



**Before the Little Hoover Commission:
Hearing on the Human Resources Progress Update**
November 21, 2013
State Capitol, Room 437

Testimony by Gerald James, Chief Counsel, Professional Engineers in California Government

Thank you for the opportunity to provide information to the Little Hoover Commission related to our experiences with the creation of the California Department of Human Resources (CalHR) and its placement within the new Government Operations Agency.

Professional Engineers in California Government (PECG) represents the employment interests of the 13,000 engineers and related professionals employed by the State of California. PECG members are responsible for designing and inspecting California's highways and bridges, ensuring that schools and hospitals are safe during earthquakes, improving air and water quality, and developing clean energy and green technology. As the exclusive bargaining representative of State Bargaining Unit 9 and the representative of related supervisors and managers, PECG works very closely with CalHR on issues affecting the terms and conditions of employment for PECG members and with and before the State Personnel Board (SPB) on merit based issues.

The Governor's reorganization consolidating staff involved in personnel transactions and document review into one human resources entity makes sense. From the beginning of this effort, PECG has advocated for ensuring the SPB retain its autonomy to effectively protect the constitutional based merit civil service system. An effective personnel and human resources agency is not inconsistent with a merit based system. The merger of staff and functions does not appear to have compromised the SPB's ability to complete its tasks. To the extent the merger of staff and expertise has expedited functions and eliminated redundancies, the reorganization has been successful.

PECG had also expressed initial concerns that the Director of CalHR reporting to an Agency Secretary could have an impact on the collective bargaining process as an "additional layer" of approval required to implement agreements reached at the collective bargaining table. The implementing legislation for this reorganization preserved direct communication on bargaining issues between the Director of CalHR and the Governor as the State Employer. With a successful round of bargaining resulting in a new Memorandum of

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Understanding between the State and PECG, and with our meetings and interactions with the Government Operations Agency Secretary Marybel Batjer, PECG is satisfied that the placement of CalHR within the Government Operations Agency is an appropriate reorganization and structure.

Working with the State's Personnel Agencies Before and After the Reorganization

PECG has not noticed any significant changes in our dealings before CalHR or the SPB. As discussed above, we have successfully bargained a new labor contract with CalHR. Day to day administration of that contract continues. PECG's appearances before the State Personnel Board on individual representation and other items impacting PECG members remains unchanged.

PECG has not recently had a large volume of technical civil service classification reviews or overhauls of civil service examinations, but PECG will soon have the opportunity to take advantage of the streamlined review of proposed classification changes. In the recent labor contract, agreement was reached to implement "deep classes" for two groups of professional engineering employees. These revisions will allow departments to utilize employees who have achieved professional engineering licensure without having to conduct a separate examination, interview and selection process. Implementation of these "deep classes" will require the approval of the agreed upon revisions to the class specifications. Before, this process would include a lengthy review by the staff of the Department of Personnel Administration and a separate review by the staff of the SPB. With the staff merger, any technical issues which may have arisen during this review can be identified and addressed in a timely manner – speeding up the potential implementation of a classification revision to the benefit of the State employer and the individual employees.

Additional Reforms

Recently, Assembly Bill 1062 (Jones-Sawyer, Stats. of 2013) was signed into law. As that "clean-up" legislation made its way through the legislative process, proposals were considered to move some merit based functions from the SPB to CalHR. For example this clean up legislation proposed to change the statutory definition of a Career Executive Assignment (CEA) position and to transfer review and approval of new CEA positions from the SPB to CalHR. As CEA positions are exceptions to the regular civil service, CEA positions must continue to be reviewed by the SPB using existing statutory standards.

The Reorganization Plan made clear that the SPB would retain its constitutional jurisdiction along with an adequate staff and authority over merit based items. Any additional reform efforts must preserve the SPB's constitutional role.

Human Resources Concerns/Human Resources Modernization & Workforce Planning

Competitive salaries for supervisors and managers remains the largest obstacle to successful workforce planning. For engineering and related professionals, supervisory and managerial employees have been paid 10.1 percent less than their rank-and-file counterparts since 2008. This on-going salary inequity, created in 2008 when a legislatively approved salary increase was denied to supervisory and managerial employees, is hampering departmental operations as supervisors seek to demote or transfer to rank-and-file positions which pay more – or leave state service altogether for higher paying jobs in other public jurisdictions. In just one of the 12 Caltrans Districts alone, dozens of top managerial and supervisory employees, from District Directors, to their Deputies and Branch Chiefs, have left state service because of the on-going pay inequity.

For decades numerous task forces and working groups have recognized that the salary setting process for supervisors and managers is flawed. The legislatively created State Excluded and Exempt Employees Salary Setting Task Force, reported to the Legislature in 2004 that, "The current process for establishing compensation for excluded and exempt employees...is seriously flawed and needs to be changed." The Task Force recommended the state "take immediate steps to alleviate the impact of salary compaction associated with the degree of salary separation between supervisory employees and their rank-and-file subordinates."

In 2008, former DPA Director David Gilb provided testimony to the Little Hoover Commission where he stated the problem as "Management compensation is not competitive, hindering efforts to hire and retain the best and brightest managers." Director Gilb went on to propose the solution that "The Governor and the Legislature should ensure the State provides competitive compensation that attracts, retains, and rewards managers and executives of national caliber."

PECG appreciates that the current Director of CalHR has recognized the importance of adequately compensating supervisory and managerial employees. On numerous occasions Director Chapman has recognized the on-going pay inequity for engineering supervisors and managers and has undertaken a study to identify salary compaction for supervisors and managers throughout state service. As salary setting is a legislative process, CalHR's recommendations should be presented to the Legislature for its determination. The current salary setting process allows salary inequity adjustments or other appropriate compensation proposals to be shelved before the proposal makes it to the Legislature for consideration.

Options debated over the years range from utilizing salary surveys with benchmarks to set state supervisory and managerial employee compensation, tying supervisory and managerial employees salaries to the rank-and-file employees they supervise, or creating a salary setting commission. In any event, reform of the salary setting process for employees excluded from collective bargaining would assist the state in meeting its workforce planning goals.

In addition to salaries, our members have also mentioned a lack of training as an important issue facing the state workforce. With the budget cuts the state has recently endured, training budgets have been hard hit. PECG is aware that CalHR has developed extensive on-line and video training capabilities and content. There appears to be an opportunity to make state employees and their management aware of the training resources available to them. Investment in employees through training is good policy.