employee participation in decisions affecting their employment situation and the need to preserve merit employment, appropriate managerial discretion, and influence of elected officials on public policy.

A separate special report on this subject will be transmitted to the Legislature in February 1969.

Grievance Procedure Review

Although less dramatic, a significant aspect of the employer-employee relations is the day-to-day administration of these relations. One facet of this continuing relationship is the grievance procedure. By rule, the Personnel Board initially adopted a servicewide grievance procedure in 1961. An intensive review of this process was completed in September 1968 by a joint committee composed of both employee and management representatives. Unanimous recommendations for improvement and changes were developed for presentation to the Personnel Board. As a result of these recommendations, the State Personnel Board adopted several proposed rule changes in the grievance process to strengthen the grievance procedure's effectiveness in identifying and resolving employee dissatisfactions in the State service.

IV. EMPLOYMENT OPPORTUNITIES FOR THE DISADVANTAGED

A. Fair Employment Practices

For a number of years the State Personnel Board has carried out specific activities to ensure that equality of employment opportunity exists in State service. Specific continued or expanded activities, many of which have been detailed in prior reports, include:

- Recruitment of minority representatives to serve as members of qualifications appraisal panels.
- Review of examination materials to ensure that competitors are tested at a level no higher than that necessary to predict job competence.
- Conduct of an ethnic census of examination competitors to measure the success of efforts to equalize opportunity.
- In addition to general distribution, a monthly summary of examinations is sent to local offices of the Urban League, National Association for the Advancement of Colored People, Congress of Racial Equality, the Mexican-American Political Association, State Service Centers, various community service organizations and minority community newspapers.

- Recruitment advertising is placed on a regular basis in some 20 newspapers whose readers are predominantly members of minority races.
- For selected examinations the announcements are printed in Spanish as well as English.
- Development and use of culture-fair examinations and of non-verbal written tests and alternate selection methods where verbal skills are not necessarily related to job performance.

Each of these activities is periodically reviewed and updated.

B. Career Opportunities Development

In May 1968, the Personnel Board established a Career Opportunities Development Unit to help implement the Governor's Career Opportunities Development Program in State service, and to provide centralized coordination and direction for all related activities.

The Career Opportunities Development Program is an aggressive effort to:

- Develop recruitment, selection, placement, and other personnel procedures to facilitate hiring the disadvantaged.
- Identify, publicize and promote the use of existing job opportunities and apprenticeship programs within the State civil service for which the disadvantaged already qualify.
- Analyze existing jobs to separate out subprofessional tasks which can be grouped into entry-level or subprofessional positions.
- Upgrade the skills of disadvantaged employees and prepare them for career service and advancement by providing training and educational opportunities.

Since the announcement of the Program by the Governor's Office in 1968, the Unit has concentrated on developing new classes and modifying existing classes for the employment of the disadvantaged, including specifically:

- Developing the classes of Correctional Program Assistant in the Department of the Youth Authority, the class of Parole Aid in the Department of Corrections, and the class of Hospital Worker in the Department of Mental Hygiene. It is anticipated that approximately 250 persons will be employed in these positions during Fiscal Year 1968-69.

- Developing a pilot project in conjunction with the Department of General Services for community-oriented recruiting of a potential of about 50 Janitor Aids through community action organizations in Sacramento County.
- Developing a career ladder, for use in the Service Center Program, which allows disadvantaged individuals to qualify for professional status on the basis of experience and appropriate training. To date, 29 temporary trainees have qualified for permanent appointments to new entry classifications and 21 employees have been promoted to new preprofessional positions in the career ladder.

Current activities of the Unit include in addition to the foregoing:

- Developing a continuous ethnic roster of State employees.
- Developing broad trainee classes covering most occupational groups in State service to facilitate hiring of the disadvantaged.
- Providing consultative services to State departments and the staff of the Personnel Board.

The State Personnel Board members are reviewing all facets of the Career Opportunities Development Program and are monitoring progress through frequent reports, discussions with management staff, and public hearings to ensure that the program succeeds without lowering the caliber of merit employment.

V. SICK LEAVE ADMINISTRATION

The Joint Committee on Conference of the Legislature suggested that the Personnel Board report to the Legislature and to the Governor on the use of sick leave in State service with a view to reducing State expenditures for sick leave. The following information is provided in response to that request.

Sick leave usage for full-time State civil service employees has ranged between 7.6 and 7.9 days per employee per year for the past five years with the average for the 1967-68 Fiscal Year being 7.9 days. The stated usage rate is somewhat higher than that of local public agencies in California but is below the average of the Federal Government.

The State should not be satisfied with its record. Sick leave in the 1967-68 Fiscal Year caused the loss of 794,784 man-days of productive work. There is substantial evidence that the great majority of career State employees are conscientious in their use of sick leave. The Personnel Board is, however, carrying out various activities to improve the State's sick leave record.

- For several years the Board has been comparing each department's sick leave usage to a usage norm. These reports call attention to departments that should be making special efforts to reduce sick leave.
- The Personnel Board provides supervisors with a handbook describing the State's sick leave program and their responsibilities in that program.
- In March 1968 the Board completed an analysis of State sick leave by category of employee and by usage reason. This led to a communication from the Cabinet Secretaries to departments whose usage exceeds their norm seeking a review and action on sick leave usage.

Among the efforts being made by departments to reduce unnecessary sick leave usage are:

- Increased emphasis upon sick leave administration as a part of supervisory training programs.
- Accelerated information programs to inform all employees of the purposes of sick leave and the dangers of abuse.
- The use of data processing equipment to identify high users of sick leave and subsequent notification of the responsible supervisor so that personal follow-up can be accomplished.
- Intensive counseling of high users by their supervisors with reports to management in the case of continued usage that does not appear to be fully warranted.

VI. WORKMEN'S COMPENSATION

The Joint Committee on Conference of the Legislature and the Governor's Survey on Efficiency and Cost Control have both expressed concern over the number, severity, and subsequent cost of occupational injuries in the State service. This section of the report provides requested information on the nature and extent of workmen's compensation claims and Board recommendations for reducing industrial injuries and their cost in State service.

Workmen's compensation expenses incurred for injuries occurring in Fiscal Year 1966-67 amounted to \$6,369,090 for self-insured departments and \$342,012 for policy insured departments for a total cost of \$6.7 million. If these costs continue to increase at their present rate, this figure will exceed \$12.5 million by 1972. During the past fiscal year, disabling injuries occurred at the rate of 18.4 per million employee hours worked resulting in 86,115 days lost due to disability.

Back injuries are the largest single contributor to the injury rate, accounting for 13.9% of the occupational injuries and 21.3% of the incurred costs for self-insured departments during the Fiscal Year 1966-67. Cardiovascular claims, while representing only 1% of the self-insured claims, accounted for 20% of the incurred expenses during the same year. As a major step in formulating an action program to reduce the frequency and cost of disabling injuries, the Personnel Board met with representatives of State departments and employee organizations in June 1968. Using the information and recommendations presented at that meeting the Board developed a recommended program which has been presented to the Governor's Cabinet. The program's overall objective is to reduce occupational injuries by 10% in the next year. Among the steps designed to attain this goal are:

- Issuance of a Governor's policy statement to motivate departmental action.
- Cabinet Secretary review and evaluation of departmental accident programs and their accountability for results.
- Identification of accident reduction as a management and supervisory responsibility.
- Early return of injured employees to modified work assignments suited to their physical condition.

Adoption of the 10% per year goal of reducing occupational injuries, and departmental programs for its implementation, will focus the attention and energies of supervisors and managers on a persisting problem. Quarterly reports issued by the Personnel Board will assist managers in the evaluation of program effectiveness.

APPENDIX

OUT-SERVICE TRAINING ANNUAL REPORT

1967 - 1968

Out-service or specialized training is a program that provides for the assignment of State employees to recognized educational institutions and facilities to receive training which meets specific agency needs for scientific, technical, professional and administrative skills. This program is regulated by State Personnel Board Rules. An annual report to the Governor and to the Legislature is required by Government Code Section 19451. The following table constitutes that report.

1967-68 Fiscal Year

Department	Short Term			Part Time			Full Time			After Working Hours	
	No. Empl.	Man-Days	Direct Cost	No. Empl.	Man-Days	Direct Cost	No. Empl.	Man-Days	Direct Cost	No. Empl.	Direct Cost
ABC **											
AGRICULTURE	28	109	\$ 2,948.85	3	179	\$ 500.87				7	\$ 427.60
BANKING DEPT, STATE	1	10	401.10								
CALIFORNIA DISASTER OFFICE	6	35	515.00								
CONSERVATION	8	35	906.08	1	7	35.50				10	1,175.00
CONTROLLER'S OFFICE	2	6	-								
CORPORATIONS	99	124	1,670.00							5	106.00
CORRECTIONS *											
EDUCATION	24	83-1/2	3,036.85								
EMPLOYMENT	12	60	6,943.00	22	132	2,571.00				404	30,575.00
EQUALIZATION	11	78	3,118.11							1	25.00
FINANCE	13	57	3,348.00							24	892.00
STATE LANDS DIVISION	4	9	176.90							14	1,143.77
FISH AND GAME	6	44	1,713.00							3	92.00
FRANCHISE TAX BOARD	3	-	822.89							3	114.00
GENERAL SERVICES	29	61	2,602.50	2	5	86.00				3	120.00
HARBORS AND WATERCRAFT	2	5	72.00								
HEALTH CARE SERVICES	1	2	119.00								
HIGHWAY PATROL	49	172	6,857.35				1	32	\$ 85.00	8	354.00
HOUSING AND COMMUNITY DEVELOPMENT **											
INDUSTRIAL RELATIONS	19	100	1,394.35	2	15	122.65				19	419.58
INSURANCE **											
JUSTICE	27	96	2,916.74							18	486.50
MENTAL HYGIENE	421	1,369	27,883.00	32	141	2,365.00				63	2,515.00
MOTOR VEHICLES	9	90	1,981.32	1	-	42.90				9	295.00
MILITARY DEPARTMENT	23	128	468.66				4	713	-	10	-
PARKS AND RECREATION	24	214	2,629.00								
P&V STANDARDS	2	4	79.00								
PUBLIC EMPLOYEES' RETIREMENT SYSTEM **											
PUBLIC HEALTH	61	197	6,836.31	14	33-5/8	213.40	9	186	1,610.79	33	1,350.06
PUBLIC UTILITIES COMMISSION *											
PUBLIC WORKS	138	597-1/2	22,975.44	18	3	1,420.50				103	2,310.40
REAL ESTATE	1	10	36.00							21	661.00
RECLAMATION	4	18	903.00							1	40.00
REHABILITATION				27	702	1,342.00	261	2,441	-	8	433.98
SAVINGS AND LOAN	70	187	3,727.31								
SECRETARY OF STATE				1	4-1/4	-				33	755.00
SERVICE CENTER PROGRAM				21	21	456.65				20	1,724.00
SOCIAL WELFARE	48	80-1/2	3,302.02							23	568.24
SPB	7	36	1,724.49				1	3-1/8	75.00	31	352.30
VETERANS AFFAIRS	22	44-1/2	1,415.40								
WATER RESOURCES CONTROL BOARD	19	116	5,211.00								
WATER RESOURCES	79	252	19,748.75							25	1,012.92
YOUTH AUTHORITY	66	137	3,617.67	10	26	241.00				49	1,155.25
TOTALS	1,338	4,567	\$142,300.09	154	1,268-7/8	\$9,397.47	276	3,375-1/8	\$1,770.79	948	\$49,103.60

*No funds available
**Figures not available

December 6, 1968

FROM: John F. Fisher
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FOR IMMEDIATE RELEASE:

1. The California State Personnel Board today transmitted to the Governor its Annual Report on State Salaries. Board President, Samuel J. Leask of Los Angeles, announced that the action was unanimous, concurred in by Vice President, May Layne Bonnell of Sausalito, and Members Robert S. Ash of Fort Jones, Nita Wentner of Walnut Creek, and Joseph L. Wyatt, Jr., of Los Angeles.
2. The Report notes that the rate of private industry salary increases has clearly accelerated. Personnel Board surveys show that private industry salary levels have increased 3.9% from March to October 1968. This is the largest increase in this time period since World War II. It is anticipated that the March 1969 Personnel Board surveys will show an annual increase in private industry salaries of more than 6% for the period of March 1968 to March 1969.
3. The Board recommended in its Report that \$39,713,000 from the General Fund and \$36,078,000 from Special and other funds be appropriated for salary range increases for State civil service employees for the Fiscal Year beginning July 1, 1969.
4. The appropriations recommended by the Board in the Report would permit 5% increases for practically all State civil service employees next July plus additional adjustments for employees in classes in which salary problems are particularly severe. These recommended increases are necessary to place State salaries in line with salaries paid for

similar jobs in private industry and other public jurisdictions.

5. The last increase in State salaries was in July 1968. Most employees received a 5% increase at that time.
6. In addition to including salary recommendations for the next fiscal year, the Board's Report included comments on a number of other personnel matters. The Board recommended that time and one-half for overtime and night-shift differentials be provided to those State employees whose counterparts in private industry enjoy such benefits. The Board recommended that unemployment insurance be extended to cover laid-off State employees under certain circumstances. The Board also supported the proposal of the Board of Administration of the Public Employees' Retirement System that the State contribution to basic health plans be increased to cover the entire cost of the basic plan to each employee.
7. Other subjects discussed in the Report included Employer-Employee Relations, Sick Leave Administration, Executive Compensation, Workmen's Compensation, and Employment Opportunities for the Disadvantaged.