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COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

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Carmel

L. H. HALCOMB, JR.  
*Executive Secretary*

**MANAGEMENT  
MANPOWER  
REQUIREMENTS**

**STATE OF CALIFORNIA**

A Study of  
Management Manpower Requirements  
California State Government

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COMMISSION ON CALIFORNIA STATE GOVERNMENT  
ORGANIZATION AND ECONOMY

**February 1965**

## COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

1209 EIGHTH ST., SACRAMENTO

*Chairman*HAROLD FURST  
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*Executive Secretary*

February 23, 1965

Hon. Edmund G. Brown  
Governor, State of CaliforniaHon. Hugh M. Burns  
President Pro Tempore, and to Members of the SenateHon. Jesse M. Unruh  
Speaker, and to Members of the Assembly

Gentlemen:

This Commission has completed its study of the managerial manpower needs of the California State government. The study grew out of the Commission's concern that California's State government might be facing a critical shortage of management manpower of the quality required to discharge its steadily increasing and more complex responsibilities in an effective manner. We questioned whether the State's processes for attracting, developing, and holding a fair share of top managerial talent were equal to the task.

The Commission's concern also was based on the three premises that (1) California's rapidly expanding population will increase the need for more and better management talent in State government; (2) the State will undertake new programs, requiring still more such manpower; and (3) technological changes, including broader use of electronic data processing equipment and the results of research in the behavioral sciences, will lead to new concepts of organizational and managerial responsibilities.

To equip this State's government to meet the challenges ahead, we proposed, and you approved, a comprehensive study of (1) the present and future need for management manpower; (2) the extent to which that need is being met now; and (3) personnel and organizational modifications necessary to ensure that the State will be an effective competitor in attracting, developing, utilizing, and retaining managerial talent. The accompanying report presents our findings, conclusions, and recommendations.

The study was conducted under the general supervision of a Commission subcommittee, consisting of Messrs. Frank D. Tellwright and Richard E. Sherwood. The Commission's Executive Secretary, L. H. Halcomb, Jr., provided overall coordination of the project. Staff assistance was provided by Messrs. John J. Corson, William H. Dennick, Keith L. Beekman, and others from McKinsey & Company, Inc., management consultants retained by the Commission. In addition, the following individuals contributed to the study by reviewing staff proposals at various points in time: Edward McCrensky, Director of Civilian Personnel and Services, Office of Naval Research; Frederick C. Mosher, Professor of Political Science, University of California at Berkeley; Wesley McClure, City Manager, San Leandro, California; Franklin K. DeWald, State Personnel Director of Michigan; and Henry Aronson, Chief, Division of State Merit Systems, Department of Health, Education and Welfare.

This Commission believes that the proposals included in the attached report are soundly based, and, if adopted, will assist California State government materially in coping with the management problems of the future. Therefore, we wholeheartedly recommend their adoption through both legislative and administrative action.

Respectfully submitted,



Harold Furst, Chairman  
Assemblyman Milton Marks, Vice Chairman  
Assemblyman John T. Knox  
Don B. Leiffer  
State Senator George Miller, Jr.  
Manning J. Post  
Richard E. Sherwood  
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State Senator Vernon L. Sturgeon  
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Frank D. Tellwright

# A STUDY OF MANAGEMENT MANPOWER REQUIREMENTS CALIFORNIA STATE GOVERNMENT

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# A STUDY OF MANAGEMENT MANPOWER REQUIREMENTS CALIFORNIA STATE GOVERNMENT

## INTRODUCTION AND SUMMARY

The California State government, like most large organizations, is managed by a relatively small "handful" of individuals (about 1,500 persons). These individuals occupy the topmost positions in an organization of approximately 100,000 employees.\* This study is focused on that "handful" of individuals and the positions they occupy.

The State government of California is, in the eyes of most observers of public administration, an efficient and well-run organization. Federal executives who monitor the administration of various programs by state governments throughout the nation consider this small group of individuals in the California State service to be among the most competent state officials in the nation. The findings of this study confirm these views.

Our task, therefore, has been to determine and shape refinements for the practices of an already well-run organization; we found no need for radical change to correct manifest abuses or inefficiencies. There are, however, significant and important improvements to be made.

### QUESTIONS TO BE ANSWERED BY THIS STUDY

What variety of managerial talents will be required by the California State government over the next two decades? And having identified these needs, are the State government's processes of personnel administration adequate to attract, to utilize, and to motivate the number and kinds of people that will be required?

Answering these questions, when taken together, required considerable research. (Appendix A lists the principal tasks undertaken by the study team.) This research study was designed to provide an appraisal of:

1. The State's managerial manpower needs, now and in the future
2. Staffing practices, i.e., the ways in which the State finds and hires the individuals who serve in these top-level posts
3. The ways in which the State develops its men and women who reach top-level posts
4. How and to what extent the State motivates its managers to apply their full talents and zeal to the programs for which they are responsible

\* Employees of the University of California, California State Colleges, and the legislative and judiciary branches of State government were not included in this study.

5. The degree of freedom accorded to those who serve in top-level posts to manage the resources for which they are responsible.

This chapter summarizes the Commission's appraisal and presents its recommendations as to the actions needed.

### Summary of Chapter I \*

#### APPRAISING MANAGERIAL MANPOWER NEEDS NOW AND IN THE FUTURE

#### FINDINGS AND CONCLUSIONS

To appraise the State government's personnel administration practices the study team first developed a profile of the body of individuals who now serve in the top levels of the State service. (This profile is described in detail in Chapter I.) Second, it developed forecasts of the volume and kinds of managerial manpower needed in the future.

These analyses indicate that by 1975 more than half of the State's present management group will have left the State's employ because of retirement or death. By 1985, only 14 percent of incumbent executives will remain in State service. And, when the prospective growth of the State service is forecast, it is found that a minimum of 1,000 new positions will have to be filled by 1985. In summary, the effectiveness of California's State government in the two decades ahead will depend upon the degree of success the State achieves now in recruiting, developing, and motivating 3,700 additional persons to fill the top management ranks.

#### RECOMMENDATION

This problem—that of finding, recruiting, developing, and motivating the men who will run this State's government—should not be left to happenstance. Hence, the Commission recommends that the State develop its processes for planning what managerial manpower will be required. Forecasts 5 years into the future should be compiled every 2 years (by each department and at all echelons of management) to serve as a basis for anticipating future requirements. This planning is an essential requisite to improving the recruiting, training, compensation, promotional, and other practices by which the State obtains and maximizes the usefulness of its managers. (Page 19)

\* This and succeeding summaries of chapters in this introduction are intentionally brief, and therefore should not be construed as full discussions of the subjects. See the page references for a more complete discussion and supporting data.

## Summary of Chapter II

### STAFFING TO MEET FUTURE NEEDS

#### FINDINGS AND CONCLUSIONS

In the face of the obvious need to be met, the State government's processes for recruiting the individuals to serve in the 1,500 key management positions are not "good enough". The evidence is this: The "first wave" of replacements now available for promotion to management positions as vacancies occur are, as a group, less educated, have less relevant experience in employment outside State service, and have had less developing experience within the State service than their predecessors who now occupy positions in the topmost echelons of State service.

Longer term prospects appear brighter. Most State executives share the opinion that the men and women recruited for entry jobs today are better qualified and better prepared than were their predecessors 5 and 10 years ago. This opinion was supplemented and affirmed by a qualitative analysis of the men and women recruited in 1962-64 through seven "key" entry level examinations. However, that analysis also shows that the State recruits a discouragingly large proportion of college graduates who ranked academically in the lower quartiles of their graduating classes.

Our conclusion is that the State must find ways to upgrade further its recruiting efforts. It must find ways to attract even more capable people who will be better able to cope with the increasing complexities of managerial positions in an expanded State government.

#### RECOMMENDATIONS

There is need to take steps that will strengthen the State's managerial manpower immediately. Thus, the Commission recommends that:

1. The State Personnel Board be authorized to hold open, nonpromotional examinations for positions for which talent is as available outside State service as within the State's employ. (Page 24)
2. Departmental Directors be authorized to make temporary appointments from the most qualified individuals available—whether they be outside or within State service—to positions in management levels, pending the examinations. (Page 24)
3. In those instances where unique experience and special skills are required and known to be in short supply, Department Directors be authorized to make permanent appointments from outside State service, subject to confirmation by the State Personnel Board. (Page 24)

In addition, the effectiveness of the State's managerial manpower a decade or two in the future depends upon the effectiveness with which it recruits beginners in 1965, and in each subsequent year. Hence, to improve the State's recruiting efforts, the Commission recommends that:

1. The examining process for entry level college graduates be broadened and simplified. (Page 28)
2. Greater emphasis be given to recruiting college graduates with superior intellectual capacities and/or graduate training. (Page 29)
3. Efforts be intensified and better organized to inform college graduates of opportunities in State service. (Page 29)
4. The timing with respect to college recruiting (i.e., the seeking out and hiring of graduates) be improved through better planning and coordination among the various State departments. (Page 29)

## Summary of Chapter III

### DEVELOPING FUTURE MANAGEMENT TALENT FINDINGS AND CONCLUSIONS

Training is important in any organization. For the State of California, where over 90 percent of the management group are "homegrown", training is critically important if the government is to fill adequately the top management gap that will occur over the next 20 years.

While there are at least three key periods in an executive's career when training is most required, there is a real need for on-going training if executives are to keep pace with the ever-accelerating developments in the technological, scientific, and managerial fields. This is particularly true in public service where a system of promotion from within, coupled with limited job rotation, imposes serious limitations on a person's opportunity to broaden his scope of understanding through work experience.

Although distinctly below the Federal level, California surpasses most, if not all, other states in the scope, variety, and number of courses made available to its employees to develop the talents and understanding they require for their present and future jobs. Nevertheless, almost one fifth of the individuals now in these management jobs had received no formal or substantive training during the past 3 years.

#### RECOMMENDATIONS

The Commission regards it essential that the State give greater emphasis to and develop more considered processes for the development of its future managers. To this end, the Commission recommends that:

1. The State Personnel Board make greater efforts to stimulate lower level employees to take advantage of outside training, particularly as such training relates to the needs of the employees' departments. (Page 32)
2. Up to 1 percent of all top management personnel be granted leave with pay each year so they can enroll, full time at State expense, in institutions of higher learning to pursue a program of study which, in the opinion of their department head,

will broaden their knowledge and increase their professional skills. It may be desirable to establish an arrangement with such individuals that will ensure their return to State service. (Page 32)

3. The interchange of experience between agency, department, and division heads of the State government with their counterparts in other states and the Federal government through participation in professional associations, attendance at selected seminars, or through out-of-state visits be encouraged. (Page 32)
4. Departments be encouraged to develop year-long internal training programs for the benefit of individuals in middle management. (Page 32)
5. An inter-agency management training institute be established, perhaps on a college or university campus, for the benefit of certain members of top management and promising members of middle management. (Page 33)
6. The Governor's Personnel and Training Committee develop a 2- or 3-year program encompassing foundation and other support which focuses on broadening the vision of department and division heads so as to maximize the effectiveness of the State government in the coming decade. (Page 33)

#### Summary of Chapter IV

#### MOTIVATING MANAGERS TO EXCEL

The State or any other employer requires in its executives not only capability, but enthusiasm and zeal. It is not enough to hire able individuals; employers must maintain an environment which motivates individuals to put forth their full capabilities. In the California State government there are many able career men who pursue their tasks with obvious dedication. But there remain opportunities to improve those devices which exist to stimulate the individual.

#### COMPENSATION

##### *Findings and Conclusions*

In the State government, as in most organizations, compensation levels continue to be the focal point of all incentive devices. The Commission's findings indicate, however, that the highest salaries offered by the State of California to managerial echelons are significantly low in relation to those offered by private industry for analogous positions. They also compare unfavorably with salaries paid by the State of New York, the Federal government, and even some municipal governments. Conversely, 85 to 90 percent of all State employees in lower and middle ranks are paid salaries that are comparable with those of employees performing equivalent tasks for other employers.

The effects of these comparisons are threefold:

1. The State's incumbent top management group receives a significantly smaller proportion of total

payroll, yet carries the major share of responsibilities for the efficient operation of the government.

2. Compensation fails as an incentive for middle management to aspire to higher positions.
3. The breadth of compensation for the senior management group is compacted, causing promotional or merit salary increase to be virtually meaningless in size.

##### *Recommendations*

To correct these inequities the Commission recommends that:

1. The State Personnel Board extend upward its periodic survey of salaries paid to the incumbents of jobs similar to those found in private industry, the Federal government, and other employers; the technique of such surveys is well established. We propose that it be applied to management level jobs. (Page 36)
2. The State Personnel Board, on the basis of the surveys proposed above, recommend adjustments to managerial salary levels to provide comparable pay for comparable work; that is, pay equal to that paid in private industry to individuals performing analogous tasks. (Page 37)
3. At least every 4 years, a citizen committee, appointed by the Governor with the approval of the legislature, review the adequacy of all salaries paid to elected officials and the State's senior management group. (Page 37)

#### FRINGE BENEFITS

##### *Findings and Conclusions*

The State government's fringe benefit program is equitable and sound, and offers some appeal to entry level appointees. However, in two significant respects—medical insurance and death benefits—the State's compensation, in the form of fringe benefits, is not competitive with that offered by other employers.

##### *Recommendations*

The Commission recommends that:

1. The State provide a major medical insurance plan to supplement the protection offered by its present basic health insurance plan, and that it assume one third to one half of the cost of employee coverage. (Page 38)
2. The State double the maximum death benefit now paid to the widow or orphans of employees who die. (Page 38)

#### PROMOTION

##### *Findings and Conclusions*

Men in State service, as men who serve other employers, are induced to put forth their best efforts by the opportunity to advance to higher and better com-

pensated jobs. The State's present promotional practices tend to limit the opportunities for advancement that exist for its ablest employees.

Promotional examinations—designed to broaden the opportunity to advance—in practice offer opportunities to a limited few. For example, two thirds of the promotional examinations for managerial positions over the past 5 years were limited to employees within the departments or subdivisions where the vacancies existed.

Second, the examination process, as practiced, excludes many qualified candidates. The rating process cannot reliably differentiate between contestants whose final composite scores fall within four whole points of each other; yet selection is limited to the three top scorers (computed to two decimal point accuracy).

Third, granting veterans' preference distorts the selection process and denies promotion to many qualified candidates.

#### *Recommendations*

To provide management with flexibility to select the potentially ablest candidates for promotion and to ensure that all qualified candidates can participate in the competitive process, we recommend that:

1. The opportunity to participate in promotional examinations be broadened so all potentially qualified individuals may compete, whether within or outside State service. (Page 40)
2. The appointing authority be empowered to select, for a management level position, any individual who, in the competitive examination, obtains a score within four whole numbers of the lowest score of the three individuals ranked highest on the promotion list. (Page 40)
3. The preference now granted to veterans be available only during a national emergency and in the succeeding 5 years; that such preference be granted only once—upon initial entry into State service; and that it not be applied to managerial and policy setting positions. (Page 40)

### **MOTIVATING EMPLOYEES THROUGH SALARY ADMINISTRATION**

#### *Findings and Conclusions*

Increased earnings is the motivational device most widely used throughout industry and government. But because the California State pay plan treats outstanding, average, and inefficient employees alike (i.e., grants salary increases to each, every year, without regard to the caliber of their performance), it not only depreciates the incentive for able and industrious effort, but is a wasteful expenditure of payroll dollars. In short, the present pay plan provides no incentive for good or superior performance.

#### *Recommendations*

For these reasons, the Commission recommends that:

1. There be appropriated annually a sum not to exceed one half of 1 percent of the salaries of individuals (who are eligible for an increase) in each department. Using this appropriation, Department Directors should be authorized to grant additional salary increases to individuals whose performances have been clearly superior. (Page 42)
2. Section 18854 of the Government Code be amended so that the withholding of salary increases will not be appealable to authorities outside the department in which the individual is employed. This action is proposed in order to make clear the obligation of each Department Director not to grant "merit" salary increases annually to the least efficient employees, and to make known to each why increases were not granted. (Page 42)
3. The ranges of salaries established for each grade in the classification system be broadened to make possible further advance by capable employees who remain in the same grade. (Page 42)

### **MOTIVATING THE YOUNG AND THE OLD**

#### *Findings and Conclusions*

A major deterrent to motivating the more capable younger employees in State service is the lack of vacancies in the managerial echelons to which they may be promoted. This lack is caused by the continuation of superannuated individuals in managerial positions.

#### *Recommendations*

To increase the number of promotional opportunities to management positions for younger and abler persons and simultaneously to motivate further those able individuals who wish to continue working after age 65, we propose that:

1. Mandatory retirement age be reduced to 65 years. (Page 43)
2. Individuals who wish to extend their working careers beyond age 65 be allowed to do so on a year-to-year basis, when the appointing authority certifies that their performance in the preceding year has been outstanding. (Page 43)

### **MOTIVATION THROUGH EMPLOYEE RECOGNITION**

#### *Findings and Conclusions*

Financial incentives alone, or the hope for them, are not sufficient. They should be supplemented with other forms of recognition of achievement.

#### *Recommendations*

To supplement existing means of employee recognition, we propose an expansion in the number of awards

and dollars granted under the Superior Accomplishment Awards program. In addition, we recommend the establishment of:

1. A "Governor's Award" to be given annually to a specified number of individuals who have served the State in an outstanding manner. (Page 44)
2. A "Directors' Award" program for departments, not restricted to number of recipients, for individuals meeting high criteria of performance or achievement. (Page 44)

### Summary of Chapter V

## MANAGEMENT FREEDOM AND LEADERSHIP

### FINDINGS AND CONCLUSIONS

In no enterprise—public or private, large or small—do managers have unrestrained freedom to direct the activities of the organization. In a public enterprise, the monitoring of management by the legislature, by control agencies, and by the public tends to limit the freedom of managers to an even greater degree than exists in private industry. Such constraints tend to handicap managers in State service in achieving objectives set for them by discouraging innovation and limiting zeal.

#### Exempt Positions

In any democratic government, those in leadership positions, i.e., those who make and oversee the execution of public policy, should be elected by the people, or be immediately responsible to and responsive to those who are elected. This principle of responsiveness is provided for in the California State government (in Article XXIV of the State Constitution) through the designation of positions in each agency and department as "exempt" from the provisions of civil service.

Our analyses of the use of such freedom to appoint over the past 25 years, and our appraisal of the current number of exempt positions, lead this Commission to conclude that past and current practices in California have been wholly consistent with the highest standards of public personnel administration. Current proposals for revising the State Constitution and further limiting both the Governor and the legislature in the degree to which additional exempt positions can be created do not appear warranted or desirable. We would be in disagreement with any action to advance such proposals.

In California a large proportion of such exempt positions in the State government—almost half of all exempt positions at the managerial levels—have been filled by individuals promoted from the career civil service ranks. This Commission questions the advisability of continuing this practice in the future, to the degree it has been followed in the past.

#### Control Agencies

Two major State agencies—The Department of Finance and the State Personnel Board—exercise substantial controls over the freedom each departmental executive has to manage the affairs of the department for which he is responsible. The staffs of these important departments, by and large, have had little or no experience in discharging line responsibilities. We assume that, partly as a result of this limited experience, these two departments have tended, in certain ways, to place unnecessary constraints on the freedom with which operating managers may direct the affairs of their departments.

#### Personnel Leadership

Finally, there is need for improvement in the personnel leadership provided throughout the State service. The State Personnel Board has earned a reputation for intelligent and efficient protection of the principle of employee merit in the selection and advancement of State employees. But its operations have been highly centralized, and there is less evidence that it has built up effectively the processes of personnel administration to aid the management in each State department.

### RECOMMENDATIONS

The Commission believes it is necessary to expand the managers' freedom if each is to be held fully responsible by the Governor and the legislature. Specifically, the Commission recommends that:

1. An effort be made to rotate potential top executives in the control agencies among positions in different line departments with the objective of building into these agencies a fuller understanding of the problems faced by the managers of the departments. (Page 46)
2. The practice be modified which requires prior approval by the Department of Finance before operating departments may (a) make expenditures for items included in budgets already approved, (b) execute contracts or other documents for such items, and (c) revise organizational or procedural matters. As department executives establish their competence as administrators, as well as executors of the Governor's policies, the extent of perusal throughout the year should be relaxed. (Page 46)
3. The State Personnel Board give departments, to a greater degree than is currently the situation, authority to recruit, classify, promote, and discipline its employees subject to standards set by the Board, and to its postaudit of their actions. (Page 46)
4. The recruiting effort for individuals to be appointed to exempt positions be intensified. Sources outside State civil service should be the primary "hunting ground" for talent. (Page 49)

## STUDY OF MANAGEMENT MANPOWER REQUIREMENTS

5. Arbitrary limitations on the appointment to or removal from exempt positions be eliminated. Such limitations include specific experience or licensing requirements established by the legislature, or specified terms of office. (Page 49)
6. The Career Executive Assignment program be expanded to include all positions immediately subordinate to managerial positions that are exempt from the provisions of civil service. Further, individuals outside California State civil service should be eligible to compete for appointment to such positions. (Page 49)
7. A position of Secretary for Executive Personnel be established within the Office of the Governor.

The primary responsibility of this position would be to serve as the Governor's advisor on all personnel matters (and as a stimulator of improved practices). Particularly, this individual should be expected to aid the Governor in identifying and recruiting the most qualified candidates for appointment to exempt positions. (Page 50)

8. Positions equivalent to "Assistants for Personnel" be established in the larger departments, reporting to the Department Director. (Page 50)

\* \* \*

These summarized findings, conclusions, and recommendations are described more fully in the succeeding five chapters.

## CHAPTER I

# APPRAISING MANAGERIAL MANPOWER NEEDS NOW AND IN THE FUTURE

The senior management group in the executive branch of California State government is among the most competent of any group of state officials in the United States. This overall judgment was expressed by Federal executives who monitor or audit, on behalf of Federal departments, the activities of 15 departments in State governments throughout the nation. Each interviewee was asked to consider a list of 20 large states and to identify and rank the 5 leading states (in relation to the departments with which they had direct responsibility) according to the following three criteria:

1. *Overall professional competence of total departmental staff*—consideration of educational level, breadth of experience, professional contributions, quality and quantity of achievement
2. *Prestige of the Director and his immediate staff*—expression of respect among peers for administrative and management skills, creativity in achieving goals, leadership in profession
3. *The ability of these executives to obtain support*—those skills enabling the Director to obtain support from the Governor, the legislature, and the public.

Every Federal official interviewed listed California among the five leading states. In more than three quarters of the interviews, California's management personnel were ranked number one—several times on all three criteria.

Subjective opinions by this Commission's staff indicated that many of the State's managerial personnel compare favorably with executives in industry.

Who are these individuals who are held in such high regard? What positions do they hold? From where did they come? How did they achieve their present

positions? What is their background in terms of education and experience? When must they be replaced?

The purpose of this chapter is to picture this managerial group and, for purposes of perspective, to contrast it with comparable groups. In addition, this chapter forecasts the likely growth in the number of managers the State will require 10 and 20 years in the future, as well as the inevitable attrition that will occur among incumbents. Subsequent chapters will consider the problems of staffing for this growth and attrition, as well as other problems facing future managers.

### THE CURRENT MANAGEMENT GROUP

There are 1,530 management positions in more than 50 departments of the executive branch of State service. This number includes all positions with managerial responsibilities in the top echelons of the State's service (referred to as the Management Directory\*). Two categories of employees—those filling statutory or exempt positions (hereafter referred to as exempt appointees), and those within the civil service—are found in these positions. Exempt appointees are responsible for policy formulation (i.e., as the Governor's aides, they are responsible for carrying out the will of the people). Civil servants are the careerists responsible for assisting exempt appointees in policy formulation and for executing the policy decisions of top exempt appointees, as approved by the Governor.

All 1,530 incumbents were surveyed by questionnaire regarding their background and experience, and 94 percent replied. The analysis which follows in this chapter is based on reported data of 1,434 State executives as shown in Table 1.

\* A Management Directory, developed by the Training Division of the State Personnel Board for purposes of establishing eligibility criteria for certain types of managerial training and development, enumerates those positions.

Table 1

#### CALIFORNIA STATE EXECUTIVES RETURNING QUESTIONNAIRES

Management Echelons	Number of Executives		Typical Positions	Median Salary (8/1/64)
	Civil Servants	Exempt Appointees		
1	3	48	Agency Administrator—Department Director _____	\$20,484
2	44	60	Deputy Director _____	19,320
3	307	59	Division Head _____	17,028
4	873	40	Bureau Chief _____	15,432
	<u>1,227</u>	<u>207</u>		

Of the 1,434 executives returning questionnaires, 138 (almost 10 percent) entered State service during the past 5 years—74 are civil servants and 64 are exempt appointees.

Analyses of this management group should be made with full recognition of the mix of characteristics required of individuals holding the topmost positions in a large governmental organization. There are three essential qualities which must be present:

1. A thorough knowledge of the functional field to be managed,
2. A capability for administration, including the management of large bodies of people, and
3. A capacity for dealing with the legislature and the constituency.

Ideally, exempt appointees will possess all three qualities. More often, however, the qualities will be present in the management group as a result of supplementing the exempt appointees' capacity for dealing with the legislature and the constituency, with the functional knowledge of civil servants. Typically, both will carry administrative capabilities to their positions. If any of these three skills are missing (or even significantly downgraded), the management group, as a whole, is not complete.

#### THE EXEMPT APPOINTEES

In the topmost echelons of the California State service, 207 individuals serve in "exempt positions", i.e., in positions to which appointments may be made without regard for the requirements of the State's civil service laws and rules. These are the individuals responsible for assisting the Governor and the legislature in formulating and executing policies that carry out the will of the people.

Two major characteristics stand out in analyzing this group. First, almost half of the current exempt group has been appointed out of career civil service positions, as shown in Table 2.

Second, exempt appointees have been employed in California State service for a considerable number of years. Those individuals appointed from civil service positions (where they have spent most of their working careers) would be expected to have long service in the State's employ—88 percent have 10 or more years'

service. However, only one fifth of the individuals appointed from outside State service also have exceeded 10 years' service (see Table 3).

Table 3

Years of Service	Appointed from Outside State Service		Appointed from Civil Service	
	Number	Percent	Number	Percent
0-4	46	40%	3	3%
5-9	45	39	8	9
10-14	9	8	10	11
15-19	9	8	25	27
20-24	5	4	21	23
25 and up	1	1	25	27
	115	100%	92	100%

In total, 105 exempt employees (combining those appointed from within and outside State service), or 51 percent of the top group, have served under two administrations and two Governors of different political parties. The fact that over half of this group has stretched across at least two administrations raises the question of whether the mix of qualities required in the top management group is present. Perhaps the answer lies in the uniqueness of the California political scene in which the parties in power have not pursued radically opposing philosophies.

In addition to source of exempt appointees and length of service, age and education are also significant. Following is a brief summary of these two personal characteristics, compared with Federal political appointees.

1. *Age:* The average age of exempt appointees is 50 years. This compares with 49 years for Federal political appointees.\*

2. *Education:* Exempt appointees in California are well educated, although less so than their Federal counterparts, as shown in Table 4. This comparison probably is distorted, however, by the emphasis on scientific and research programs in the Federal government.

In both age and education, exempt appointees do not differ significantly from civil service executives, as shown in the next section.

\* W. Lloyd Warner, Van Riper et al., *The American Federal Executive* (New Haven, Connecticut: Yale University Press, 1963), p. 13.

Table 2

#### SOURCE OF APPOINTEES TO EXEMPT POSITIONS

Management Echelons	Number of Exempt Appointees			% Exempt Appointees From Civil Service
	From Outside State Service	From Civil Service	Total	
1	30	18	48	38%
2	30	30	60	50
3	34	25	59	42
4	21	19	40	48
	115	92	207	44%

Table 4

## COMPARISON OF EXECUTIVES BY LEVEL OF EDUCATION

	State of California Exempt Appointees			Federal Political Appointees <sup>1</sup>
	From Outside State Service	From Civil Service	Total	
Attended College _____	89%	88%	88%	97%
College Graduate _____	72	69	71	90
Advanced Degree _____	41	29	36	75

<sup>1</sup> W. Lloyd Warner *et al.*, "Profiles of Government Executives," *Business Topics* (Autumn 1961), pp. 16-17.

## THE CIVIL SERVANTS

The 1,227 civil servants, as indicated earlier, are responsible for aiding elected officials and exempt appointees in policy formulation. In addition, they are responsible for carrying out these policies. This section presents a factual profile of this group.

*Median Age Compares  
With Other Jurisdictions*

The median age of California State executives is virtually identical with that of civil servants in executive positions in the Federal service and in large municipalities as shown below.

Analysis of the age distributions shown on Chart 1 on the following page points out the eventual replacement problem that faces California State service. Assuming a continuation of past separation experience (i.e., primarily retirement, but including resignation and death), more than half of the present civil servants in executive positions will have to be replaced by 1975. By 1985, only 14 percent of the present group will remain in State service.

The principal reason for this rather dramatic rate of separation over the next 10 and 20 years is the relatively close grouping of ages throughout the management level positions. While the median age in Califor-

nia State service is 51 years, the top level of the management group averages only 53 years of age, and the fourth echelon averages 50 years of age. Hence, it appears that executives at all echelons will leave State service within a relatively limited period of time.

The most meaningful analysis of age distributions and potential replacement problems, however, must be accomplished on a department-by-department basis, where specific replacement gaps can be identified. In certain departments, the replacement problem may be even more serious than for the overall group. For example, the median age in the Department of Justice is 56 years. In the Departments of Agriculture and Education, the median age is 55 years. (A list of median ages in the 20 largest departments is contained in Appendix B.)

*California Executives  
Are Well Educated*

The proportion of California State executives attending and graduating from colleges or universities substantially exceeds that of comparable executives in municipal governments and private industry, and lags only slightly below the educational levels of Federal executives.

Table 5

COMPARISON OF EXECUTIVE AGES  
(In Years)

State of California *	Federal Service *	Large Cities	Municipal Executives **	Small Cities
51	51.6	51		48

\* Staff surveys. (The survey of Federal civil servants consists of a 10 percent sample of executives, GS-15 and above, in 20 large departments with functions similar to state activities, i.e., Employment, Public Works, and so forth. The Defense Department and scientifically oriented departments were excluded.)

\*\* Municipal Manpower Commission, *Governmental Manpower for Tomorrow's Cities* (New York: McGraw-Hill Book Company, Inc., 1962), pp. 143-144.

Table 6

## COMPARISON OF EXECUTIVE EDUCATIONAL LEVELS

	Attended College	College Graduates	Graduate Degrees
California State Civil Service <sup>1</sup> _____	93%	75%	33%
Municipal Government <sup>2</sup> _____	80	59	25
Private Industry <sup>3</sup> _____	76	57	NA <sup>4</sup>
Federal Civil Service _____	96 <sup>5</sup>	86 <sup>1</sup>	47 <sup>1</sup>

<sup>1</sup> Staff surveys.

<sup>2</sup> Municipal Manpower Commission, *op. cit.*

<sup>3</sup> W. Lloyd Warner and James C. Abegglen, *Occupational Mobility in American Business & Industry, 1928-1952* (Minneapolis: University of Minnesota, 1955), p. 96.

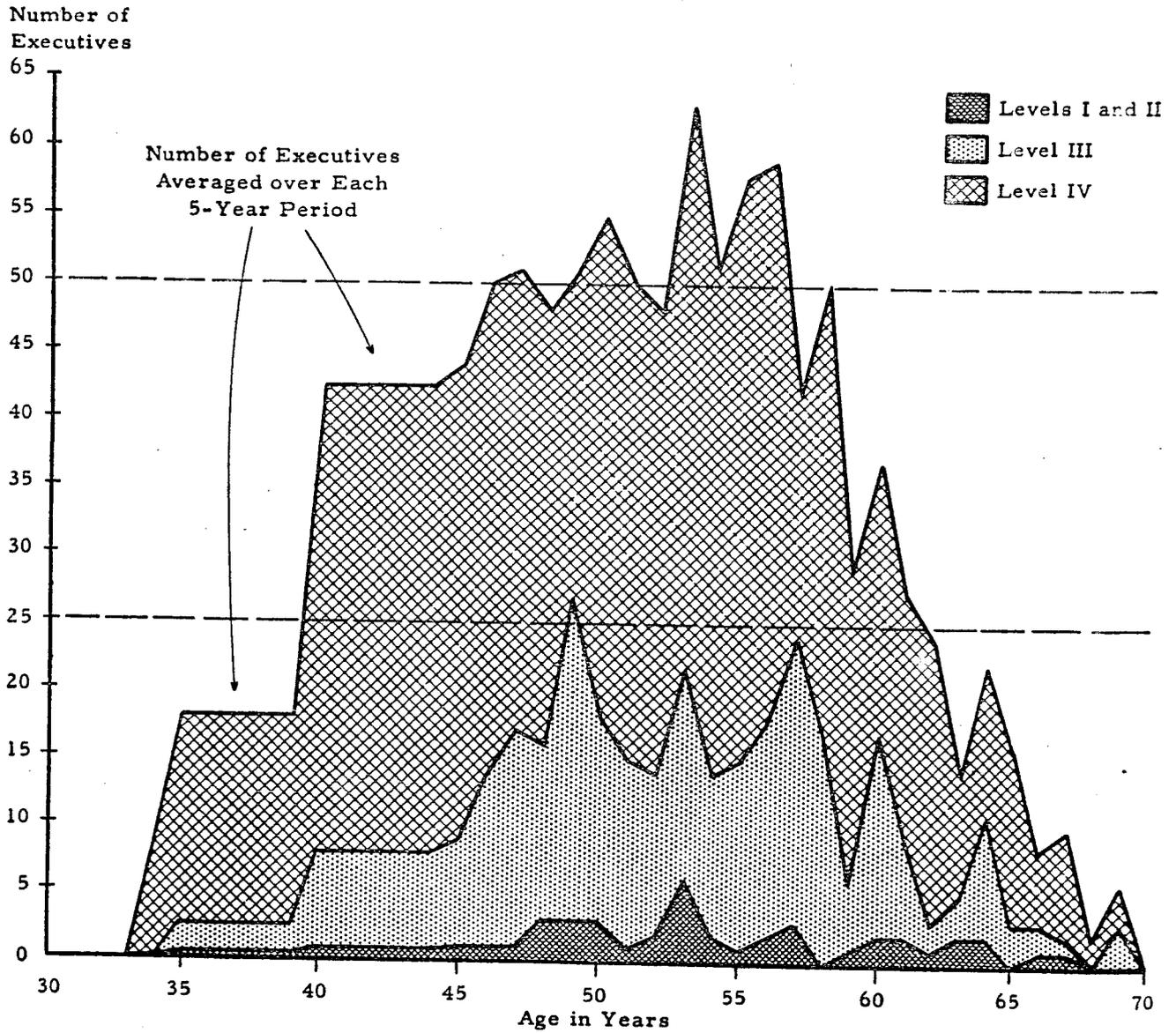
<sup>4</sup> Not available.

<sup>5</sup> David T. Stanley, *The Higher Civil Service—An Evaluation of Federal Personnel Practices* (Washington, D.C.: The Brookings Institution, 1964), p. 30.

Chart 1

CURRENT AGES OF EXECUTIVES IN  
MANAGEMENT DIRECTORY POSITIONS

(Shown Cumulatively for Each Age)



While data for the various governmental jurisdictions (Federal, State, and municipal) are current, information pertaining to industrial executives was developed in 1952. During the intervening period national educational levels have risen significantly. The 1964 Manpower Report of the President, for example, pointed out that the proportion of college graduates among "professional, technical, and kindred workers" in the civilian population had increased approximately 20 percent between 1950 and 1960. In all likelihood, the 1952 data for industrial executives have increased by a similar magnitude.

Nevertheless, this evidence suggests that California State executives are better educated than their counterparts in local government or private industry, although lagging the Federal service. This lag should be taken into account when considering possible changes to the recruiting and promotional processes for managerial positions in California State government.

#### *Breadth of Experience Varies*

The breadth of experience of the State's executives was measured in terms of:

1. The working experience, relevant to their current occupation, acquired before entering State service
2. The number of different departments in which they have worked while in State service
3. Whether the individual has had experience both in a field location and at the headquarters of the department where now employed.

\* \* \*

• *Working experience outside of State service.* Seventy-eight percent of California's executives indicated that they had acquired, on the average, almost 8 years of related work experience outside State service. More than half reported experience in private industry. In contrast only 31 percent of the Federal executives surveyed\* indicated they have worked in private industry before entering Federal service. California executives, it should be noted, did not specify whether all their working experience was acquired before entering State service.

• *California executives have transferred less often.* Chart 2 on the following page shows that over two thirds of California's executives have spent their entire State career working in one department, compared with the Federal service where slightly over half stayed in one department.†

Even though nearly a third of all promotional examinations are offered on a service-wide basis, relatively few appointments to managerial positions in California State service are made across departmental lines. Admittedly, many departments are highly specialized and certain professionally trained individuals would tend

to stay within their specialized field throughout their career. Nevertheless, these data raise the question of whether greater exposure to a wider variety of experiences through interdepartmental transfers or promotions would desirably broaden the perspectives of those who reach the top ranks.

• *Californians have some field experience.* Forty percent of California's State executives have worked both in field locations and headquarters. In contrast, nearly three fourths of the Federal executives have never moved from the field to headquarters, and close to 90 percent have never transferred from headquarters to a field location.† In both services, two thirds of the employees are currently located in headquarters offices. Because a proportion of the Federal executives transferring to the field probably returned to headquarters (and therefore were included in both figures reported for Federal executives), it would appear that a larger percentage of California's State executives acquired field experience than is true in the Federal service.

#### *Promotional Patterns Have Been Rapid*

One of the most powerful incentives for a career executive lies in his advancement opportunities. In the past, California civil service executives have advanced rapidly. On the average, it took the top three echelons of California executives\* between 14 and 15 years of service to reach their present positions in the management levels of State service. (Individuals in the top two echelons averaged 18 years' service to reach their present positions.) By contrast, it took the Federal executives studied about 20 years to reach the positions they now occupy at grade GS-15 and above.

There are two possible explanations for this significant disparity in rate of promotion, both of which are probably applicable. First, the median age of executives entering California State service is somewhat higher—30 years old compared with 27 years of age § for executives entering Federal service. Second, California State service has grown rapidly during the past 15 to 20 years, thereby creating many more promotional opportunities. In the post-World War II era, California State government has more than tripled in size while the Federal service has remained relatively stable.

#### *Compensation Has Not Kept Pace with Promotion*

Despite the fact that California executives have achieved their present management positions in fewer years than their Federal counterparts, State salary progress has not been as rapid. During the 10-year

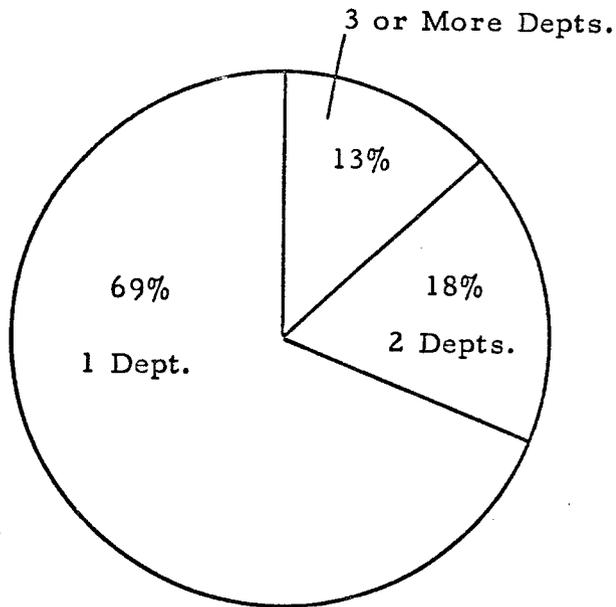
\* In order to make this analysis as comparable as possible with available Federal data, California executives in this case were limited to the individuals in the top three levels of the Management Directory who had at least 10 years' career service with the State.

† *Ibid.*, p. 34. The Federal data are reported on a basis different from California data, and therefore do not allow direct comparison.

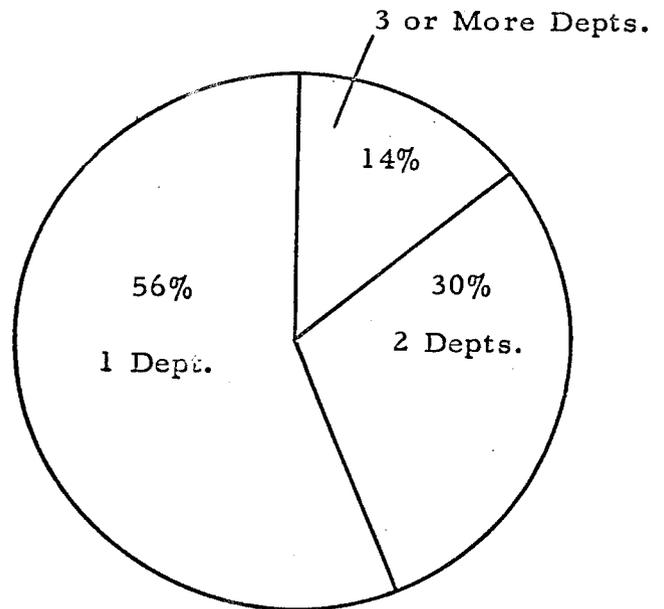
§ W. Lloyd Warner *et al.* *The American Federal Executive*, p. 13.

\* Stanley, *op. cit.*, p. 30.

† Stanley, *op. cit.*, p. 33.

Chart 2PROPORTION OF INDIVIDUALS WHO HAVE WORKEDIN ONE OR MORE DEPARTMENTSDURING THEIR GOVERNMENT CAREERS

California  
Civil Servants\*



Federal Civil Servants  
GS-15 and Above\*\*

\* - Staff surveys.

\*\* - Stanley, op. cit., p. 33.

period 1954 to 1964, salaries of successful aspirants to management positions (i.e., those who currently serve in management positions) have, on the average, increased 93 percent. During the same time period, those who currently serve in management positions in the Federal service experienced 117 percent increase in salary. A comparable figure for a large financial institution in California is 114 percent.\*

These percentage figures were calculated by comparing the current salaries of individuals in management positions with the salaries these same individuals were receiving 10 years ago in State service. The increases over this 10-year period comprise three parts: (a) general salary increases granted to most employees (ranging between 35 and 45 percent for the three groups surveyed), (b) merit salary increases, and (c) promotional increases. General salary increases in California State service kept pace with the general increases of the other two groups. Therefore, the explanation for the lag in salaries of California's executives must lie in smaller or less frequent merit or promotional increases.

Aside from overall average salary increases, a more significant comparison is the speed by which the ablest performers can increase their compensation. In other words, "Are outstanding individuals identified and moved ahead in State service as fast as elsewhere?" The answer is no! The following table compares the percentage increases in salaries for the 25 percent of individuals (within the three groups surveyed) who received the largest salary increases over the 10-year period.

Table 7

**MINIMUM PERCENTAGE SALARY INCREASES RECEIVED  
BY FASTEST RISING QUARTILE OF EXECUTIVES<sup>1</sup>**

1954-1964

State of California.....	115% or More
Federal service.....	150% or More
One large financial institution.....	148% or More

<sup>1</sup> Staff surveys.

On the other hand, a substantial proportion of California executives, compared with Federal executives, received relatively small increases over the same decade. Forty-three percent of the State's managerial personnel received less than a 75 percent increase in salary since 1954. By contrast, only 4 percent of the Federal executives surveyed were held to this modest level of salary increases. (For variations in departmental salary increases, see Appendix C.)

**A Composite of the "Average"  
Civil Service Executive †**

By accumulating the foregoing information, it is possible to develop a profile of the "typical" civil serv-

\* During this same 10-year period, the Consumer Price Index (cost of living) increased approximately 15 percent.

† The "averages" depicted in this paragraph do not necessarily describe any one individual within State service. They simply are a combined listing of the averages of several different profile characteristics.

ice executive who currently manages the affairs of the State's government:

- He is about 51 years of age.
- He has spent about 17 years in the State's service—the last 4 or 5 of which were in his present position.
- He received a college degree before entering State service.
- He has acquired approximately 8 years' working experience in private industry and/or in another public jurisdiction.
- He has spent his entire State career in one department and has been located in Sacramento.
- He nearly doubled his salary over the past 10 years and today is earning approximately \$16,000 per year.
- Chances are he will retire from the State service (or die) within the next 10 years; almost assuredly his successor must be found by 1985.

**OUTLOOK FOR FUTURE GROWTH**

What growth is likely to occur in State government over the next 10 and 20 years? What will the State government require in the nature of managerial manpower in the future? How many of the present managers must be replaced within the next 2 decades?

*Full-time Civil Service*

Since 1950, the civilian population of the State of California has grown at the rate of 4 percent per year. During this same period, the number of full-time civil servants in State government has grown 5 percent annually—exceeding the population growth rate by an average of 1 percent per year. Over the next 20 years, it is estimated\* that population growth rate in California will decelerate to about 2.8 percent per year in the period up to 1975, and 2.4 percent in the succeeding decade.

In light of this prospective growth in the number of people to be served, each of the larger departments in State service (now employing over 95 percent of all full-time State employees) was asked independently to estimate its probable growth in employees to 1975 and 1985. Their estimates indicated that these departments expect an annual growth in State employees of 3.2 percent between now and 1975, and an additional annual growth of 1.7 percent in the following 10 years.† In other words, the departments' executives expect that the growth rate of employment in State service will continue to exceed population growth in the near term (10 years), but will drop below it in the period 1975-1985. Chart 3 on the following page depicts actual and projected growth rates for both population and State employment for the period 1950-1985.

\* By the Department of Finance.

† For projections of individual departments, see Appendix D.

Chart 3

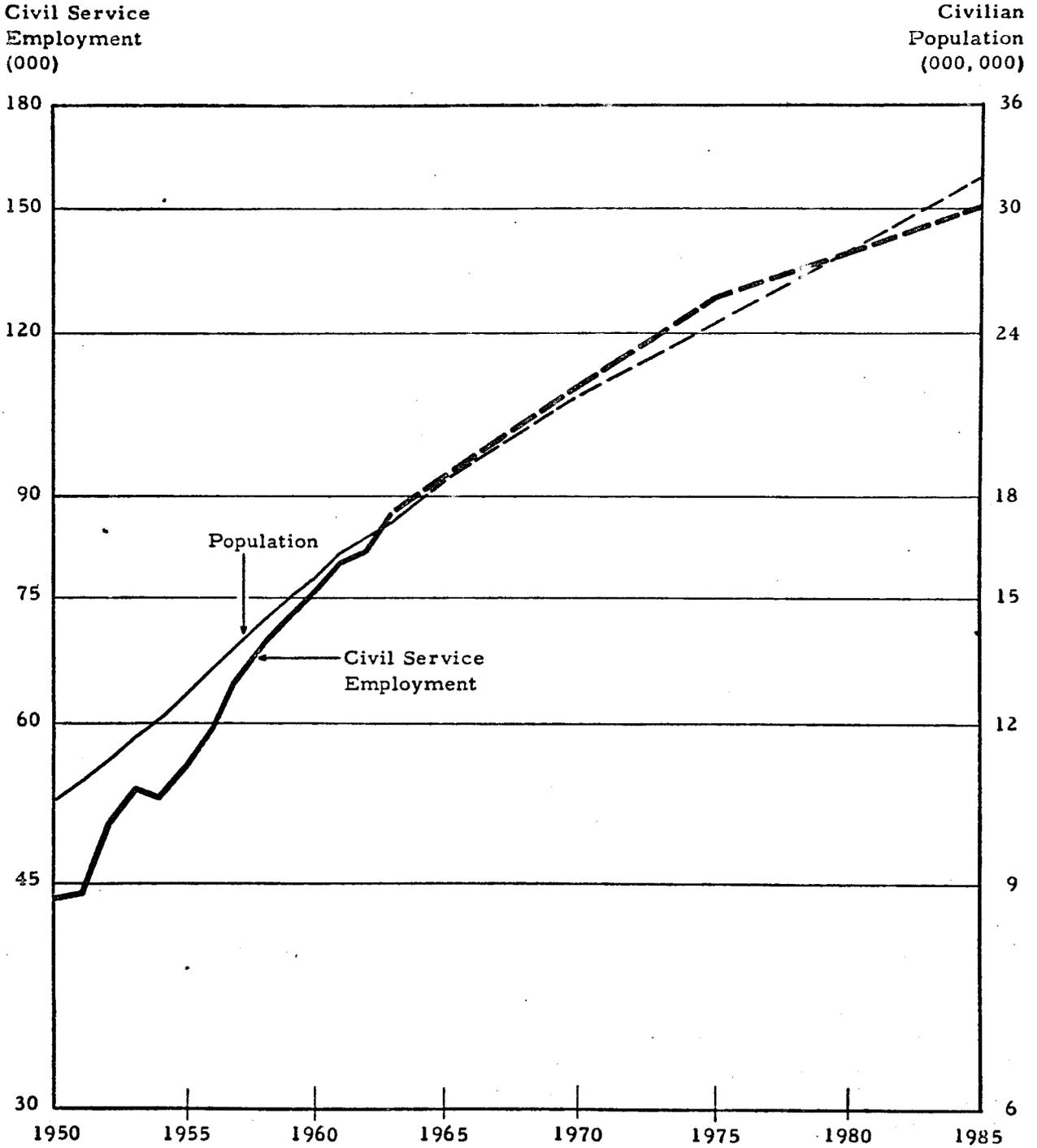
ACTUAL AND PROJECTED GROWTH

1950 - 1985

FULL-TIME CIVIL SERVICE EMPLOYMENT

AND

CALIFORNIA CIVILIAN POPULATION



Considering that the rate of growth for employment in State government has exceeded the population growth rate over the past 13 years (by an average of 1 percent per year), although projections indicate that the two rates will be approximately equal over the next 20 years, we believe these forecasts can be accepted only as minimum indications of growth. Nevertheless, full-time civil service employees (extrapolated to include all departments) are expected to reach 150,000 by 1985—a sizable group to be managed.

**Impact on the Top Management Group**

Each department estimated the growth of management positions, using full-time civil service as a base. In total, the departments estimated a 2.4 percent growth rate for the management level—slightly under the 2.6 percent growth rate projected for the civil service. Adjusting to include all departments, this amounts to an increase of nearly 1,000 positions by 1985.\*\* This figure, because it is based on the forecasts of the civil service population, also must be considered conservative.

Growth in employment is only one of the factors to be considered in planning to meet the State's future management manpower needs. The inevitable attrition of the current management group (primarily because of retirement) creates the need for an even larger number of managers in the future (see Chart 4).

Yet even Chart 4 understates the problem of staffing the top management group in the future. Those individuals replacing the current managers are also susceptible to the various causes of attrition (e.g., retirement, death, disability, and to some degree, resignation). Table 8 shows the total manpower needs to fill the "management gap" in 1975 and 1985.

Table 8  
STATE OF CALIFORNIA  
TOP MANAGEMENT MANPOWER REQUIREMENTS  
(Numbers of Individuals—Rounded)

	By 1975	By 1985
Additional Positions Resulting from Growth	560	1,000
Replacements for Current Executives	800	1,300
Replacements for Future Executives	410	1,400
<b>Total Additional Executives Needed</b>	<b>1,770</b>	<b>3,700</b>

Even if the forecasts for managerial growth are low, the impact of this conservatism on total requirements is not as large as might be expected. For example, were forecasts low by 10 percent, total requirements would be understated by less than 3 percent.

**Future Demand by Occupation**

As individuals rise within the State's service or in any large organization, they must broaden their capacities if they are to deal with the variety of problems that confront them as managers. (Further, a senior executive also must broaden his understanding of his

\*\* See Appendix E for forecasts by department.

own profession if he is to direct a variety of specialists on his staff, many of whom may be younger and may have had more recent exposure to the latest developments in their fields.) In recognition of this requirement, the growth projections to 1975 for the management group were also compiled according to nine professional categories as shown in Table 9.

Table 9  
ESTIMATED GROWTH IN PROFESSIONAL CATEGORIES

	Current No. in Management Directory *	Estimated No. in 1975 *	Annual Per- centage Increase
Engineering & Architecture (Including Civil, Petroleum & Other Engineers, & Architects)	273	323	1.5%
Social Sciences (Including Social Workers and Psychologists)	39	64	- 4.6
Education	41	62	3.8
Law	57	86	3.8
Mathematics & Physical Science (Including Geologists, Chemists, Mathematicians, Statisticians, Soil Scientists, Etc.)	16	23	3.4
Medical Science (Including Physicians, Psychiatrists, Nurses, Veterinarians, Etc.)	200	280	3.1
Natural Science (Including Foresters, Agriculturalists, Biologists, Etc.)	49	62	2.2
General Administrative (All Other)	647	902	3.1

\* Note: These columns do not add to the totals for the managerial group shown earlier because they pertain only to the departments which forecasted their requirements.

Table 9 reflects only the growth factor and does not take into account the need for replacements. As indicated earlier, the replacement factor, rather than growth, is actually more important for manpower planning in State government. Detailed examination of replacement needs should be accomplished for individual departments.

**A RECOMMENDED PROGRAM FOR MANPOWER PLANNING**

Effective planning and action to ensure that the State will have the managerial personnel required when it is needed make desirable a continuing effort to forecast needs. The time, effort, and cost required to forecast the number of individuals needed by each occupational specialty and in each echelon in the organization will not be great; the value of such provision will be substantial. Therefore, we propose that the State broaden and intensify the planning process through which manpower needs are identified and on which appropriate recruiting and training programs can be developed. Specifically, we recommend that:

1. Every 2 years each department be asked to prepare a 5-year forecast of likely increases or decreases in personnel at all echelons in the organi-

zation. The Governor's office should serve as the stimulus to the departments in this effort. The Governor's office well may ask the State Personnel Board to serve as the coordinator and compiler of data.

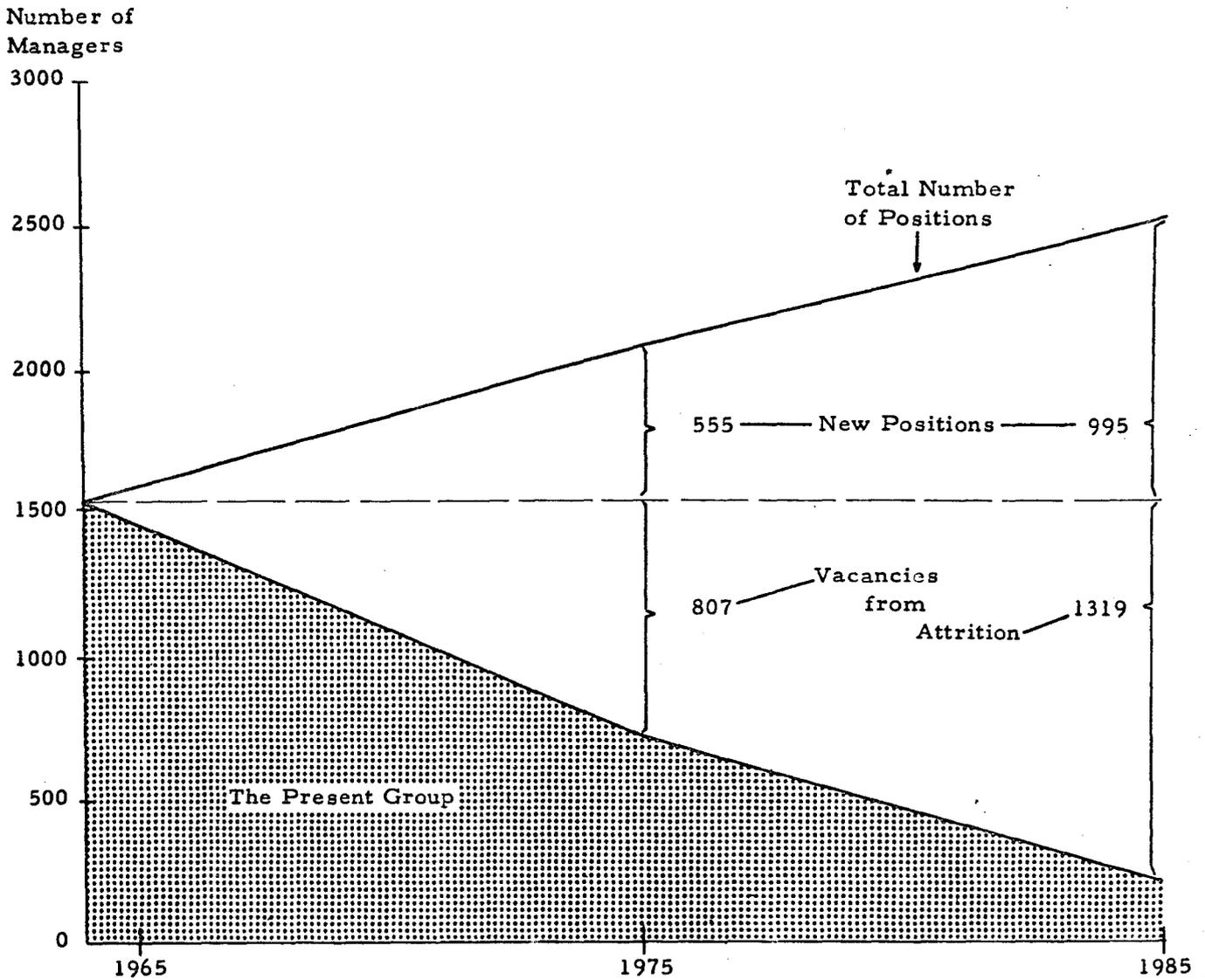
2. In the light of these forecasts, departmental personnel officers should (a) develop inventory data regarding the potential replacement strength at each level of the organization (by occupational group) for the next higher echelon, and (b) plan recruitment efforts for needed replacements.

3. Departmental manpower projections (in the years in which they are prepared), as well as plans for filling vacancies, should be incorporated in the fiscal budgeting process (as a part of forecasting program development and expenditures growth) and presented to the Governor and the legislature.

4. To facilitate their own planning processes, the recruiting and training divisions of the State Personnel Board should be involved in the forecasting process and apprised of the results.

Chart 4

THE TOP MANAGEMENT GAP



## CHAPTER II

### STAFFING TO MEET FUTURE NEEDS

The vast bulk of tomorrow's managers are being recruited today. The effectiveness with which young men and women are being recruited into entry level positions today will determine in large measure the caliber of the State's top management in 1975 and 1985. Since 1959 only 1 percent per year of all management positions in the civil service have been filled from outside civil service ranks. And of these individuals, half were medical doctors entering the fields of mental hygiene and public health.

This chapter evaluates the success of past recruiting efforts in California State service by analyzing the pool of individuals from which the first replacements to the management group are most likely to be chosen. In addition, it considers the State's present entry level recruiting program by identifying a representative sample of classifications in which future managers are likely to begin their careers with the State, and assessing the relative caliber of candidates currently entering these classes. Finally, this chapter appraises the recruiting efforts that have produced these candidates, and considers what changes should be made.

#### INITIAL REPLACEMENTS FOR THE MANAGEMENT GROUP

Observers of public administration throughout the nation generally have held that government was able to attract the ablest of this country's young people during the 1930s and during the years of World War II. However, government has not been able to attract an equally large proportion of the ablest men and women entering the labor market in more recent years. This hypothesis appears to be borne out in California State government.

The group most likely to constitute the first wave of replacements to management positions does not possess as broad an array of discernible qualifications as their predecessors (who now are in the top management group). This conclusion is based on an analysis of the qualifications of 327 individuals now on randomly selected promotion lists for 60 different positions\* in the lowest level of the top management group (i.e., level IV of the Management Directory). In this analysis, educational levels attained and breadth of experience—both in the employ of the State and working for other employers—were used as the bases for comparison. The pertinent findings are summarized below.

\* These 60 lists constitute approximately one third of all current promotional lists to management level positions.

*Education:* Two thirds of the "qualified replacements" \*\* attained at least a baccalaureate degree, while three fourths of the current management group reached that educational level. Contrarily, 13 percent of the replacements did not attend college at all, compared with only 5 percent of current managers.

Inasmuch as (a) there has been a postwar trend toward attaining advanced educational degrees, (b) the replacements have a younger median age (45 years versus 51), and (c) over 70 percent are war veterans and therefore were eligible for G.I. educational benefits, the lower average level of education among the younger group is significant.

*Breadth of experience:* Sixty-three percent of the qualified replacements had some degree of full-time working experience (related to their current occupation) outside State service, compared with 78 percent for the current managers. Of those who had some outside exposure in their working careers, the qualified replacements averaged about 5½ years compared with almost 8 years for the management group.

The qualified replacement group also has had less breadth of experience while employed in State service. Over three fourths have spent their entire State careers in one department, compared with approximately two thirds for the management group. Similarly, two thirds of the qualified replacements have spent their entire careers without one transfer between a field location and department headquarters. The same is true for 60 percent of the management group.

In summary, the findings indicate that the group from which initial selections to management positions are likely to be made (a) is less educated, (b) possesses less working experience outside State service, and (c) has had somewhat less exposure to varieties of situations while employed in the State's service (i.e., different departments or different locations) than the individuals now filling management positions.

In reaching these conclusions, averages for the overall group have been considered. Obviously, there will be individuals within the group who exceed the aver-

\*\* For purposes of clarity, and because all 327 individuals have been certified as possessing necessary minimum qualifications, as well as having achieved at least the minimum passing score on applicable written and/or oral examinations, the sample group shall be designated "qualified replacements".

ages (as well as others who fall short). To determine whether the most qualified of the replacement group differed sharply from the group as a whole, similar analyses were made of all individuals who are immediately promotable if a vacancy occurs (i.e., those ranking among the top three on each promotion list—111 candidates in all). However, the various measures of qualifications are substantially the same—differing only by minor degrees. Therefore, the conclusion that the “qualified replacements” are not as broadly qualified as the current management group appears valid, even when considering the topmost echelon of the replacement group.

### RECOMMENDATIONS

In the most populous state in the union, with an annual budget in the \$4 billion range, and (excluding Federal employees) one of the largest concentrations of governmental employees in the United States (about 100,000 civil servants with an annual payroll approximating \$750 million), the task of managing State affairs is immense and complex. And along with growth in size and complexity, the requirement for managerial talent, both in quantity and quality, also is growing. Yet the qualifications of the group most likely to become the next wave of managers fall short of, rather than exceed, those of the current groups. To improve the State's opportunity to obtain the most qualified personnel available for management level positions, both now and in the future, we recommend:

1. For all positions in State service, for which substantial administrative experience is as available in private industry or in other public jurisdictions as within the employ of California State government, that:
  - a. The State Personnel Board conduct open, non-promotional examinations for all such positions. Such examinations should be conducted as soon as possible after an appointment is made (or better yet, before any appointment) in order to limit the natural advantage in the examination process that accrues to the temporary appointee by virtue of accumulating experience on the job, and
  - b. Department Directors be authorized, pending the subsequent examination, to make temporary appointments of individuals from outside (as well as from within) State service in those instances where individuals outside State service possess successful and qualifying experience.
2. In addition, that Department Directors be authorized to make permanent appointments of individuals with unique and specialized experience from outside State service. Such appointments,

however, should be limited to those instances when the State Personnel Board can certify that the appointee possesses such unique and specialized credentials that no other candidate would likely to be found with equal qualifications, no matter how extensive the search might be. This proposal is not intended to open the way for appointment of individuals highly specialized in limited fields, but who may be marginal candidates in other respects. On the contrary, it is designed to allow timely appointment of individuals who obviously possess all qualifications, thereby avoiding administrative delay caused by the selection process.

### APPRAISAL OF FUTURE MANAGEMENT TALENT

Appraisal of individuals, insofar as it is possible at all, is inevitably a judgmental effort. In order to provide a basis for answering the question, “Is the State attracting talent that will be competent to manage its affairs in future years?”, three approaches were adopted: (1) Quantitative measures (e.g., college class standing and entrance examination rank) were gathered for seven key entry level classes; (2) opinions of operating managers in each of the largest 20 departments were solicited through more than 100 individual interviews; and (3) College Placement Officers in 25 colleges and universities were surveyed by questionnaire; the topics in the questionnaires were pursued further by subsequent interviews with leading Placement Officers and with faculty members in appropriate departments of three major schools.

#### *Gateways to State Managerial Jobs*

The many and varied activities of the 50 or more departments within the executive branch of State government offer a wide array of entry level positions for individuals beginning their working careers in the State's service. To determine how most recruits enter State service, we ascertained how a sample of 171 current or future managers\* started their careers. This analysis disclosed that a large proportion entered (and still do) into seven key classifications. Table 10 indicates the relative numbers entering the State service through each of these “gateways”.

Table 10 also indicates that these same seven classes are frequently used today. Although the 1,350 individuals recruited into seven entry level positions do not represent a complete list of all “feeder” classifications to management levels, they are a sufficiently representative sample on which to base an appraisal of future management talent.

\* This analysis was limited to individuals with 15 years' service or less, thereby eliminating persons who started their careers in occupational classifications that no longer exist.

Table 10  
SEVEN KEY ENTRY LEVEL POSITIONS

Classification Title	Number of Individuals Starting State Career		Individuals Appointed In FY 1962-1963
	In Specific Class	In Specific and Related Class *	
Junior Civil Engineer .....	15	28	508
Junior Right-of-Way Agent	11	13	59
Physician and Surgeon .....	10	19	140
Administrative Trainee .....	5	7	38
Auditor I .....	2	5	181
Junior Counsel .....	4	7	89
Employment Security Trainee .....	7	7	335
	54	86	1,350

\* Examples of related classes are: Junior Civil Engineer and Assistant Civil Engineer; Junior Right-of-Way Agent and Junior Property Appraiser; Physician and Surgeon and Staff Psychiatrist; Administrative Trainee and Junior Staff Analyst; Junior Counsel and Legal Assistant.

#### Quantitative Measures of Quality

To provide a basis for judgment regarding the quality of entry level recruits, data showing academic success or entrance examination standing were gathered for all but one\* of the "feeder" entry level classes listed above. Data also were gathered for the entry class of Compensation Insurance Assistant, the primary entry class into the State Compensation Insurance Fund. Academic success, measured by class standing, is shown in Table 11 for five of the classifications. For purposes of comparison, data regarding Junior Civil Engineers also were obtained for recent graduates of the University of California at Berkeley.

While most of the classifications shown in Table 11 are filled from a wide variety of schools, two thirds of the Junior Counsels graduated from six major law schools, all but one of which contributed at least one graduate from the top quartile of his class.

\* It was determined that appropriate data were not available for entering Medical Doctors or Psychiatrists.

Table 11  
ACADEMIC STANDING OF RECENT ENTRY LEVEL RECRUITS DURING THEIR COLLEGE CAREERS

Classification Title	No. of Appointees	Quartile Distribution of Appointees Based on Grade Point Averages At College Graduation			
		Top	Second	Third	Lowest
Junior Civil Engineer .....	228 <sup>1</sup>	14%	34%	38%	14%
Junior Civil Engineer from University of California, Berkeley .....	41 <sup>2</sup>	10	24	39	27
Junior Counsel .....	60 <sup>3</sup>	26	47	22	5
Administrative Trainee .....	67 <sup>4</sup>	35	38	16	11
Auditor I .....	98 <sup>5</sup>	27	38	32	3
Compensation Insurance Assistant .....	69 <sup>6</sup>	11	59	26	4

<sup>1</sup> Appointed in 1963 from 84 accredited and 4 nonaccredited colleges outside the State of California.

<sup>2</sup> Currently in Junior Civil Engineer classification.

<sup>3</sup> Graduates of 16 different law schools employed as Junior Counsel in 12 departments during summer of 1964.

<sup>4</sup> Appointed into 12 departments between July 1963 and October 1964. Represent 24 schools, primarily State and City colleges.

	Number of Appointments
University of California, Berkeley .....	17
Stanford University .....	9
University of California, Los Angeles .....	7
University of San Francisco .....	5
Harvard University .....	4
University of Southern California .....	4
	46

Data regarding academic standing were not available for the remaining two key entry classes; however, employment data provide some indication of the selectiveness of the appointing process.

#### Junior Right-of-Way Agent

During the period May 1962 through May 1963, there were 82 persons appointed to this trainee position in the Department of Public Works. They were selected from an initial group of applicants (all with B.A. degrees) as follows:

	Number of Individuals	Percent of Initial Examination Competitors
Initial Applicants .....	864	100%
Passed Written Exam .....	418	48
Passed Oral Exam .....	152	18
(Placed on Employment List)		
Appointed .....	82	9

While data on academic standings were not available for the 864 initial applicants, the 82 appointees were distributed as follows on the employment list:

Quartile Distribution of Appointees Based on Employment List Rank	
Top .....	26%
Second .....	27
Third .....	23
Lowest .....	24

#### Employment Security Trainee

During the 6-year period February 1955 to April 1961, there were 1,717 appointments made to this general trainee classification for the Department of Employment. These appointees constituted about 10

<sup>5</sup> Appointed from July 1963 to November 1964 into State Board of Equalization, Franchise Tax Board, and Department of Employment. Represent 37 schools, primarily State and City colleges.

<sup>6</sup> Appointed in 9-month period starting January 1964 into State Compensation Insurance Fund. Represent 39 schools, primarily State and City colleges.

percent of the aggregate number of individuals who applied for employment via this examination.

	<i>Number of Individuals</i>	<i>Percent of Initial Examination Competitors</i>
Initial Applicants .....	16,448	100%
Passed Written Exam .....	5,901	36
Passed Oral Exam .....	3,589	22
(Placed on Employment List)		
Appointed .....	1,717	10

In a more recent period, from July 1961 to June 1962, 503 appointments (57 percent of whom were college graduates) were made from the employment list as follows:

<i>Quartile Distribution of Appointees Based on Employment List Rank</i>	
Top .....	22%
Second .....	34
Third .....	23
Lowest .....	21

The quantitative measures of quality for the seven classes described above yield the following summarized conclusions:

- The State has had considerable success in attracting the better students from major law schools.
- Individuals employed via other entry examinations seem to range from average to somewhat better than average quality when viewed against the aggregate of contemporary college graduates.
- The selection ratio (i.e., appointments as a percent of qualified applicants) in two classes (Employment Security Trainee and Junior Right-of-way Agent) indicates that the State attracts substantial numbers of applicants to fill those positions. However, the State hires a discouragingly large proportion of the appointees ranked in the lowest quartile of all individuals who qualify for appointment.

#### *Subjective Opinions*

##### *By Present Managers*

The prevailing opinion among members of the current management group is that today's recruits into the State service are better qualified and better prepared to perform in the jobs to which they are assigned than were entry level recruits 5 and 10 years ago. Principal among the reasons to support this opinion was that the educational attainments of current recruits are apparently greater than was the case in the past. This opinion was particularly strong when the members of the management group were queried as to the caliber of individuals recruited for entry positions in the scientifically oriented fields (e.g., medicine and engineering). The same opinion was held in evaluating the beginning social worker and the liberal arts recruit.

The managers cited these further bases for their opinions as to relatively high quality of recruits:

1. Some departments have become more selective in terms of educational and/or minimum experience requirements.
2. Higher starting salaries now attract better qualified applicants.
3. Competitive examination procedures which place more reliance on face-to-face oral interviews and on the appraisal of the candidates' overall qualifications than on written entrance examinations exclusively.

On the latter point, the consensus was that reducing the importance of, or in some cases eliminating, the written examination made it less difficult to attract applicants to State service. The relatively recent recruiting efforts by departments themselves, as well as in conjunction with the State Personnel Board, also were cited as a significant contributive factor.

A few individuals expressed concern over the quality of people recruited by the State in specific functional fields, particularly accounting. In that field a national shortage of trained personnel makes recruitment especially difficult. It is reported, for example, that the nation's colleges and universities graduated in 1964 about 11,000 bachelor level accountants compared with a national demand of approximately 20,000 annually. In the face of this demand and supply situation, the Department of Finance, Board of Equalization, and Franchise Tax Board have had understandable difficulty in recruiting the number and quality of accountants desired.

In general, the management group in State service expressed satisfaction with the caliber of the candidates currently being hired. However, the present management group had no data on which to base an opinion about whether or not the State was attracting the better college graduates available for employment. In most cases, they were unwilling to express an opinion regarding the State's success in competing with other employers for future management talent.

##### *Reactions from*

##### *Colleges and Universities*

Placement Officers at 25 colleges and universities in California were queried by questionnaires regarding their appraisal of the relative caliber of their alumni entering the State service. The replies to the questionnaires were supplemented by interviews with 30 faculty members and Placement Officers at three of the larger educational institutions.\* The results of these supplementary inquiries yielded two primary conclusions:

1. On the basis of academic achievement records, the graduates who enter State service come in major part from the inner or middle quartile of their graduating classes; this may be interpreted

\* University of California at Berkeley, San Jose State College, and University of Southern California.

to mean that these individuals are generally of average ability, and few are from among the "superior" students graduating from these institutions.

2. On the basis of the same criterion, the State attracts, in the opinion of these university officials, about the same caliber student as do the Federal and local governments.

In addition, these university officials pointed out that the State had been experiencing increasing difficulty in attracting superior students from the university graduating classes. The principal reasons cited in support of this conclusion were:

1. The competition from graduate schools for the abler students.
2. Greater competition from both private and public employers for the ablest students.
3. The aggressive recruiting efforts of municipal governments in California and the challenging opportunities offered by these employers.

#### OPPORTUNITIES FOR IMPROVEMENT

The inquiries made of faculty members and administrators of the California colleges and universities produced additional and pertinent insights.

The Placement Officers stressed three key points:

1. *Student attitudes toward employment in the State service are becoming more favorable.* In the opinion of these Placement Officers, students on their campuses tend to rank employment in the California State service:
  - Above Federal service
  - Below private industry
  - About the same as local government.

This image of the attractiveness of State service varies considerably (a) among the academic disciplines from which the students graduate, and (b) with regard to the different departments in State service in which career opportunities are offered. In the opinions of these Placement Officers, the Departments of Public Works and Employment generally were rated as "relatively attractive"; in contrast the Department of Motor Vehicles and the State Compensation Insurance Fund were rated unattractive as potential employers. These judgments may or may not be valid. The most important point here is that half of the respondents thought that their students did not know enough about career opportunities in State service to have more than a general, overall opinion. Nevertheless, the attitude of students toward employment in State service has been improving over the past few years.

2. *The State's recruiting efforts are only of "average" effectiveness.* The number of recruiters representing both public and private employers who appear on the campuses of California educa-

tional institutions during a school year ranges from 20 at the smaller schools to approximately 600 at the large schools. Of those schools replying to the questionnaire, about 25 percent rated the State's efforts "above average", 50 percent regarded the State's recruiting efforts as "average", and 25 percent rated the State's recruiting efforts as "below average".

The quality of printed material (e.g., brochures and pamphlets) distributed by the State is generally regarded as "good". This printed material is regarded as the State's best recruiting tool. This judgment was affirmed recently by the College Placement Council; it ranked the State among the top 15 employers in the nation on the basis of the quality of the recruiting literature it uses. Others in the top 15 included Aluminum Company of America, Bethlehem Steel Company, General Electric Company, Humble Oil and Refining Company, and the U.S. Internal Revenue Service.

3. *Improvements needed in the State's recruiting effort.* These Placement Officers suggested, on the basis of their experience with the State's recruiting efforts, that the State should, if it seeks more and better qualified recruits:
  - a. Improve the quality and quantity of information to students regarding career opportunities in State service. Specifically, it was suggested that:
    - Much closer liaison be maintained with the faculties of the several colleges and universities so that they may do a better job of counseling students in their respective areas of competence.
    - Greater use of operating representatives of the employing departments be made when recruitment is undertaken on the campuses. It was frequently suggested that the State adopt the generalized "Career Day" concept of the Federal government for counseling prospective employees.
  - b. Increase the emphasis given to the use of summer internships and to the part-time employment of students, and ensure that students are selected for such employment solely on the basis of their relative competence.
  - c. Modify current written examination procedures. Here the suggestions range from eliminating written examinations for college graduates to developing a single, generalized examination that could be used as the selection device for all entry level classes. A third alternative suggestion was to provide greater flexibility in the schedule of current examinations so that if a candidate missed a scheduled test date for a particular classification, he

would not have to wait 3 to 9 months for the next scheduled examination.

Interviews with faculty tended to confirm the discussions with Placement Officers mentioned above, and also emphasized the trend toward graduate training. The national trend toward graduate study is siphoning the better students who have baccalaureate degrees away from the employment market. "It is now normal for college graduates of high academic standing to proceed for one or more years of graduate work. A study of 34,000 graduating seniors in 1961 showed that more than 90 percent of the men and more than three quarters of the women ranking in the top fifth of their classes expected to go to graduate school."\*

This trend toward extending the educational years is claiming younger people in several fields of interest to the State. For example, of all B.S. and M.S. civil engineering graduates in the United States over the period 1955 to 1963, the proportion of the total receiving the M.S. degree increased from 15 percent of the total to 22 percent. In relative growth, the number achieving master's degrees has doubled over the same period, while the number of B.S. graduates has increased only 25 percent.

The significance of these data is twofold: (1) Greater numbers of the better students will continue on to graduate work, and (2) State service has not been a very attractive employer for individuals with advanced degrees. Unless this practice changes, the State will be drawing its engineering talent from the less educated and lower half of the talent pool.

In summary, the information obtained from the college and university campuses indicates that the State is an "average" recruiter; it enjoys no better than "average" success in attracting "average" students. Further, the abler students pursuing academic disciplines of interest to the State will tend to continue their education toward an advanced degree and then pursue the opportunities that are most attractive to the better educated. The importance of these findings is that the "beginners" now being recruited from an increasingly competitive environment are entering positions from which the State's practices dictate it must produce tomorrow's managers.

The State can—and should—improve its recruiting efforts; the ways in which this can be done have been suggested above.

#### **A RECOMMENDED PROGRAM FOR ENTRY LEVEL RECRUITING**

A recruiting program, no matter how skillfully executed, can be no more successful in attracting high caliber applicants than the caliber of the product it has to sell. Without challenging jobs, reasonable opportunity for individuals to progress, competitive

compensation, and job openings when applicants are available, no recruiter can be expected to attract the best talent. California's State service offers each of these essential attractions (although several could be improved). The following recommendations are directed toward improving the State's recruiting effort.

1. Broaden further and simplify the examining process for recruiting college graduates. The basic objective of the examination process for entry level recruits is to measure the relative competence among large numbers of college graduates who offer generalized capabilities that are applicable to a wide array of possible careers in the State service—as well as with competitive private employers. Hence, every effort should be made to use the simplest and most readily available tools that will appraise these generalized capabilities.

The examination process can be simplified for the college graduate—who in many instances is weighing alternative opportunities. The task of examining thousands of employees can be simplified and made less burdensome and costly. In short, the number of examinations administered by the State and the cost to the State can be reduced while the recruiting process can be made less onerous to the applicants. To accomplish those ends, we propose that:

- a. Existing written examinations for generalized trainee positions (e.g., for Administrative Trainee, Junior Right-of-Way Agent, Compensation Insurance Assistant, Employment Security Trainee, and so forth) be further consolidated into a single State entry examination.
- b. In lieu of taking any State examination, applicants be privileged to submit scores achieved on the commonly accepted and nationally conducted graduate level entry examinations (i.e., the Graduate Record Examination, the Law School Aptitude, Graduate Business School Aptitude, and so forth), or Federally conducted examinations for similar positions.
- c. The use of summer internships be increased. The expansion of such summer employment provides the employer with a means for measuring the individual's competence in a working situation. Simultaneously, it can serve as a means for attracting and enlisting especially promising people to careers in State service.

In filling these positions, though temporary in nature, selection should be based on some objective measure of competence (i.e., school records or aptitude examinations).\* Recruitment should be limited to those young people

\* The Committee on Foreign Affairs Personnel, *Personnel for the New Diplomacy* (Washington, D.C.: Carnegie Endowment for International Peace, December 1962), p. 67.

\* In some governmental jurisdictions, the use of summer employment has been marked by personal and political favoritism. The result has been (a) failure to achieve the gains suggested here, and (b) lowering of the prestige of public employment.

pursuing academic studies which are likely to qualify them for future State service.

2. Place greater emphasis on recruiting college graduates with special competence or training. Specifically, we propose that:
  - a. Substantial salary differentials (e.g., 10 or 15 percent) be established for applicants whose academic records or entry test scores indicate greater capabilities than 80 or 90 percent of all applicants. Further, these ablest applicants should be moved ahead via assignment of duties and promotion as fast as their capabilities allow.
  - b. Greater effort be made and larger inducements (e.g., salary or salary grades) be established to attract graduates holding master's degrees in those fields in which advanced training is particularly needed, or where the better students are going on for graduate work (e.g., the engineering sciences).
3. Intensify and better organize the State's efforts to inform college graduates of opportunities in the State service. Specifically, we propose that:
  - a. An organized program of faculty relations be developed to supplement existing contacts with Placement Officers. A special effort should be made to inform those faculty members who have student placement responsibilities in their departments.
  - b. An organized career day for counseling students (such as a "California Day") be initiated at each major college campus in California where prospects for recruiting are most favorable. This concept should be implemented by using representatives from line departments who are able to describe specific career opportunities. (Such an activity, while augmenting the recruiting process, would have considerable public relations value.)
  - c. A program be developed whereby especially successful younger employees of the State return to their alma maters to describe the opportunities in and advantages of employment with the State. (This proposal could become an integral part of the "California Day" concept.)
4. Improve the timing with respect to recruiting college graduates. To ensure the procurement and utilization of superior college graduates, there is need for:
  - a. Taking whatever steps are required to assure that vacancies in the departments are available and job commitments can be made when the students are available and seeking employment. (This may require some special budgetary allowance in order to avoid the pressures for salary savings at the beginning of a fiscal year, or budget shortages at the end of a year.)
  - b. Coordination of internal departmental training programs with student graduations and availability.

## CHAPTER III

### DEVELOPING FUTURE MANAGEMENT TALENT

The availability within an organization—public or private—of people capable of managing an enterprise and supervising the work of others is not a matter of chance. It is the end product of an effective selection process, planned efforts to develop requisite capabilities, and an environment which permits them to manage.

Enlightened management in private industry long ago recognized the fundamental need for developing and encouraging those employees who demonstrate the greatest growth potential for assuming managerial responsibilities. To this end, vast sums of money are expended annually in grooming promising individuals for top executive posts. Furthermore, major expenditures are made to sharpen continually the managerial skills of incumbent executives.

The needs of the State government of California are no less important.

#### THREE KEY STAGES OF TRAINING

Experience has demonstrated that there are three key periods in the life of a successful executive when training exerts its greatest impact:

1. *Early career*, when an individual begins to apply his substantive knowledge to a given job. This is a time when specialized knowledge is refined and adapted to the job and the environment.  
As he gains experience and becomes more confident in his abilities, the person, if he carries the seeds of management potential, begins to examine objectively his job, his surroundings, and opportunities that might be available to him in the future. Usually, such people advance to a position at the supervisory level somewhere between 3 and 7 years after employment.
2. *Middle management*, perhaps 10 to 15 years after employment, when it is highly desirable to review and update the breadth of knowledge in his substantive field. At the speed with which the boundaries of knowledge are receding in the technological, scientific, and managerial fields, a person must keep abreast of advances in these areas as they occur. But at about the midpoint in his career, the successful executive takes time to refocus on his substantive field and bring new developments into perspective within the total spectrum of his knowledge.
3. *Top management*, when advanced training and sharpening of managerial skills stimulate the self-

renewal process of the individual. Through exposure to new ideas and new concepts, the successful executive can study suggestions or recommendations for improvement from a fresh, revitalized point of view.

Obviously, there are substantial lapses of time among these three periods in a person's career. During these interims, there is a need for on-going training so that individuals can continue to grow and develop. In part, this can be accomplished by on-the-job counseling and coaching of the individual by his superiors—a highly important aspect of any training program. And, in total, this continuous training provides the spark which keeps alive the desire for knowledge and self-improvement.

#### THE CHANGING MIX OF EXECUTIVE ABILITIES

Viewing these stages of training in another dimension and relating them to public service, the concept\* has been advanced that the mix of abilities necessary to fulfill successfully the responsibilities of different positions changes markedly as the public servant moves up the hierarchical ladder of an organization. Not only must the public servant increase his breadth of knowledge in the professional field in which he works, but he also must broaden his grasp of:

- The ways and means of directing the work of others
- The functions of other units within the organization and of related governmental entities
- The society, economy, and the citizens he serves
- The ways and means of projecting the policies and programs throughout an enterprise, and seeing to it that they are carried out.

In other words, a career public servant, starting as an apprentice with a beginner's grasp of a substantive field, must enlarge his professional skills, his administrative capabilities, and his understanding of the society he would serve, if he is to be a successful executive in a governmental establishment.

#### TRAINING IS NOT A PANACEA

While much has been said about training as an essential ingredient in the development of capable executives, training per se is not a panacea. And those who

\* Henri Fayol, *General and Industrial Management* (London: Sir Isaac Pitman & Sons, Ltd., 1949), pp. 7-13.

are entrusted with administering training budgets should husband their funds carefully so that training is not wasted on those of limited growth potential. For example, it is fruitless and time-consuming to attempt to develop specialists in a given field when trainees do not possess the substantive background or intellectual capacity. This would be particularly true when qualified, trained specialists are available in the general labor market.

The State of California had recent experience in this regard. As cited in the report \* prepared by the Task Force on Personnel and Training, "In the past, the principal source of new programmers and computer operators has been from the tabulating machine operator group. This method of progression will no longer be satisfactory in view of the advent of more sophisticated computer applications . . .". In the Commission's opinion, this underscores the need for spending training dollars wisely.

#### THE NEED FOR TRAINING IN PUBLIC SERVICE

For promising individuals in the public jurisdiction (with all the nuances that government service implies), training assumes even greater significance than in private industry. A system of promotion from within, combined with limited job rotation and the constraints which this imposes on broadening the scope of employee experience, makes a well-planned program of management training and development virtually mandatory. This is especially applicable in the State of California if the government is to fill its managerial manpower requirements successfully over the next two decades.

#### EVALUATING THE STATE'S TRAINING EFFORT

Until very recently, management training and development in public service have received only limited attention. In the Federal government, ". . . most Federal development programs still do not compare well with the best in the country. Too little time, effort, and money are spent in developing managerial talent." †

At the State level, training has received even less attention. In a recent nationwide survey,\*\* only 29 states reported state-sponsored training programs, 8 reported no knowledge of any state-sponsored training program, and the remaining states failed to reply. In terms of expenses for conducting training programs, 9 selected states reported central personnel office training budgets ranging from \$0.54 to \$3.44 per employee annually. (Expenses incurred for this purpose by in-

dividual agencies within state governments generally were not known.) During the fiscal year 1963, the Federal government spent about \$17 per employee in support of training at institutions or in associations outside the Federal government. While fully reliable data for private industry are not available, training and development costs are estimated to exceed \$50 per employee per year.

During the fiscal year 1964-1965, the State of California budgeted \$212,804 for specialized (managerial and technical) training, or an average of about \$2.30 per full-time employee. This latter figure is below that of some other states and differs significantly from that of the Federal government. All are below estimates for private industry. Of the \$212,804 allocated for training purposes, \$9,393 was earmarked for management training. Even after making allowance for the difference in size, California's allocation is minimal when compared with the \$7 million per year budget established by the Federal government for management training.

Dollar expenditures, however, are only one measure of comparison. Although distinctly below the Federal level, California surpasses most, if not all, other states in terms of the scope, variety, and number of courses offered for training purposes. For example, during fiscal year 1963-1964, 591 managers participated in a broad range of conferences and seminars through the State's Interagency Management Development Program. A good example of a specific effort to broaden the range of knowledge on management techniques among State executives is the seminar on operations research being planned for the spring of 1965 by the Department of Motor Vehicles.

#### Training Received by Incumbent State Executives

To establish more clearly the extent of training at the management level in California State service, the Commission's study team, when developing its management profile described in Chapter I, asked these senior managers to indicate the amount and type of formalized and substantive training (of 3 or more days in duration) they had received during the past 3 years. Nearly one fifth reported no training whatsoever. Of the remainder, more than three fourths indicated in-service \* training averaging 4 days per year, and one third reported State-sponsored out-service \*\* training averaging 4 days per year. Some executives, of course, participated in both types of training.

#### Training at Lower Levels in State Service

At levels below the senior management positions, training on managerial and administrative topics gen-

\* "Report of Task Force on Personnel and Training" (concerned with utilization and application of automatic data processing), (Department of Employment, State of California, September 1964), p. 10. (Mimeographed.)

† *Improving Executive Management in the Federal Government*, a statement prepared by the Research and Policy Committee (New York: Committee for Economic Development, July 1964), pp. 35-36.

\*\* Earl Planty and George Kanawaty, *Training Activities in the State Governments* (Personnel Report No. 622, Chicago: Public Personnel Association, 1962), p. 3.

\* In-service training, in the context of this report, refers to that training which is provided by government trainers on the premises of State government offices.

\*\* Out-service training is that which is provided at locations other than government offices, i.e., training provided by associations, professional or technical organizations, colleges, or universities.

erally is limited to in-service, usually within the department to which the employee has been assigned. The need for development of managerial talent is no less in the middle management ranks than in the upper echelons. Indeed, it might be argued that the need for training during the formative years of a future executive is even greater. In light of the State's future needs for qualified management replacements, it is the Commission's opinion that training at these lower levels should be broadened considerably and made available to full-time employees who demonstrate top management potential.

#### RECOMMENDATIONS TO FOSTER MANAGEMENT DEVELOPMENT

Recognizing the managerial needs of the State government over the next two decades, and the role which training can play in helping to meet these needs, the Commission makes the following recommendations with respect to out-service training:

1. The State Personnel Board should take such steps as appropriate to stimulate the utilization of out-service training by each department, and such training should be related particularly to the department needs—including both professional and managerial development. This will involve:
  - a. Modifying the Board's present pre-audit requirement of each department's plans for out-service training
  - b. Making funds available for training those employees who have not yet attained senior management positions
  - c. Developing a program that would authorize individual departments to reimburse employees who, on personal time, successfully complete courses which contribute to the individual's competence in the position to which he is (or will be) assigned.
2. The breadth of experience and professional skill of individuals in senior management positions should be increased through enrollment in college or university programs, as appropriate.\*

Specifically, the Commission proposes that up to 1 percent per year of all top-level management personnel be granted leave with pay so that they may enroll for an academic year in schools of higher learning for full-time supplementary training, at State expense. An appropriate study program should be developed by the individual and approved in advance, by the department in which the individual is employed. To assure the return

\* This recommendation is made with full recognition of two scholarship award programs recently made available to State executives, i.e., the Career Award Program of the National Institute of Public Affairs and the Governor of California's Executive Award Program. In the former, one State administrator already has been awarded a year of graduate study at Harvard University's School of Public Administration. The latter program provides two outstanding State executives with tuition and expenses for resident management courses of short duration at any college or university in California.

of such executives into State service upon completion of their studies, it may be desirable to make this obligation explicit either through contract or a bonding arrangement.

3. The interchange of experience between agency, department, and division heads of the California State government and their counterparts with like responsibilities in other states and the Federal government should be encouraged to a greater degree than at present. This recommendation can be accomplished, at nominal cost, through meetings of professional associations, through visits, or through participation in selected seminars sponsored by Federal agencies, other state agencies, or universities. The limitation on funds for such purposes, particularly as it relates to out-of-state travel, should be eased when constructive interchange is demonstrable.

With respect to in-service training, the Commission makes the following recommendations:

1. Special effort should be made to increase the management and supervisory training opportunities provided for individuals holding middle management level positions in each department or division (approximately 6,000 persons). Specifically, we recommend that:
  - a. Each department should be directed to develop a year-round training program that will provide middle management personnel with additional training either in the techniques and arts of management or in the substantive content of the agency's program. Each department head should plan such training as an integral part of the department management process, i.e., as a means by which the agency head evaluates the performance and talent of his employees, perfects communication throughout the agency, welds the subdivisions of the agency together, and strengthens esprit de corps. It may be desirable to involve institutions of higher learning in California in preparing appropriate training materials.
  - b. To supplement this intra-agency training for middle management personnel, we recommend that current inter-agency programs for management training be expanded, with the goal that each individual in this level participate in at least 5 days' training during each year. These inter-agency programs should be of special value to those smaller and less equipped departments and agencies for which formalized training programs would be impractical.
  - c. Finally, in such in-service training efforts the effectiveness of coaching by superiors as a training device should be given greater emphasis.

2. Further, we propose that the State Personnel Board establish a residential inter-agency management training institute, perhaps on a college or university campus accessible from Sacramento. This staff college should be designed to provide advanced training in management techniques as well as public affairs (in sessions of 6 to 8 weeks' duration) for approximately 300 individuals each year holding positions in senior management echelons and for promising personnel in middle management levels. Individuals from other levels of government—local and Federal—could also be included, thereby advancing the knowledge of managing the public trust at all echelons in the State of California. At this institute, managers should be exposed to outstanding administrators from both government and business, and to university professors capable of discussing and interpreting advances in the management sciences.
3. Finally, we recommend that the Governor's Personnel and Training Committee develop plans for a 2- or 3-year program that focuses on planned interchange of experience and training both within and outside State service for selected individuals at the department and division head level.

Because this effort will be experimental at the outset, it might be desirable to consider seeking out foundation support (e.g., Ford Foundation, Rockefeller Foundation, and so forth) for the planning and conduct of such a program. The value of this program would be found in broadening the vision of these individuals with respect to the role of the State as a political institution in the American society, and how the California State government can maximize its effectiveness in the environment that will prevail in the decade 1965-1975. The program might utilize the residential institute proposed above, and effectively be the capstone of an original effort to give vigorous and fresh perspectives to the present and future leaders of the State's career service.

\* \* \*

Considered in toto, these recommendations form the nucleus of an executive development program for State service. If they are combined with an appropriate rotational program of executives among departments, the State service should benefit by having a broad-gauged, highly informed, thoroughly knowledgeable top management group.

## CHAPTER IV

### MOTIVATING MANAGERS TO EXCEL

Recruiting, retaining, developing, and effectively utilizing an able and highly motivated group of executives in any enterprise requires a broad and diverse variety of incentives to stimulate individuals to extend to their full capabilities. Does the California State government offer incentives adequate (a) to attract able young people each year; (b) to stimulate them to grow and advance in State service; and (c) to motivate them to carry out their responsibilities with full energy and zeal when they have reached management level positions? This chapter appraises the major incentives that exist in the California State service and identifies those areas which should be improved.

#### COMPENSATION LEVELS

For the State, as with most employers, compensation is its central incentive. The compensation must be adequate to attract qualified individuals at the entry levels. In addition, there are at least three pragmatic reasons why an adequate level of compensation must be maintained for those who serve at managerial levels: first, to ensure retention of the talent already recruited into the organization; second, to permit recruitment of capable individuals into managerial posts; and third (while perhaps more subtle, but just as real), to serve as an inducement to the more thoughtful entry level candidate who inquires into his longer term opportunities for compensation advancement. In other words, relative to this third point, competitive starting salaries alone will not attract the young individual who has the capacity or takes the time to think ahead.

But these pragmatic arguments are quite apart from, and in addition to, the principle of compensating managerial personnel equitably for their efforts.

The principle of "equal pay for equal work" has long been generally accepted in this country. It is a principle entirely compatible with our economic and political philosophy. Internal equity combined with external comparability is the principle on which the wage and salary setting policies of almost all large organizations are based.

Traditionally, the principle of comparability has found only partial acceptance for compensation levels in public administration. While lower level public employees receive salaries that, over a period of time, are essentially competitive with prevailing rates in private industry, it is at the top executive level where compensation in public bodies generally has lagged.

However, there is no reason that justifies differences of the magnitude frequently found to exist. Contentions that social or professional prestige of public officials are substitutes for adequate compensation are gradually giving way to the realization that top public salaries, as well as lower level pay should bear appropriate relationships to salary levels in private industry. With their recent adjustment of top executive salaries, both the Federal government and the State of New York have accepted the principle that executive salaries should be set at levels comparable with private industry, and even at the very top should be in reasonable relationship to them.

#### *Executive Compensation In California*

The highest salaries paid by the State of California are low when compared with those offered not only by private industry, but also by the State of New York, the Federal government, and by some municipal governments—including local governments in California. The incongruous fact is that 85 to 90 percent of all California State employees in the lower and middle ranks are paid salaries comparable to those of employees doing equivalent work in private industry. However, those men and women who serve in positions at the upper management levels are, by and large, paid salaries significantly below the compensation of individuals doing comparable work elsewhere.

Chart 5 on the following page compares the proportion of the total payroll paid to the highest executives in California State government with the proportion paid equivalent echelons in industry generally, the railroad industry, and the public utility industry (i.e., the highest paid 1 percent of employees in each group; in California State service this is the highest paid 907 full-time employees, ranging from the Governor's salary downward to the \$17,000 level). The chart clearly demonstrates two points:

- The top group in California State service receives a significantly smaller proportion of the total payroll than is true in industry generally, and a somewhat smaller proportion than is typical of the railroad and public utility industries (neither of which is noted as being high paying).
- The higher the positions in the California State government, the smaller is the proportion of the total payroll paid to the executives, relative to their industrial counterparts.

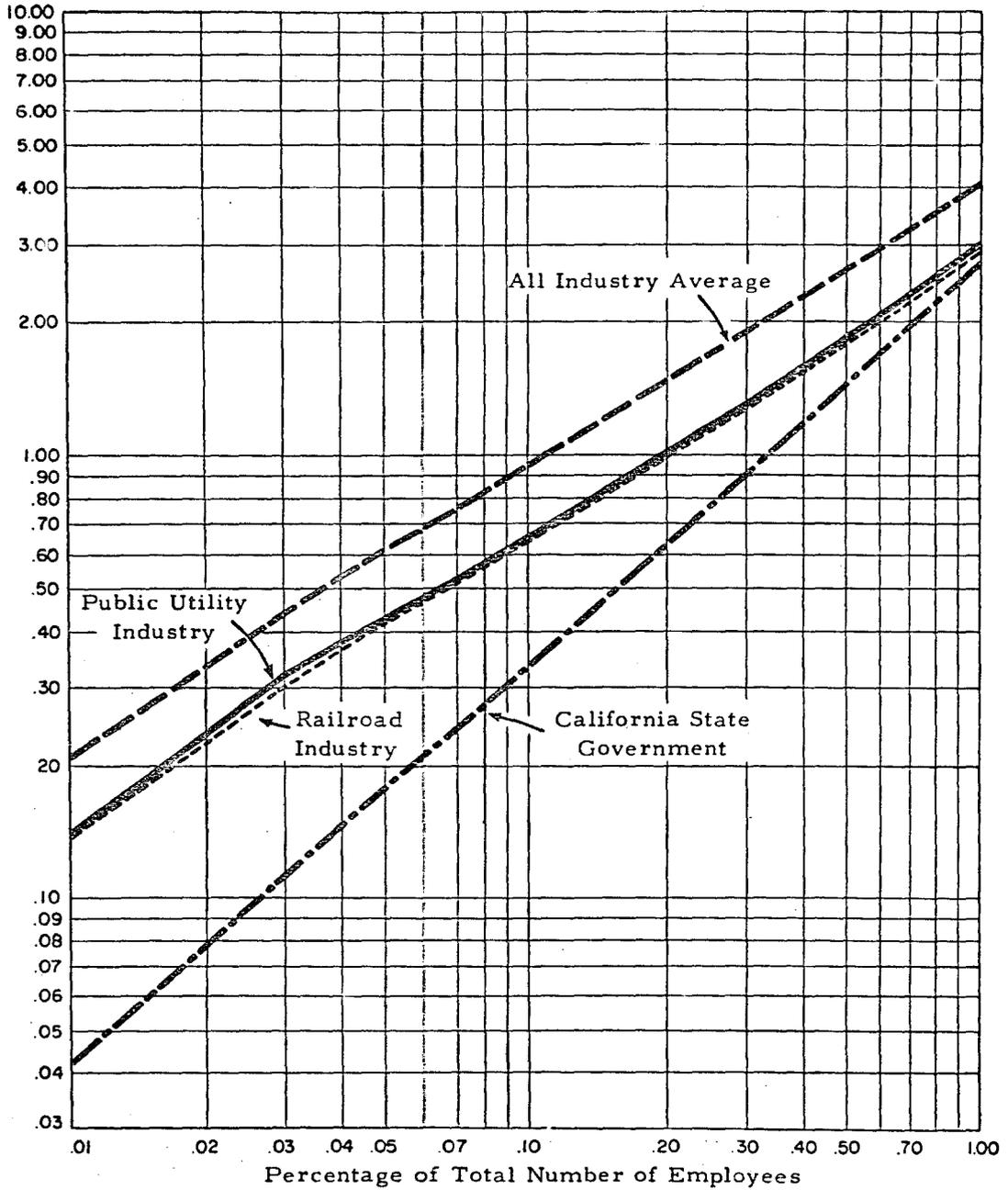
Chart 5

COMPARISON OF PROPORTIONAL COMPENSATION RELATIONSHIPS

CALIFORNIA STATE GOVERNMENT Vs. ALL INDUSTRY AVERAGE\*,

THE PUBLIC UTILITY INDUSTRY AND THE RAILROAD INDUSTRY - 1963

Percentage of Total Payroll



\* - Based on a sample of 84 large companies in 19 industries.

It may be argued that the existence of a legislative body dilutes the decision making and risk taking aspects of the executive in a democratic organization—and to a degree this is true. However, the responsibilities of the tasks are no less complex, and in fact, may be more complex when considering the additional difficulties of working within the political environment. The principal factor to be considered here, however, is the relative flatness of the compensation pyramid in State government. Should the most populous state in the union expect to attract less able managers than those attracted by other employers? Or should it strive to attract first-rate individuals but offer them second-rate rewards? The answer to either question is, of course, obvious.

The State of New York, in recent years, has taken positive action in this regard by comparing its top management positions with similar positions in private industry. The study showed that in 1961 State Commissioners (equivalent to Department Directors in California) held responsibilities that were analogous to positions paying \$35,000 annually in private industry. Although New York has not yet achieved this goal, Commissioners presently are earning \$29,875 annually. In contrast, the Directors of the 20 largest departments in California's State government have a median salary of \$23,500—more than 20 percent below the New York level. And this level was only achieved in California last August when Senate Bill 53 became effective.

At the Federal level, the Randall Commission made a thorough study of executive compensation and concluded that top salaries for appointive positions in the executive branch should range between \$30,000 and \$50,000 annually—providing for increases up to 100 percent in some cases. The Committee on Economic Development supported this recommendation enthusiastically, stating that these "... proposals should be adopted as minimum levels ...".

At the municipal level, the need for upper level executive salaries also has been recognized. Appendix F lists 52 local positions with annual salaries in excess of \$30,000.

One reason for the interest in providing adequate compensation for the top management positions is the effect that these salaries have on the next lower echelon—and it in turn on the third echelon, and so forth. Relatively low salaries for the top executives (even though these individuals might be willing, or financially able, to accept them) have a depressing effect on the salaries of positions below them on the organizational pyramid. The result is compaction, with minuscule salary differentials between successive levels of responsibility. The following table shows the average salary differentials for the largest 20 departments in California State government.

Table 12  
AVERAGE COMPENSATION DIFFERENTIALS BETWEEN  
EXECUTIVE POSITIONS TWENTY  
LARGEST DEPARTMENTS \*

	Percentage Differences Between Salaries	
	% Highest Above 2nd	% 2nd Above 3rd
Average Before Senate Bill 53.....	4.0	6.4
Average After Senate Bill 53.....	11.7	9.7
<i>Typical Industry Differentials</i>		
Individual Companies .....	43	23
Divisions Within Companies.....	58	12

\* See Appendix G for individual departmental percentages.

Not only are State salary differentials modest by comparison, but they can, and do, have the effect of inhibiting promotions. Interviews with State executives indicated that, on a number of occasions, individuals were unwilling to accept broader responsibilities (and increased pressures) concomitant with promotion, and only receive a nominal salary increase. This problem was particularly acute when geographic transfer was involved. The total expenses of moving from one domicile to another often are not reimbursed fully by the State. Further, the possibility of increased living costs in the new area tends to make such a transfer "or promotion" unattractive. Hence, in a financial sense, it may cost the employee money (in the short term) to accept the promotion.

#### *Increasing Salaries Has Modest Impact*

The effect of raising top salaries, compared to the total cost of wages and salaries paid by the State, is relatively insignificant. For example, if all salaries at the top two management levels were increased by 27 percent, thereby bringing these into a more appropriate relationship with competitive pay levels, this would raise the State's total payroll cost by less than one seventh of 1 percent. Further, if the highest paid 1,000 exempt and civil service salaries were raised 10 percent, the increase in payroll would be less than one half of 1 percent. If the same group were raised 20 percent, the increase still would be less than 1 percent of payroll.

#### *Recommendations*

In order to establish appropriate salary levels initially and to provide a system for maintaining reasonable relationships with salary levels outside State service, we recommend that:

1. The State Personnel Board make a biennial survey of the salaries prevailing in private enterprise in California for a large number of "benchmark" positions in upper management levels (both exempt and civil service positions) of State service. The results of such a survey would be reported to the legislature and to the public along with recommendations for the adjustment of sal-

aries to establish effectively and maintain them at salary levels comparable to those paid analogous positions in private and municipal employment in the State of California.

Upon establishment of appropriate salary levels for Agency Administrators and Department Directors, the State Personnel Board should submit recommendations regarding existing classified salary levels, continuing the principle of equivalence with private industry.

2. Not less than once every 4 years, a citizen committee be appointed by the Governor, with consent of the legislature, to review the results of the most recent biennial survey of prevailing management level salaries (and such other data and material as may be necessary) and express judgments as to the adequacy of the salaries in effect for:
  - a. The Governor and other elected officials
  - b. The legislature
  - c. Agency Administrators and other statutory positions at senior management levels.

#### FRINGE BENEFITS

For many individuals the assurance of security through retirement or when adversity strikes is a significant motivational force. Through job tenure, liberal sick leave benefits and a generous retirement program\*, the California State government provides very adequate security measures for its employees. Time paid, but not worked, also exceeds industry averages. However, State-sponsored benefits to offset catastrophic expenses, resulting from death or illness, as the following table shows, are less generous than those provided by other employers.

\* See Appendix H for a comparison of nine other governmental retirement plans and representative industrial plans.

#### Medical Benefits Have Fallen Behind

Currently the State contributes \$6 monthly per employee toward the cost of medical insurance. The coverage provided is limited to specified amounts for individual illnesses or treatments. It is characterized as a first dollar or basic plan designed for only limited reimbursement of medical expenses. As such, the benefits are adequate. However, there is no provision for major medical insurance\* for State employees.

#### Life Insurance Coverage Also Lags

As part of the State Employees' Retirement System, the State offers a death benefit (at no cost to employees) consisting of 1 month's salary for each year of service up to a maximum of 6 years (i.e., one-half year's salary). The benefit levels provided in industry typically range between 100 percent and 200 percent of annual salary. In Federal service, the benefit is 1 year's salary plus \$1,000. In contrast, the State's provision is not as attractive to the prospective employee.

#### Recommended Improvements In Fringe Benefits

In summary, the fringe benefit "package" provided its employees by the State is low in cost and offers rel-

\* Major medical insurance is a device under which the insured is protected from the high costs of treatment for serious and prolonged illnesses. It serves as an umbrella over basic medical coverage. Typically, major medical plans do not become effective until an individual has used all of his basic benefits and exceeded the maximum by \$50 or \$100. At that point the major medical insurance shares all additional medical expenses with the insured—usually paying 75 percent or 80 percent of the total cost—to a maximum of \$10,000 or \$15,000.

There has been a marked trend toward adoption of major medical insurance by industry. A Bureau of Labor Statistics survey shows that, during the period 1960 to 1963, the proportion of U. S. office workers covered by major medical plans grew by nearly 50 percent (from 42 percent to 61 percent). A 1962 survey by the State Personnel Board of 292 nonmanufacturing companies showed that 92 percent of employees were covered by company-sponsored plans.

Table 13

#### COMPARISON OF EMPLOYEE BENEFIT COSTS

Major Benefit Plans General Benefits	% of Total Payroll	
	Nonmanufacturing Industry*	California** FY 1963-1964
Legally required plans***	5.0%	1.7%
Pension Plans	5.7	6.5
Health and Welfare and Life Insurance	2.3	1.1
	13.0%	9.3%
<b>Time Paid But Not Worked</b>		
Sick Leave	1.4%	2.9%
Vacation and Holidays	6.9	8.8
Other	2.7	3.0
	11.0	14.7
<b>Miscellaneous</b>		
Bonuses, Profit Sharing, and Other	3.8	-
<b>Total</b>	27.8%	24.0%

\* Chamber of Commerce of the United States, *Fringe Benefits 1963*, Research study prepared by Economic Research Department (Washington, D.C.: Chamber of Commerce of the United States of America, 1964), p. 9.

\*\* Estimated by State Personnel Board.

\*\*\* Includes OASDI, Unemployment Compensation, and Workmen's Compensation.

atively little attraction to employees offered alternative job opportunities. Therefore, we recommend:

1. The State sponsor a major medical program to supplement the basic health plan currently in existence. Further, we propose that the State pay one third to one half the cost of the employee coverage. This would range between \$500,000 and \$1 million, depending on the extent of coverage.
2. State employees be provided a maximum death benefit that is at least equal to 1 year's salary. This can be accomplished by doubling the size of the current benefit schedule (i.e., 2 months' salary per year of membership in the State Employees Retirement System, up to a maximum of 6 months). The annual cost of this proposal would approximate \$1.3 million.

### PROMOTION

Merely establishing reasonable compensation levels will not, per se, provide all the stimulus necessary to encourage the fullest effort of the 1,530 persons now occupying management level positions. The opportunity for advancement is, for these individuals as for their counterparts in most organizations, a requisite incentive.

If the most qualified individuals in management levels of the California State service are to be promoted into, and among, the top management group, two conditions should exist. First, all qualified persons should be permitted to participate in the competitive examination process; second, and equally important, senior management should be able to select from the best of the qualified candidates.

#### *Not All Qualified Candidates Can Compete*

Of the 289 examinations held for management level positions over the past 5 years, about half were limited to persons in the department or subdivision where the vacancy existed. Only 26 percent were open to employees on a service-wide basis. This relatively small proportion of examinations that are open to individuals throughout State service raises a question about whether the best candidates were able to compete for and be appointed to the vacancies that existed.

Three additional factors tend to preclude consideration of all the potentially best qualified candidates. First is the limitation that most examinations for management level positions are restricted to civil service employees. During the past 5 years less than one fourth of all examinations held were open (i.e., persons not then in the State civil service were allowed to compete). This practice of selecting the vast majority of candidates from among State employees limits the source of talent available to the State.

The second factor is the requirement that, before being permitted to participate in any examinations,

the candidate must have completed a minimum number of years in the next lower classifications. This prerequisite establishes, for the very ablest individuals in State service, a discriminating bar to the promotional progress of which they are capable. While experience is useful and desirable, the mere passage of time has long been recognized as an ineffective measure of capability.

The third factor is the temporary appointment (TAU) of civil servants to positions when vacancies occur and no promotional lists exist. While this practice enhances management's flexibility in selecting replacements for vacancies caused by emergencies, it also tends to pre-select candidates. The vast majority (75 to 80 percent) of TAUs in State service are confirmed subsequently by the competitive process. Once a TAU has been made, it is unrealistic to expect that another candidate has much chance of obtaining the permanent appointment—especially if the examination process is delayed to any significant degree. Confirmation of an individual from outside State service is even less likely. Extensive use of TAUs indicates a failure of the personnel system to anticipate vacancies and provide the Department Director with assistance in selection.

#### *Certification Process Excludes Equally Qualified*

An important function of a personnel system is to enable management to consider all possible candidates, and to assist management in identifying and selecting the best candidates for promotion. This is accomplished in California State government through the competitive examination process. However, examination processes have not yet been developed that are sufficiently precise to permit perfect matching of qualifications and job requirements for management positions solely on the basis of test scores. Analysis by the State Personnel Board indicates that the Standard Error of Measurement on composite examination scores is at least four whole percentage points. This means, in the simplest possible terms, that the examination process cannot be expected to differentiate between contestants whose final scores fall within four whole percentage points.

Present practice in California State service is to rank all contestants for promotion on the basis of their overall examination scores, carried to two decimal places. Under the "rule-of-three" the appointing authority must select, for promotion, one of the individuals determined to have the highest three scores. Consequently, candidates whose test scores fall below the third highest score (but within the inevitable margin of error that is inherent in the examination process) cannot be certified for appointment.

Assume, for example, that the upper portion of an array of overall examination scores on an employment list were as follows:

Candidates	Scores
A	91.45
B	89.75
C	88.21
D	88.20
E	88.19
F	88.00
G	87.95
H	87.50

Section 19057 of the Government Code requires that the three persons standing highest on the employment list be certified to the appointing power as eligible for promotion, implying that candidate C is better qualified than candidate D. State Personnel Board analysis, on the other hand, suggests that the examination cannot distinguish between the eight candidates. Neither the Code nor the analysis tries to indicate which of the candidates might best fit into the environment where the vacancy exists. This is left to the appointing authority who can select from those certified as the "most qualified". It might be that candidate H is best suited to the environment.

*Veterans' Preference Has Significant Impact On Promotional Lists*

Section 18973 of the Government Code provides that veterans of national emergencies, or their widows, have three whole points added to their promotional examination scores, and 10 points added to their scores in open examinations (15 points in the latter case for disabled veterans). In Federal civil service, veterans' preference applies only to initial entry into the system. Should veterans' preference in California continue indefinitely and for each promotion during a veteran's career? Moreover, do veterans' preference points significantly affect the opportunity for other individuals to be promoted on the basis of their qualifications?

The answer to the first question hinges on the purpose of and need for granting preference to veterans. This Commission believes that veterans certainly are entitled to assistance in adjusting to civilian life. The extent of this assistance, and the length of time over which it should be continued, however, are subject to question. When considering the alternatives of lifetime assistance versus transitional assistance, we conclude that the latter is preferable.

A 1958 report by the State Personnel Board clearly established that veterans' preference points had a sig-

nificant impact on improving the position of veterans on promotional lists. Conversely, nonveterans were equally, but negatively, affected.

As part of the present study, 60 promotional lists for management positions were selected for analysis. Sixteen of these lists contained only veterans; hence, veterans' preference points were of no consequence. On the remaining lists, however, the effect of veterans' preference points were pronounced as shown in the following table.

In all cases, the individuals included among the top 6 and the top 3, as well as their rank order, were affected significantly. For example, the bottom line of the table indicates that (for lists with 7 or more candidates) the candidate with the highest score was changed on almost one third (31 percent) of the lists. This means, of course, that when nonveterans received the highest score, they were downgraded on one third of the lists. When larger segments of the lists are considered, the proportion becomes higher.

There is little question that the impact of veterans' preference points on promotion lists significantly distorts the competitive examination process, and therefore the merit principle. It is questionable, however, whether this effort is justified a decade after the last declared national emergency.

*The EDA Concept—An Effective Selection Device*

The Employee Development Appraisal (EDA) method of screening employees for appointment to higher level positions was developed as an alternative screening device for assessing competitors' qualifications. EDA consists of detailed reports, prepared by two or three supervisors—past and present—concerning the competitors' accomplishments, demonstrated competence, and potential for promotion. The report format follows a standardized approach developed for each class in which EDA is used. These reports are reviewed and scored by a departmental (or agency) review committee. Review committees can consult with the reporting supervisors for additional information, as necessary.

EDA at times is the sole basis for making promotion decisions, although normally it is used in connection with a written test which determines technical knowledge.

Table 14  
EFFECT OF VETERANS' PREFERENCE ON PROMOTIONAL LISTS

If Preference Were Eliminated	Percentage of Lists Changed	
	Lists of 7 or More Candidates	Lists of 6 or Fewer Candidates
Top 6 candidates changed	65%	Not Applicable
Rank order of top 6 changed	72	40%
Top 3 candidates changed	38	40
Rank order of top 3 changed	45	40
Top candidate changed	31	13

Interviews with those using EDA found that experience with this approach generally has been favorable. However, of 142 promotions identified during these interviews, the EDA process was utilized in only 6 percent of the cases. This relatively small usage of EDA results, in part, from the rather complex and time-consuming preparations needed to develop specific rating forms for each class, and the problems of indoctrinating supervisors and raters. With wider use of EDA, this is likely to become less of a problem.

Analysis of the rating forms used for several EDAs in the past indicates that many of the qualifications for which candidates are screened are also those which are considered during annual performance appraisals. This similarity, or overlap, points out an area of potential simplification in the future.

#### *Recommendations*

To broaden the range of capable persons from whom appointing authorities can select for promotion, and to encourage individuals in State service to strive more zealously for advancement, we propose that:

1. Competition to fill vacancies for which substantial administrative or professional experience is as readily available outside as within State service be "open and nonpromotional". When in-service examinations are necessary, they should be open to all potentially qualified individuals in all agencies and departments. To assure that the competitive process is well served, necessary examinations should be scheduled as soon as possible after a vacancy is anticipated or occurs.
2. The appointing authority be authorized to select for a management level position any individual who, in the competitive examination, obtains a score within the unavoidable margin of error that is inherent in the examination process. Inasmuch as the Standard Error of Measurement is at least four whole percentage points, we recommend that all candidates for management level positions, whose scores fall within four whole numbers of the lowest score of the three individuals determined to rank highest, be certified as eligible for appointment.
3. The minimum qualifications established for civil service positions be modified. The present absolute minimum length of experience required before an individual is allowed to participate in promotional examinations should be eliminated. Minimum qualifications should be couched in terms of the qualities needed, and then recognized only as guidelines. When, in the judgment of the appointing authority and with concurrence of the State Personnel Board, an individual appears to possess the qualifications needed for the higher level position, the person should be permitted to participate in the examination process.

4. To assure increasing emphasis upon the demonstrated capabilities of individuals who are recruited (a) for eventual promotion to management level positions, or (b) immediately into such positions, we recommend that:
  - a. The preference now granted to veterans be available only during a national emergency and the 5 years succeeding the official termination of the emergency;
  - b. Such preference be granted only upon initial entry into State service; and
  - c. It not be applied to management or policy setting positions.
5. The Employee Development Appraisal be simplified in procedure and extended to the widest possible number of classes. Its effectiveness has been proven, and the broadest possible application will reduce the amount of preparation for subsequent ratings.

In addition, we propose that, in the EDA full use be made of information already being accumulated on annual performance appraisal reports. Knowledge that this will be done will serve as an additional inducement to supervisors to prepare thorough annual reviews.

#### **MOTIVATING EMPLOYEES THROUGH SALARY ADMINISTRATION**

The use of merit salary increases, as an employee motivational device, is widely practiced throughout industry and government. A 1963 Bureau of Labor Statistics study of 239 large industrial establishments with 1.3 million white collar workers shows that the salaries of all professional and administrative employees in formal salary plans are administered under the merit concept. The Federal service and most states also have a merit plan. California is no exception.

##### *Selectivity Is Needed*

If periodic increases in the individual's salary are to be an effective incentive, salary adjustments must be granted selectively (i.e., on the basis of demonstrated performance, not length of service). In State service, as in most public jurisdictions, this is particularly important because salary is the only form of cash compensation available to employees. Hence, the "reward and penalty" concept of salary administration is appropriate.

For reward to achieve maximum effectiveness, there also should be some form of penalty. Real motivation can be achieved only when poor as well as outstanding performance is recognized. Some people are highly motivated by the hope of reward; others react strongly to the knowledge that penalty follows weakness or failure.

It is recognized, of course, that penalty needs to be used with caution. This is particularly true in administering salaries in a public jurisdiction. If penalty is

to achieve maximum usefulness, the reasons for failure must be sufficiently provable so that the affected individual knows what he must do to improve the performance for which he was penalized. Comparatively few managers in a sizable group (perhaps 5 percent to 10 percent) can be expected to make outstanding contributions to operations in a given year. By the same token, an equally small group is likely to perform poorly. An incentive oriented salary program should provide a significant financial reward for above-average performers and should penalize the below-average performers. The large "middle segment" doing acceptable work will tend to receive average salary increases that approximate the normal or average rate of increase during the given year.

A penalty concept in salary administration does not necessarily imply reducing salary. It often means only withholding salary increases. On the other hand, the reward philosophy of salary administration does not necessarily mean increasing the frequency of merit increases, but may mean increasing the size of merit increases when granted.

In State service there is little evidence of the penalty concept and no provision for reward. An analysis of a recent 21-month period showed that only one half of 1 percent of eligible employees (i.e., 1 out of every 200 employees) were denied a merit salary adjustment when they became eligible. This is in sharp contrast with practice in large private companies where annual salary increases typically are withheld from 10 to 50 percent of eligible employees.

Two important consequences result from the practice of virtually automatic salary increases in State service. First, in 1964 over half of all employees were paid salaries at the maximum of their range to which their classification is assigned. At the management level the proportion is even higher—63 percent. Hence, for well over half of all State employees, no further monetary incentive is available as long as they remain in their present positions. Second, awarding merit salary adjustments at annual intervals to outstanding, average, and marginal employees alike eliminates the motivational value of a compensation program. In other words, from the standpoint of sound salary administration practices, there is no "merit" in the merit plan.

#### *Deterrents to Selective Salary Administration*

At least four principal factors deter performance oriented salary administration in State service.

1. *Management is on the defensive.* Management's freedom to identify the poor performers and to withhold salary increases from them is severely limited by the interpretation of Section 18854 of the Government Code:

"After completion of the first year in a position, each employee shall receive a merit salary adjustment equivalent to one of such intermediate

steps during each year when he meets such standards of efficiency as the Board by rule shall prescribe."

This sentence has been interpreted to mean that if a salary increase is withheld the affected employee may appeal this action to the State Personnel Board. The effect is that managers are required to defend their action (i.e., exerting management's prerogative of distinguishing between levels of performance among subordinates) in open hearing with the chance that they may be reversed. It is not surprising that most managers are chary about withholding salary increases.

2. *Extraordinary increases not authorized.* There is no provision within California's State service by which a manager may accelerate the salary progress of a subordinate, no matter how extraordinary the subordinate's performance may be. As suggested earlier, it has long been the practice in industry to recognize outstanding performance by larger than average, or more frequent than average, salary increases. More recently, this practice has been adopted by the Federal government.

In the U. S. Department of the Navy, for example, during the period July 1963 to June 1964, 3.1 percent of all employees (ranging from GS-2 to GS-17) were granted "Quality Increases". These Quality Increases, which were granted throughout the year, amounted to an additional one step increase over and above that which the individuals normally could have expected. While this program is relatively new in Federal service, initial reaction has been quite favorable.

3. *Narrow salary ranges.* Despite any program that might be adopted in California State government for accelerating salary progress for outstanding individuals, the current salary structure would be limiting. In the California pay plan, salary ranges to which classifications are assigned are only 21.5 percent wide (i.e., the maximum of the salary range is 21.5 percent above the minimum). By any comparison, these ranges must be considered quite narrow. In Federal service, all salary ranges are approximately 31 percent wide.\* In private industry salary ranges typically vary between 25 percent and 50 percent with the broader salary ranges applying to management level employees.

In view of the narrowness of California State salary ranges, any acceleration of salary increases would only result in a larger proportion of individuals reaching the maximum of their range. Hence, the motivational value of the compensation plan would be limited even further.

\* Excepting the three super grades: GS-16, GS-17, and GS-18.

4. *Performance appraisal needed.* At the core of any system that attempts to compensate employees in accordance with quality of the individual's performance lies the need for proper appraisal of performance. In State service a variety of performance appraisal forms, as well as attendant explanatory material, has been developed and distributed by the State Personnel Board. In addition, certain departments have modified this material to meet their particular needs. However, interviews with State managerial personnel indicated that, with few exceptions, little effective use has been made of the material. To be sure, a substantial number of appraisal forms are completed, but they apparently serve little purpose. If a performance oriented salary administration program is to be effective, much greater attention must be paid to the appraisal of employee performance.

*A Recommended Program  
For Salary Administration*

To make salary increases an effective means of motivating employees, we propose that senior management be allowed (and encouraged) to recognize the different levels of performance within their organization and to adjust salaries accordingly. Specifically, we recommend the following:

1. To reward those individuals occupying management level positions, and those individuals who give promise of attaining such position, merit salary increases (over and above the "normal" increase but within the established salary range) should be provided when the individuals demonstrate special competence and superior accomplishment. To this end, we propose that a sum not to exceed one half of 1 percent of the total salaries of individuals in each department (who are eligible for an increase) be appropriated annually. The Department Director should be authorized to make such extra increases in instances of special merit, and at any time during the year, subject to review by the State Personnel Board.
2. Existing practices as to granting merit salary adjustments to all employees annually should be modified. Adjustments should be denied to all employees whose performance is less than or barely satisfactory. A practice that, in effect, grants a salary increase annually for all employees provides no incentive for the individual possessing greater than average competence or zeal. The individuals who are denied such merit salary adjustments should be given explanations as to (a) why such increases are not granted, and (b) how his (or her) performance may be improved. The individual may request review of the denial by his immediate supervisor's superior. The withholding of a merit salary adjustment should not be appealable to authorities outside the department in which the individual is employed.
3. Broaden, insofar as possible, the ranges of salaries established for each grade in the classification system (i.e., increase the percentage spread between the salary minimum and salary maximum for each classification). The addition of two salary steps (in 5 percent increments) would appear to be a reasonable extension of the current salary ranges.

These additional salary steps should be reserved for those individuals who have exhibited outstanding performance. It is intended that the proportion of individuals advanced to these additional steps would not exceed 10 to 20 percent of the total number of individuals within a given department.

Recognizing that a small percentage of employees eventually will be elevated to the additional salary steps, and a larger number of individuals will continue at the current maximum of their salary grades, it may be necessary to modify the application of salary survey data in determining compensation levels for classifications. As a highly technical point, it is proposed that greater emphasis be placed on relating the median and the weighted average of survey data with the third step in the salary range; however, the inner quartile range of survey data also should be considered in relation to the first and fifth steps of the existing ranges.

The fact that the majority of State employees are paid salaries in the upper portion of their salary range is more a failure in administering salaries than in salary setting procedures. This upward drift of salaries could be slowed by extending the time period required in which individuals become eligible for an increase to steps 4 and 5 (e.g., require 2-year intervals between increases). A sounder approach, however, is to appraise performance realistically and extend the time between increases for below-average performers.

**OPPORTUNITY TO  
REACH TOP POSITIONS**

Of importance in motivating the career civil servant to remain in and give his best effort to the service of the State is the hope of attaining the topmost rank. In a representative democracy—be it Federal or state—the topmost positions usually—and logically—are reserved for political appointees. This tends to deny career civil servants the opportunity to attain the most prestigious (and most responsible) positions.

In California, the opportunity to achieve high rank is provided the career civil servant by the prevailing practice of appointing civil service employees to exempt positions. As indicated earlier, almost half (44 percent) of the exempt appointees in management positions are former civil servants.

California is unique in this regard in that its practices differ from other states. A random sample of 13 other state governments\* noted for progressive personnel practices showed that in all states at least some individuals are appointed from the career ranks to exempt positions. However, in most of these states, the proportion of exempt executives coming from the civil service is minimal—ranging from less than 1 percent to almost zero.

Only a few states offered exceptions to this prevailing practice. Oregon reported that approximately 65 percent of its exempt administrative jobs are filled from the ranks of classified employees—usually in positions where professional knowledge or skills are required. Connecticut estimated that, while the percentage varies, 25 percent of its exempt appointees were career employees. New York estimated that between 10 and 20 percent of exempt positions are filled by individuals from merit system positions. However, a large proportion of the 10 to 20 percent are career stenographers appointed to exempt or noncompetitive secretarial positions.

A theoretical reason why this practice occurs in California (i.e., why civil servants are willing to venture into exempt positions) is that individuals appointed out of the career service may be reinstated to their former civil service positions. However, 11 of the 13 states surveyed also indicated that they had some arrangement by which the appointee could return to his former career status. Hence, the reinstatement provision is not peculiar to California. More likely, the political climate (including the attitude toward civil service) that has existed under the last three Governors, as well as the caliber of the career employees themselves, has had a more pronounced impact on this practice.

In general, this Commission is opposed to the appointment of career civil servants to policy setting and politically sensitive exempt positions. In our opinion, the recruitment of individuals to top level exempt positions from among those who have risen through the career service is only justified when it is clear that the individual is sensitive to or responsive to the policies of elected officials. We recognize, however, that when this occurs the promotion of such individuals to exempt positions can provide an incentive of significance for all career civil servants.

#### MOTIVATING THE YOUNG AND THE OLD

A major deterrent to the advance of personnel within an organization is the lack of vacancies in the uppermost positions to which one can aspire. This usually occurs when an organization is not growing rapidly, or even is contracting, despite the fact that attrition continues at a normal rate.

\* Colorado, Connecticut, Hawaii, Illinois, Kansas, Maryland, Michigan, Minnesota, New Jersey, New York, Oregon, Washington, Wisconsin.

The lack of promotional opportunity has not been a problem in the California State government.\* In the period 1943–1953, employment in State government increased at an average annual rate of 9.5 percent. For the next 10 years, the average yearly increase was 5.7 percent.

During the next 10 to 20 years (i.e., to 1975 and 1985), the largest departments' combined forecast indicates a markedly slower growth rate; only 2.5 percent per year over the 20-year period. And senior management positions are projected to grow at an even slower rate (i.e., 2.4 percent annually) over the future 20 years.

If these forecasts prove reasonably accurate, promotional opportunities will be limited and the motivation of opportunity to reach upper level management positions will be curtailed sharply.

This prospective problem is accompanied by another problem—the need to stimulate older employees. Few ways exist to motivate those individuals who are within 5 or 10 years of retirement; having reached the top of their salary grades, they have little prospect of greater income; for most, there is no prospect of promotion. There is little their superiors can do to elicit outstanding performance from those who have decided to “retire on the job”, while awaiting the date of their formal retirement. The effect of this “early retirement” not only is detrimental to the organization, but it can be demoralizing to younger subordinates. Only in isolated cases can these “veterans” be shifted to special positions—a practice common in industry—to make room for younger men with an unquenchable desire to get ahead.

To supplement normal attrition and its impact on the rate at which promotional opportunities can be expected to occur, and to motivate further those individuals who wish to continue work after age 70, we propose that:

1. Mandatory retirement age be reduced to 65 years, and
2. Individuals who wish to extend their working careers beyond age 65 † be allowed to do so on a year-to-year basis, and only with advance approval by their Department Director, based on proven high level performance in the preceding year. In each succeeding year after age 65, the standards of performance required should be viewed critically—particularly after age 70.

\* See Chapter I, p. 29.

† Currently 3.4 percent of incumbents in management positions are 65 years of age or older. By 1975, the proportion will grow to 5.5 percent (assuming a continuation of past retirement and turnover experience). The impact on motivation, however, would be even greater because an additional 3.5 percent of this senior management group will be either 63 or 64 years old by 1975, and rapidly approaching “mandatory” retirement. For those interested in and capable of extending their careers, the requirement for superior performance is clear.

### MOTIVATION THROUGH EMPLOYEE RECOGNITION

Appropriate compensation levels, a flexible and accelerated promotion system, and the opportunity to strive for top positions combine to provide management with a variety of significant incentives to use in managing their personnel, as well as serving as stimulants to managers themselves.

Financial incentives alone, or the hope for them, are not sufficient. They should be supplemented with other forms of recognition of achievement.

The most effective form of recognition is a "pat on the back", i.e., words of encouragement from the supervisor to the subordinate. To the degree this process can be encouraged, we strongly support it.

In addition, the State currently provides the following employee recognition programs:

1. The Employee Suggestion Plan
2. Awards for Special Acts of Valor
3. Superior Accomplishment Awards.

The Employee Suggestion Plan and the Special Valor Awards program have been well administered in the past, and the State has gained by their existence. However, little use of the Superior Accomplishment Awards program has been made.

The Superior Accomplishment Awards program was established in 1958 to afford recognition to those employees who make exceptional contributions to the efficiency, economy, or improvement of the operations of State government. Either gold or silver awards may

be granted. Modest cash awards, up to \$150, also are available. Thus far, the criteria for receiving this award have been held extremely high; only four gold and eight silver awards have been granted—six were granted in 1963. The benefits of a program applied so stringently are limited.

To supplement existing means of employee recognition, we propose an expansion in the number of awards and dollars granted under the State's current Superior Accomplishment Awards program. Further, we propose, in addition to the existing devices to recognize outstanding performance by employees, these be established:

1. A "Governor's Award" to be given annually to a specified number of individuals; for example, six distinguished State employees who have served the State in an outstanding manner. A medal, and fitting certificate might be presented at a dinner sponsored jointly by various employee and professional organizations. Department Directors would make nominations for these awards. (It may be desirable to combine this with an expanded Superior Accomplishment Awards program.)
2. A "Directors' Award" program for departments, not restricted to number of recipients, for individuals meeting high criteria of performance or achievement. This level of awards would be administered entirely within each department, with appropriate ceremony and publicity.

## CHAPTER V

### MANAGEMENT FREEDOM AND LEADERSHIP

This chapter examines the relative freedom provided to managers in the California State government. Recruitment, development, and motivation of management-level personnel are but three (though extremely important) facets in the overall management of any enterprise. The freedom with which executives can make and implement decisions toward attainment of goals is, perhaps, the most important aspect of managing the enterprise.

"Freedom to manage", however, is a relative thing. In no enterprise—public or private, large or small—do managers have unrestrained freedom to direct the activities of the organization. The larger the organization, the less freedom the individual manager is allowed. He becomes more dependent on the interactions of others, greater use is made of policy and procedure to circumscribe his actions, and as a result, his freedom to take independent action becomes limited.

In a public body, the restraints on management are even greater. The intentional separation of authority between branches of government, the need for protection of public funds and the public interest, the pragmatic requirement of meeting the diverse interests of the political environment (and yet protecting against disproportionate attention to these interests), all combine to place seemingly limitless restraints on management in public service.

#### CENTRAL CONTROL AGENCIES

Effective control by the Governor and other elected officials for administering the functions for which they are held accountable by the Constitution is mandatory if the will of the people is to be carried out. For a variety of reasons, however, effective control is not a simple matter to achieve. Statutory terms of office or qualification requirements, constitutional officers, independent boards and commissions, and the role of powerful civil servants all, in one way or another, tend to fragment the Governor's control over his administration. Similarly, the legislature has difficulty in assuring that approved programs, for which funds have been appropriated, will be carried out as intended.

One central tool for maintenance of this control in California is the Department of Finance which, through control over funds, effectively holds the key to the execution of the Governor's program. In a different dimension, the administration of a high quality civil service system necessitates controls to ensure maintenance of proper standards and to prevent abuses. In California, this role is filled by the State Personnel Board. However, in carrying out their proper roles,

these two control agencies—the Department of Finance and the State Personnel Board—often place major limitations on departmental executives' freedom to manage.\*

The individuals managing these departments thus tend to become "controllers" of the operating departments in their day-to-day activities. Hence, the individuals themselves become important when considering the restraints placed on operating management's freedom to manage.

#### *"Controllers" Limited To Staff Experience*

The individuals holding management positions in the Department of Finance and the State Personnel Board have background profiles that are similar to other management level employees. However, in one important characteristic—breadth of experience accumulated while in State service—they are quite limited.

Almost two thirds of the current managerial group in the Department of Finance have spent their entire careers with the State working in that one Department. Eighty-six percent have never been transferred outside Sacramento while in the State's employ. Financial executives who have worked in at least one other department of State government have subsequently spent, on the average, the past 16 years in the Department of Finance. It can be assumed that the experience accumulated in other departments was in relatively low, nonmanagerial positions.

The staff members of the State Personnel Board who currently hold management level positions have had somewhat broader experience than the financial managers, but not significantly so. About 40 percent of the management level employees have devoted their entire State service careers to working for the State Personnel Board. Another 45 percent, however, have worked in only one other department. Close to 80 percent of the management group have never worked outside of Sacramento while in State service. Those who have worked in at least one other department have, on the average, spent the last 13 years working for the State Personnel Board. Again, it is assumed that the experience prior to joining the State Personnel Board was accumulated at relatively modest levels.

These data indicate that experience in operating departments by the management of these two control agencies has been virtually nonexistent—at least in

\* The Department of General Services also can be characterized as a control agency in the sense that it prescribes purchasing procedures, forms and paper work control techniques, facilities standards, and the like. Such housekeeping and other functions performed by this Department are not of the same nature and do not place the same magnitude of constraints on management's action, as discussed above.

the last decade or two. While certain specialists (e.g., psychiatrists) would not be expected to have worked in several State departments during their careers, the situation in the finance and personnel fields is different. These functions, and substantial numbers of positions in them, exist in virtually all of the larger departments. Promotional progress as well as lateral transfer is readily available in either function for the individual who seeks operating experience before wishing to control it.

#### *Financial Controls*

No one questions the need for financial control. However, control devices and procedures can be developed which will serve the needs of the Governor and the legislature without unduly limiting departmental executives. To this end, the Department of Finance and several operating departments are endeavoring to introduce the concept of program or performance budgeting. We applaud this effort and encourage its early accomplishment.

Nevertheless, in the interim and perhaps for some time to come, the more traditional line item budget will continue as the controlling budgetary device. The shortcomings of this system, with which legislators and executives have been laboring for years, are beyond the scope of this study. However, the use of this budgetary tool for administrative control, after the budget has been approved, affects the manager's freedom, and thus is of interest.

Examples too numerous to mention, and of no consequence in themselves, have been cited in which the Department of Finance has not authorized the expenditure of funds already approved by the Governor and appropriated by the legislature. This practice not only is demeaning to departmental executives, but it impinges significantly on their ability to achieve established goals.

It must be recognized, however, that budget execution (i.e., controlling expenditures throughout the year) is a necessary and proper tool which the Governor must have available for use. The only question is the extent to which it is used, and how it is applied. This Commission concludes that freedom from close financial surveillance must be earned through demonstrated administrative competence and proven allegiance to the Governor's philosophies. A shortcoming in either of these requirements must and should lead to greater control.

#### *Personnel Controls*

The California State Personnel Board is recognized as one of the outstanding personnel organizations among state governments throughout the nation. It is responsible not only for maintaining the integrity of the civil service system, but also for (a) establishing personnel processes that will identify and develop the best candidates for management positions, and (b) aid-

ing managers to make the best use of their personnel resources.

The proper discharge of the State Personnel Board's responsibilities requires a certain degree of centralized authority and control. It is the degree of centralization, particularly in the classification of positions, that appears to be excessive. All State positions are currently grouped into about 3,000 job classifications. The number has grown steadily in the past and probably will continue to do so in the future. The effectiveness with which the State Personnel Board can monitor this large number of job classifications, without unduly limiting management flexibility, is dubious, at best.

#### *Recommendations*

The following proposals are set forth to increase management's freedom to attain the goals established by the Governor and the legislature. Specifically, we recommend that:

1. Potential candidates for senior managerial positions in the control agencies be identified and rotated among positions in line departments (including line operating jobs) with the objective of providing these candidates with exposure in depth to the problems faced by line administrators.
2. The practice of requiring prior approval by the Department of Finance before operating departments may (a) make expenditures for items included in budgets already approved, (b) execute contracts or other documents for such items, and (c) revise organizational or procedural matters, all be eliminated whenever there is assurance of sound management practices in the operating departments.
3. The State Personnel Board establish as a goal, to be achieved over the next 3 to 4 years, the delegation of as many personnel functions as possible which are currently performed in the central agency. Primary objectives should include delegating the routine establishment of new classifications, the allocation of positions to classifications, salary administration, the primary responsibility for recruiting, and the development of procedures that would allow disciplinary actions and resulting appeals to be confined within agencies or departments.

Achievement of this broad goal with its many objectives will require (a) elevation of the stature of the departmental personnel function, both in level of position and caliber of incumbent, to assure true personnel leadership by those held responsible for this function, and (b) establishment of standards and a system of post-audits to assure departmental compliance.

#### **IMPACT OF LEGISLATORS**

One of the distinctive characteristics of a representative democracy, as practiced in the United States, is

the relationship between the executive and legislative branches of government. To be effective, this intentional division of authority requires restraint on the part of individuals in both branches of government. Nevertheless, because, in a narrow sense, the constituencies of each may not be identical, conflicts will develop. The constituencies of individual legislators are defined by geographical boundary. For a department head, his constituencies may be several, including the Governor, a legislative committee, and certain special interest groups.

Interviews with individual legislators suggested that frequently legislative intent, and therefore the will of the people, is not carried out by departmental executives (i.e., programs are adopted and funds appropriated, but "nothing happens"). Conversely, department heads indicated that, at times, individual legislators, because of their (or their constituency's) particular interests and through their personal prestige, unduly restrict the freedom with which managers can pursue their annual departmental goals. The budgetary process and inhibiting legislation were mentioned as the techniques most commonly employed.

The mandate of the legislator in representing his constituency is clear. The role of the departmental executive in following the programs of the Governor, as authorized by the entire legislature, is also clear. The solution, if there is one, lies in the ability of the departmental executive in bridging any gaps in the two points of view. The successful manager will find means to accomplish his annual program. The less talented executive, who is not sufficiently alert to the environment around him, will fail. This sensitivity and understanding of the political environment is a very important qualification required of those appointed to high office in government.

#### THE ROLE OF EXEMPT POSITIONS

In any democratic government, those in leadership positions, i.e., those who make and oversee the execution of public policy, should be elected by the people, or be immediately *responsible to and responsive to* those who are elected. Only in this way can the will of the people, as expressed at the polls, be translated into action by the government that serves them.

In practice, if the leaders of each unit of a state government are to be responsive to the Governor, they should have the right to appoint and replace individuals in agencies and departments whose actions have a direct impact on the execution of public policy. The translation of the will of the electorate into policy and action by the state government requires that the Governor be aided by individuals who actively will support his leadership.

#### Exempt Positions in California

The principle of responsiveness is provided for in California State government through the designation of positions in each agency and department as "exempt" from the provisions of law covering the selection and appointment of civil service officials. The legal provisions for exempt appointments are contained in Section 4 of Article XXIV of the Constitution of the State of California (primarily in paragraphs 1 through 6), shown in Appendix I.

In the light of principles and limitations stated in the foregoing paragraphs, we have assessed the total list of exempt appointees in California State government. In summary, the relative numbers of individuals who are exempt indicate that:

1. Proportionately, the total number of all exempt appointees to the State's total personnel is small and has declined.
2. At the management levels, the number of exempt positions is largely in the topmost jobs where the responsibility for making policy and overseeing its execution is located. Nearly three fourths of the positions in the top two management echelons are exempt, contrasted with less than 8 percent at the lower two management levels. In our opinion, this number and proportion of exempt positions in management levels is consistent with recognized principles of public personnel administration.

In most public jurisdictions it is customary to establish additional exempt positions without regard to civil service requirements to allow senior exempt officials to appoint one or a very limited number of confidential aides. The logic of this practice is that, to be

Table 15  
NUMBER OF EXEMPT AND CIVIL SERVICE EMPLOYEES \*  
(1940-1962)

Year	Exempt Appointees **	Civil Service Employees	Total	Exempt As % Of Total
1940	2,459	25,160	27,619	8.9%
1945	1,378	28,485	29,863	4.6
1950	1,034	47,719	48,753	2.1
1955	1,327	64,015	65,342	2.0
1960	1,680	85,900	87,580	1.9
1961	1,637	93,044	94,681	1.7
1962	1,539	96,277	97,816	1.6

\* State of California, *California Statistical Abstract, 1963* (4th ed., Sacramento: Economic Development Agency, 1963), p. 73.

\*\* Includes full-time and part-time exempt appointees at all levels. Excludes University of California and California State College employees.

effective, the political appointee must have an aide of his own choosing. This practice is provided for in Section 4 of Article XXIV of the Constitution cited above and has been consistently followed in California. It accounts for a substantial proportion of the positions below management level that are classified as exempt. The remaining exempt positions are those listed in paragraphs 7 through 16 of Section 4, Article XXIV, plus the personnel of the California Disaster Office.

Currently there is interest in revising the State Constitution regarding its provisions for exempt employees. On December 10, 1964, the Committee on Article XXIV approved its seventh working draft and recommended its adoption by the Citizens Advisory Committee on Constitutional Revision. Aside from modifying obsolete language and making certain other amendments, the draft suggests two principal changes. First, the Governor would be precluded from creating additional exempt positions over and above those specifically listed in the Constitution. Second, the legislature would be limited in the number of additional exempt managerial positions it could authorize. The limitation is established by formula—one quarter of 1 percent of the total number of full-time civil service employees. Currently this would amount to approximately 225 exempt positions.

In our opinion, the limitation on the Governor (as we interpret the proposed revision) is inconsistent with the principles set forth above. Further, the proposed limitation on the legislature, while less onerous, is also inconsistent with the principles set forth above, and unnecessary. As Table 15 (shown earlier in this chapter) indicates, the proportion of exempt appointments in State service has been decreasing steadily over the past 25 years. There is little evidence that further limitations in the Constitution are needed.

To the contrary, the limitation imposed on the legislature might have an effect opposite to that which is intended. Historically (since the inception of civil service in California as we know it today) the Governors and the legislatures have been conservative in exempting positions from civil service. However, a specific limitation on numbers of exempt positions might well be interpreted as a maximum to be filled at all times. While not opposed to a reasonable maximum being placed on the proportion of exempt positions, it is this Commission's view that the self-control exerted in the past is more desirable than a fixed limit cemented in the Constitution.

#### *Filling Exempt Positions*

Carrying out the principle of responsiveness, discussed above, is not always an easy task. Unattractive compensation levels, combined with lack of tenure, limit the ready recruitment of exempt employees from sources outside State service—especially during the latter years of a Governor's term. Further, there is an

increasing requirement that the heads of State agencies, departments, and divisions be qualified in various specialized fields (e.g., correctional work, mental health, and so forth). However, the individuals "growing up" in the State's career civil service may tend to have a monopoly on these forms of specialized knowledge.

Yet it must be realized that for the leadership of a state department (and this is particularly true in a large and rapidly growing state), specialized knowledge alone is not sufficient. Secondly, the individual must possess the capacity to manage the affairs of a large unit. Finally, and perhaps most important, he must be aware of, and sensitive to, prevailing public and political opinion as to the function of government he would carry out.\*

In California, there has been a tendency to fill exempt positions, in major proportion, from among the career civil servants.\*\* This practice of appointing "civil servants" to the highest ranking positions in the State service undoubtedly provides an incentive for those who are civil servants. Simultaneously, this practice raises a question: "Are career men really qualified for these policy-making, and hence politically important, positions?"

The practices in other states\*\*\* vary. Two thirds of exempt positions in Oregon are filled from the career ranks—one fourth in Connecticut. However, in most states the number from the career ranks is minuscule.

Ultimately, the decision of whether or not to appoint civil servants into exempt positions must be made in terms of the individual himself. First, does the individual possess the professional competence to (a) understand the technical consequences of the decisions he must make, and (b) attain the respect of his technically oriented subordinates? Second, does he have the capacity to supervise and administer a large organization? Finally, can he, after years of serving in a neutral role, become sufficiently sensitive to the political demands of the position? In the opinion of this Commission, these three criteria should be weighed carefully when considering the appointment of a civil servant to an exempt position.

#### *Limitations on Filling Exempt Positions*

Filling some exempt positions is limited by the legislative requirement which specifies that the incumbent must have acquired a certain number of years' experience of a specified type, or that he possess a certain type of license. Filling other exempt positions is limited by fixed terms of office.

This Commission concludes that if the Governor is to be free to select and appoint individuals who will be most effective in carrying out the administration's pro-

\* See Chapter I, p. 19.

\*\* Of the 207 "exempt" positions at the managerial level, 44 percent were occupied as of August 1, 1964, by former career civil servants.

\*\*\* See Chapter IV, p. 99.

grams, the limitations described above should be eliminated.

#### *Recommendations*

To assure that the topmost policy-making positions in California State government are filled by the most qualified and capable individuals available, we propose that the recruiting effort for exempt appointments be intensified, and that sources outside State service be the primary "hunting ground" for talent. Implementation of this recommendation may require the assignment of recruiting and screening responsibilities to one individual in the Governor's office.

To provide freedom in the selection of the most qualified candidates for exempt positions, we recommend the elimination of (a) statutory provisions for minimum qualifications of appointees, and (b) statutory fixed terms of office, for all exempt positions.

#### **MANAGEMENT FLEXIBILITY THROUGH THE CEA PROGRAM**

The relatively new Career Executive Assignment (CEA) program increases management flexibility in the assignment and removal of civil service executives to specially designated positions with major administrative and policy influencing responsibilities. This is accomplished through two principal provisions: (1) the appointing authority can select from among at least 10 qualified competitors as compared to three for non-CEA civil service positions, and (2) employees gain no tenure rights to CEA positions. Termination of an assignment is not a disciplinary matter and cannot be appealed on grounds other than racial, religious, or political reasons.

Apart from providing top officials with flexibility in assigning personnel in accordance with departmental and agency needs, incumbents must continually demonstrate their competence if they wish to retain their CEA positions. In this respect, the CEA program is similar to the Schedule "C" positions initiated by the U.S. Civil Service Commission in the Federal government. However, there is one important difference. While Schedule "C" positions can be filled with individuals from outside civil service, CEA positions are limited to executives with civil service status.

#### *Recommendations*

To further the flexibility provided to management in assigning individuals to the topmost ranks of the career service, and to broaden the motivational value thereof, we propose that:

1. The CEA program be extended to include all management positions in the career civil service which are immediately subordinate to managerial positions which are exempt from the provisions of civil service, and
2. Individuals outside California State service be eligible to compete for appointment to positions designated as CEA.

#### **PERSONNEL LEADERSHIP**

California State government, as any other organization, must have effective means for managing its most important resource: people. To be effective, this requires active participation by the chief executive to indicate that, at all levels: (a) managers believe that the strength of the organization lies in its personnel, and (b) they are interested in improving on that strength. This last section discusses two proposals for improving the management of managerial personnel in California State service.

#### *Top-Level Coordination Needed*

Recruiting and selecting individuals who occupy exempt positions are of prime consequence to the effectiveness of the State's management. First and foremost, exempt appointees must be highly qualified individuals, possessing the required mix of skills, both in substantive and administrative fields, and in understanding political life. Typically, such individuals are difficult to obtain—particularly through informal recruiting methods. Second, and of equal importance, are the sacrifices, financial and otherwise, an exempt appointee from outside State service must make in order to serve in a government post. Finally, the attractiveness of an exempt appointment wanes as election day approaches, i.e., there may be a change in administration. Hence, if the Governor is to have a large pool from which to select, recruiting for the highest appointive positions needs more organized and intensive attention than is currently the case. The alternative is to appoint the readily available, even if less competent, individuals.

Establishing and maintaining an adequate compensation program for exempt executives are responsibilities which should be discharged at the highest level possible. Exempt pay must bear proper relationship to salaries of lower level and equivalent civil service positions, and also be adequate to attract into and retain in State service the individuals best qualified for such key positions.

Finally, overall executive coordination must be directed at recruiting, developing, and motivating all top executives, including civil servants. Agencies and departments have to be stimulated to further the training and development of their executives to assure that future candidates for management positions receive the breadth of experience required. The establishment of Federal and local contacts for the purpose of advancing mutually beneficial programs of executive personnel exchange also merits further attention.

#### *Recommendations*

Not only must certain personnel functions be coordinated at sufficiently high executive levels, but leadership in personnel administration from that same source must be provided to line departments. For this purpose, we propose:

• Establishing the position of Secretary for Executive Personnel within the office of the Governor. The principal purpose of this position would be to serve as the Governor's advisor on all personnel matters in State service. Specifically, this position would be responsible for:

- a. Identifying and recruiting, from within or outside State service, the most qualified candidates for appointment to exempt positions (including boards and commissions). This responsibility would include, but not be limited to, the functions currently performed by the Appointments Secretary.
- b. Serving as liaison between the Governor and all officials of each personnel system of the government concerned with executive personnel to foster collaborative efforts and approaches for utilizing, rotating, and exchanging executives. This would consist primarily of liaison with the State Personnel Board, but also would include the University of California and California State Colleges. In addition, this position would maintain contacts with municipal governments and the Federal government with the objective of developing mutually beneficial programs for exchange of executive personnel.
- c. Formulating, in collaboration with the State Personnel Board, policies and regulations for consideration by the Governor relating to the modification or expansion of recruitment, development, and motivation of management personnel in State service.
- d. Establishing and maintaining a compensation program for exempt personnel, assuring, through cooperation with the quadrennial committee appointed by the Governor, that this program is compatible with the salary and fringe benefit programs of the other personnel systems in State government, and equitable with executive positions in other public jurisdictions and with industry.
- e. Providing executive leadership, in conjunction with the State Personnel Board, to stimulate agencies in the training and development of their employees, as well as planned rotation of the ablest individuals, to assure that future candidates for management positions receive the breadth of experience and exposure required.

#### *Management Responsibilities*

In addition to the personnel functions discussed in the preceding paragraphs, the recommendations in this report have emphasized the need for other executive personnel programs which can best be implemented in operating departments.

1. Future managerial manpower requirements for each department have to be determined and recruiting programs must be planned.
2. The training and development of key executives can be accomplished only through appropriate planning and the wholehearted support on the part of line management.
3. Performance-oriented salary administration and other employee recognition plans, to be effective, require the full participation of line executives.
4. Additional responsibilities to be delegated by the State Personnel Board to operating departments will provide greater managerial flexibility, but will carry with them additional burdens.

In light of the above requirements for personnel administration at operating levels, the question must be considered whether the current personnel officers in line departments have the background and stature required and are in a position to aid line managers in implementing these programs.

Analysis indicates that the characteristics of departmental personnel and training officers compare favorable with those of the senior management group. However, the ability to be effective in implementing change is measured in part by organizational echelon. On the average, personnel officers are at the third echelon of their departments (i.e., two levels down from the director); training officers are at the fourth. We conclude that, from this relatively low level, departmental personnel officers are not in positions to implement effectively the programs outlined above.

#### *Recommendation*

To strengthen the personnel function within the operating departments of State service, and especially to assist top management in developing and motivating the personnel within the departments, we propose the establishment of:

- Civil service positions equivalent to "Assistants for Personnel" in the larger departments, reporting to the Department Directors. Such positions would be responsible for all personnel functions in the department, including training, and would supervise the appropriate staff.

It is contemplated that incumbents in these "Assistant" positions would provide leadership in personnel matters. They would propose and wholeheartedly pursue change in traditional personnel practices when the advent of change held the promise of improving line management's ability to administer the affairs of the department. The qualifications of the incumbents would include competence as personnel technicians, but more importantly, competence as solvers of management problems. For management problems revolve around people, and people are the interest of the personnel manager.

## Appendix A

### **SCOPE OF RESEARCH EFFORT IN CONNECTION WITH THE STUDY OF MANAGEMENT MANPOWER REQUIREMENTS (JUNE 1964-JANUARY 1965)**

Following are the principal tasks undertaken by the study team during the course of this study.

- Prepared, distributed, compiled, and analyzed the results of 1,434 questionnaires completed by incumbent State executives representing 94 percent of management level positions
  - Interviewed, in depth, about 250 State executives; reinterviewed many of these executives on several occasions
  - Assisted heads of the largest departments, representing 95 percent of present, full-time civil service employees, in developing forecasts of their management manpower needs in 1975 and 1985
  - Interview 20 Federal executives whose departments perform work analogous to their counterparts in California State government
  - Surveyed, by questionnaire, executives of 21 departments in the Federal government
- Compiled and analyzed statistics of 327 candidates currently on State promotion lists
- Contacted 20 college placement officers and 30 college deans and faculty members of institutions of higher learning in the State of California
- Surveyed, by questionnaire, 85 recent resignees from State service
- Surveyed, by questionnaire, 185 entry level recruits now in State service
- Met with the Deputy Directors Council, the Personnel Officers Council, the Training Officers Council, and representatives of the California State Employees' Association
- Surveyed 13 other states on matters pertinent to this study
- Analyzed the impact of veterans' preference points on 60 promotional lists
- Reviewed considerable published data prepared by the State government, as well as other sources.

Appendix B

**MEDIAN AGE OF  
CIVIL SERVICE MANAGERS  
TWENTY LARGEST DEPARTMENTS**

<i>Department</i>	<i>Age (In Years)</i>
Justice .....	56
Agriculture .....	55
Education .....	55
Equalization .....	54
Employment .....	53
Social Welfare.....	53
California Highway Patrol.....	51
Motor Vehicles .....	51
Conservation .....	50
Franchise Tax .....	50
General Services .....	50
Industrial Relations .....	50
Public Health .....	50
Public Works .....	50
Mental Hygiene .....	49
Parks & Recreation.....	49
Corrections .....	48
Water Resources.....	48
Fish and Game.....	47
Youth Authority .....	47

Appendix C

**SALARY PROGRESS OF  
CIVIL SERVICE MANAGERS  
TWENTY LARGEST DEPARTMENTS  
(1954-1964)**

<i>Department</i>	<i>% Increase In Salaries</i>
Youth Authority _____	114%
Motor Vehicles _____	109
Corrections _____	106
Water Resources _____	106
California Highway Patrol _____	104
Parks & Recreation _____	104
Fish & Game _____	101
Industrial Relations _____	99
Public Works _____	97
Agriculture _____	95
Conservation _____	92
Equalization _____	87
General Services _____	87
Mental Hygiene _____	83
Employment _____	82
Franchise Tax _____	82
Public Health _____	82
Justice _____	81
Social Welfare _____	73
Education _____	68

Appendix D

**DEPARTMENTAL FORECASTS  
FULL-TIME CIVIL SERVICE EMPLOYMENT  
(1963-1985)**

Department	1963 Employment	1975 Employment		1985 Employment	
		Total Number	Annual % Increase *	Total Number	Annual % Increase Since 1975 *
Agriculture.....	1,573	1,883	1.5%	2,185	1.5%
California Highway Patrol.....	3,490	5,500	3.9	7,000	2.4
Conservation.....	2,590	3,672	3.0	4,627	2.3
Corrections.....	5,600	9,600	4.6	13,400	3.4
Education.....	1,374	3,000	7.1	4,000	2.9
Employment.....	6,110	10,450	4.6	11,950	1.4
Equalization.....	2,270	2,350	Min.	2,425	Min.
Fish & Game.....	988	1,250	2.0	1,500	1.8
Franchise Tax.....	1,110	1,840	4.3	2,500	3.1
General Services.....	3,932	5,549	2.9	7,077	2.5
Industrial Relations.....	2,567	3,763	3.3	5,011	2.9
Justice.....	1,076	1,500	2.9	1,900	2.4
Mental Hygiene.....	20,580	27,300	2.4	28,650	0.5
Motor Vehicles.....	4,750	8,300	4.8	11,500	3.4
Parks & Recreation.....	1,062	3,200	9.6	4,000	2.3
Public Health.....	1,450	2,030	2.9	2,567	2.4
Public Works.....	16,480	19,273	1.3	21,068	0.9
Social Welfare.....	724	1,110	3.6	1,482	2.9
Veterans Affairs.....	954	974	Min.	921	Min.
Water Resources.....	2,730	5,000	5.3	5,400	0.8
Youth Authority.....	2,460	4,700	5.5	6,000	2.5
	<u>83,870</u>	<u>122,244</u>	3.2%	<u>145,163</u>	1.7%
Proportional Adjustment for Remaining Departments.....	3,642	4,256		4,837	
<b>Total.....</b>	<u><u>87,512</u></u>	<u><u>127,500</u></u>	3.2%	<u><u>151,000</u></u>	1.7%

\* The annually compounded percentages are shown so that growth rates for the 12-year period 1963-1975 can be compared with the 10-year growth rates to 1985.

NOTE: Min. indicates Minimal Increase.

Appendix E

**DEPARTMENTAL FORECASTS  
MANAGEMENT LEVEL POSITIONS  
(1964-1985)**

Department	1964 Management Positions	1975 Management Positions		1985 Management Positions	
		Total Number	Annual % Increase*	Total Number	Annual % Increase Since 1975*
Agriculture.....	45	47	0.3%	52	1.0%
California Highway Patrol.....	30	75	8.7	123	5.1
Conservation.....	49	72	3.6	99	3.2
Corrections.....	119	163	2.9	221	3.1
Education.....	49	88	5.4	107	2.0
Employment.....	55	67	1.8	70	0.5
Equalization.....	48	54	1.1	59	0.8
Fish & Game.....	21	28	2.7	30	0.7
Franchise Tax.....	26	57	7.3	70	2.0
General Services.....	93	118	2.2	122	Min.
Industrial Relations.....	69	89	2.3	107	1.8
Justice.....	25	32	2.3	42	2.7
Mental Hygiene.....	188	285	3.8	352	2.1
Motor Vehicles.....	26	33	2.2	40	1.9
Parks & Recreation.....	25	35	3.1	40	1.3
Public Health.....	53	65	1.9	77	1.7
Public Works.....	227	248	0.8	271	0.9
Social Welfare.....	38	48	2.1	70	3.9
Veterans Affairs.....	12	9	-2.6	8	-1.2
Water Resources.....	51	84	4.6	99	1.5
Youth Authority.....	73	105	3.3	124	1.7
	<u>1,322</u>	<u>1,802</u>	2.9%	<u>2,183</u>	2.0%
Proportional Adjustment for Remaining Departments.....	208	283		342	
<b>Total.....</b>	<u><u>1,530</u></u>	<u><u>2,085</u></u>	2.9%	<u><u>2,525</u></u>	2.0%

\* The annually compounded percentages are shown so that growth rates for the 11-year period 1964-1975 can be compared with the 10-year growth rates to 1985.  
NOTE: Min. indicates Minimal Increase.

## Appendix F

**SALARIES PAID TO FIFTY-TWO SELECTED EXECUTIVES  
IN LOCAL GOVERNMENTS \***

## POSITIONS AT \$35,000 AND ABOVE

Executive Director, Port of New York Authority.....	\$60,000
Director, Inter-American Trade Exposition, Florida.....	50,000
School Superintendent, Chicago.....	48,500
Deputy Executive Director, Port of New York Authority.....	45,000
General Counsel, Port of New York Authority.....	45,000
Chief Engineer, Port of New York Authority.....	45,000
General Manager, Triboro Bridge & Tunnel Authority.....	45,000
General Manager, Water & Power, Los Angeles.....	40,560
Controller, New York City.....	40,000
Director, Port of New Orleans.....	40,000
Director of Finance, Port of New York Authority.....	40,000
Director, Marine Terminals, Port of New York Authority.....	40,000
Director, Port Development, Port of New York Authority.....	40,000
Director, Aviation, Port of New York Authority.....	40,000
Assistant General Manager, Triboro Bridge & Tunnel Authority.....	37,500
School Superintendent, Los Angeles.....	37,500
School Superintendent, New York City.....	37,500
General Manager, Airports, Los Angeles.....	35,000
City Council President, New York City.....	35,000
Chairman, Housing Authority, New York City.....	35,000
Chairman, Transit Authority, New York City.....	35,000
Director, Administration, Port of New York Authority.....	35,000
Director, Public Relations, Port of New York Authority.....	35,000

## POSITIONS AT \$30,000 AND UP TO \$35,000

Assistant General Manager & Civil Engineer, Water & Power, Los Angeles.....	\$33,768
General Manager, East Bay Municipal Utility District.....	33,600
Director, Personnel, Port of New York Authority.....	33,300
Director, Tunnels & Bridges, Port of New York Authority.....	33,300
School Superintendent, Detroit.....	33,000
School Superintendent, Dallas.....	33,000
General Attorney, Port of New York Authority.....	33,000
First Deputy Director, Aviation, Port of New York Authority.....	33,000
General Solicitor, Port of New York Authority.....	33,000
Chief Administrative Officer, Los Angeles County.....	32,808
City Manager, San Francisco *.....	32,566
Business Manager, City Schools, Los Angeles.....	32,565
Executive Deputy Superintendent of Schools, New York.....	32,500
Counsel, Triboro Bridge & Tunnel Authority.....	32,000
Controller, Port of New York Authority.....	31,350
Chief Assistant City Attorney, Los Angeles.....	31,140
Chief Electrical Engineer & Assistant General Manager, Water & Power, Los Angeles.....	31,140
Auditor-Controller, Water & Power, Los Angeles.....	31,140
Chief Engineer, Water Works, and Assistant General Manager, Los Angeles.....	31,140
School Superintendent, San Francisco.....	31,000
Director, Terminals, Port of New York Authority.....	31,000
Controller, San Francisco.....	30,528
City Manager, San Diego *.....	30,421
General Manager, Harbor Department, Los Angeles.....	30,312
City Manager, San Jose *.....	30,048
Director, World Trade, Port of New York Authority.....	30,000
City Manager, Long Beach *.....	30,000
School Superintendent, Cincinnati.....	30,000
City Administrator, New York.....	30,000

\* Advisory Panel on Federal Salary Systems, Clarence B. Randall, Chairman; Final Report to the President, 1963. ("The Randall Commission Report"). Excerpts from data compiled by the Randall Commission (March, 1963) and attached to the Report in sections C, D, E and G of Appendix IV.

Appendix G

**ANALYSIS OF COMPENSATION  
DIFFERENTIALS BETWEEN SELECTED  
EXECUTIVE POSITIONS  
TWENTY LARGEST DEPARTMENTS**

<i>Department</i>	<i>% Highest Above 2nd</i>	<i>% 2nd Above 3rd</i>
Agriculture _____	13.6	21.5
California Highway Patrol _____	14.2	5.0
Conservation _____	14.2	5.0
Corrections _____	8.3	4.9
Education _____	9.6	21.5
Employment _____	19.5	4.0
Equalization _____	5.0	10.2
Fish & Game _____	14.2	21.5
Franchise Tax _____	14.2	15.7
General Services _____	8.2	10.2
Industrial Relations _____	NA	NA
Justice _____	14.0	5.0
Mental Hygiene _____	7.2	1.3
Motor Vehicles _____	8.2	21.5
Parks & Recreation _____	14.2	5.0
Public Health _____	11.1	2.6
Public Works _____	7.4	1.4
Social Welfare _____	24.3	10.2
Water Resources _____	7.4	1.4
Youth Authority _____	8.2	15.7
Average _____	11.7	9.7

NOTE: NA indicates Not Applicable.

“(9) The teaching staff of all schools under the direction or jurisdiction of the Superintendent of Public Instruction, the Department of Education or the director thereof or the State Board of Education who otherwise would be members of the state civil service.

“(10) Employees of the Federal Government, or persons whose selection is subject to rules or requirements of the Federal Government, engaged in work done by cooperation between the State and Federal Government or engaged in work financed in whole or in part with federal funds. (See Article 4, Section 18593, Civil Service Act).

“(11) Persons appointed or employed by or under the State Board of Prison Directors or any warden of a state prison. (See Article 4, Section 18591, Civil Service Act.)

“(12) The officers and employees of the Railroad Commission (Public Utilities Commission). (See Article 4, Section 18594, Civil Service Act.)

“(13) Member help in the Veterans Home of California and inmate help in all state charitable or correctional institutions.

“(14) The members of the militia of the State while engaged in military service.

“(15) Officers and employees of the district agricultural associations employed less than six months in any one calendar year.

“(16) Stewards and veterinarians of the California Horse Racing Board who are not employed on a full time basis.

“(b) The Legislature may provide that the provisions of this article shall apply to, and the term ‘state civil service’ shall include, any person or group of persons hereinbefore excepted other than those mentioned in paragraphs (1), (2), (7), or (14) of subdivision (a) of this section. Hereafter, no exception shall be revived with respect to any person or group of persons heretofore or hereafter included in the state civil service under this subdivision. The Legislature may, however, provide that any officer included in the state civil service pursuant to this paragraph may be appointed by the Governor, and in such case the provisions of paragraph (2) shall apply. (Adopted at General Election, November 7, 1950.)

“(c) Whenever the appointment or employment of new or additional officers or employees of this State is hereafter authorized by law, such officers or employees shall be subject to the provisions hereof and included within the state civil service unless of a class excepted herein.

“SEC. 5. (a) The provisions of this article shall be self-executing but legislation not in conflict herewith may be enacted to facilitate its operation.

“(b) All laws relating to the state civil service are continued in force insofar as not in conflict herewith

subject to the power of the Legislature to amend or repeal such laws and to enact new laws not in conflict herewith.

“(c) The rules, regulations, classes and grades of positions heretofore lawfully adopted by the state officer or agency heretofore administering said laws are continued in force and upon the effective date hereof the same shall become the rules, regulations, classes and grades of positions of the board herein created subject to change by said board in the exercise of its powers herein conferred or as may be hereafter provided by law.

“(d) All persons other than temporary appointees heretofore serving in the state civil service shall continue so to serve without change of class or grade of position heretofore acquired save as such class or grade may be changed by said board in the exercise of its powers herein conferred or as may be hereafter provided by law.

“(e) All persons not hereinbefore provided for in subdivision (d) hereof, holding positions subject hereto for more than six months immediately preceding the effective date hereof, shall continue to hold such positions subject to the provisions hereof save that the board in adopting rules relative to classes or grades of the position held by such person shall give each such person such class or grade as it may deem just and such probationary term to commence on the effective date hereof of not less than two months nor more than eight months in the class or grade assigned as it may fix.

“(f) All persons not hereinbefore provided for in subdivisions (d) and (e) hereof holding positions subject hereto less than six months immediately preceding the effective date hereof shall be deemed to hold such position under temporary appointment under the provisions hereof but such temporary appointment shall be deemed to have commenced on the effective date hereof.

“SEC. 6. (a) No temporary appointment of a person to any position shall be made unless there is no employment list from which such position can be filled.

“(b) No person shall hold a given position under temporary appointment for a longer period than nine months in any consecutive 12 months, nor shall any person serve in the state civil service under temporary appointment for a longer total period than nine months in any consecutive 12 months. (Adopted at General Election, November 7, 1950.)

“SEC. 7. Nothing herein contained shall prevent or modify the giving of preferences in appointments and promotions in the state civil service to veterans and widows of veterans as is now or hereafter may be authorized by the Legislature. (Adopted by vote of the people November, 1934—1,216,141 to 382,609.)”

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COMMISSION ON CALIFORNIA STATE GOVERNMENT ORGANIZATION AND ECONOMY

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SUPPLEMENTARY REPORT

STATE OF  
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February 1979