

The 2022-23 Budget:

CalHR California Leads Proposal

FEBRUARY 2022

Summary. In this post, we analyze the Governor’s proposal to provide 43 permanent positions and \$7.6 million (\$6.3 million General Fund) in 2022-23 and \$6.8 million (\$5.5 million General Fund) ongoing for the Department of Human Resources (CalHR) to implement specific proposals recommended by a taskforce established by the Governor aimed at finding ways to make the state a better employer. As part of this initiative, the proposal would seek to improve statewide data on the workforce to inform a statewide diversity, equity, and inclusion strategy. We recommend that the Legislature approve the proposal and encourage the Legislature to exercise ongoing legislative oversight of the process to ensure that the administration’s policies meet legislative objectives and priorities.

Background

Civil Service Based on Merit Principle.

California’s current system of state civil service employment dates back to the November 1934 election, when voters approved Proposition 7, adding what is now Article VII to the State Constitution. The Constitution requires that all appointments and promotions within the civil service be made under a general system based on merit determined by competitive examination. All state employees are in the civil service unless specifically exempted by the Constitution. As a result, practically all of the state’s non-higher education executive branch employees—outside of the very top ranks of management (such as department directors and deputy directors)—are in the civil service. In the more than 80 years since the voters first established the civil service, a variety of statutes, decisions, rules, practices, and case law have built upon the constitutional framework of a merit-based civil service system. Collectively, these civil service rules establish the state’s policies for hiring, promoting, disciplining, and

terminating state civil service employees. The State Personnel Board is tasked by the Constitution to oversee the implementation of the merit principle in state government.

State Jobs Organized Into Classifications That Establish Salary Ranges.

The state civil service is comprised of more than 240,000 full-time equivalent employees. These employees work in a variety of jobs across state government. State jobs are organized into about 4,500 classifications. Each classification defines the minimum qualifications needed for a candidate to be hired or promoted. In addition, a salary range is established for each classification. These salary ranges determine the minimum and maximum salaries that an employee may earn in that job classification.

CalHR Oversees Non-Merit Personnel

Policies. CalHR is responsible for managing non-merit-related state personnel policies, including issues related to recruitment, selection, salaries, benefits, position classification, and training. In addition, as we discuss in greater detail below, CalHR represents the Governor in the collective bargaining process and reports information to the Legislature about the state workforce. In 2021-22, CalHR’s budget comprised \$119.3 million (\$13.7 million General Fund) and 372.9 positions.

Collective Bargaining Process Determines Changes in Salaries.

The Ralph C. Dills Act authorizes collective bargaining between state employees and the Governor. The state’s 4,500 job classifications are organized into 21 bargaining units. Each bargaining unit is represented by a union in the collective bargaining process. The Governor is represented by CalHR. Through the collective bargaining process, the state and its employees agree to terms and conditions of employment, including salary increases that increase the salary ranges of state job classifications.

CalHR Reports on Specific Demographic Information of the State Workforce. Through statute, CalHR is required to submit to the Legislature reports regarding demographic information about the state workforce. These reports include the [Annual Census of Employees in State Civil Service](#) (fulfilling requirements established under Government Code Sections [19237](#); [19402](#); [19405](#); [19792](#) subdivisions (h), (i), and (j); and [19792.5](#) subdivisions (a) and (b); and [19793](#)) and the [Women’s Earnings in State Civil Service](#) report (in accordance with Section [19827.2](#) of the Government Code). In addition, the CalHR [website](#) includes demographic statistical reports for each [department](#) as well as [statewide](#) (these data are compiled as part of a requirement established under Section [19797](#) of the Government Code that each state department annually update and assess its equal employment opportunity plan, including identifying racial/ethnic and gender groups that are underrepresented in the department).

“California Leads as an Employer” Taskforce. In September 2019, the Governor established a taskforce to provide recommendations to improve the state workplace across four areas: sexual harassment and discrimination prevention and response, diversity and inclusion, public safety diversity, and racial and gender pay equity. The taskforce consisted of representatives from within the executive branch of state government. The taskforce submitted its recommendations to the Governor in July 2021. The recommendations that the taskforce made to the Governor are not public; however, the administration indicates that the proposal discussed in this analysis is based on a number of those recommendations.

Proposal

Proposal to Begin Diversity, Equity, and Inclusion Effort in the State Workforce.

The administration [requests](#) 43 permanent positions and \$7.6 million (\$6.3 million General Fund) in 2022-23 and \$6.8 million (\$5.5 million General Fund) ongoing in order for CalHR to implement specific policy recommendations proposed by the administration’s taskforce. We provide a high-level summary of the major components of the proposal below. The overarching goal of these proposals is to take initial steps towards making the state a more equitable, diverse, and inclusive place to work.

Hiring and Training Processes. The proposal includes components, discussed below, intended to improve the state’s hiring process and trainings.

- **Adopt Anonymous Hiring (Three Positions).** In an effort to remove implicit bias from the hiring decision-making process, the administration proposes adopting an anonymous hiring process whereby certain personal information from job applicants’ resumes or applications would be redacted prior to hiring managers viewing the documents. Implementing this policy would require updates to the Examination and Certification Online System.
- **Establish Statewide Apprenticeship Programs (Ten Positions).** The state currently has very limited apprenticeships available that are targeted to state service jobs—generally limited to trades, like mechanics. Under the proposal, CalHR would work to develop more varied apprenticeship programs in an effort to establish a pipeline for job applicants who historically have been underrepresented in certain job classifications.
- **Update CalCareers (Three Positions).** [CalCareers](#) is the online portal used by job applicants to search and apply for state jobs. Under the proposal, CalHR would make a number of updates to the system intended to make the system more user-friendly, secure, and accessible.
- **Statewide Employee Engagement Program (Three Positions).** Employee engagement is important because it improves employee morale and general job satisfaction. The administration proposes developing a statewide employee engagement program.
- **Establish Equal Employment and Opportunity Academy (Four Positions).** In an effort to keep equal employment opportunity professionals in state government apprised of employment and civil rights laws, the administration proposes establishing an academy that will provide trainings to these individuals and provide ongoing guidance to departments on departmental policies. The proposal highlights seven specific training courses that CalHR would develop and provide.

Improvements to Data Collection and Systems. The proposal includes components, discussed below, intended to improve state human resources data collection, maintenance, and analysis.

- **Create New Unit to Collect and Analyze Data (Seven Positions).** The administration proposes establishing a new unit under CalHR’s Financial Management Division. The unit would focus on collecting and analyzing demographic and other data to support the administration’s efforts to establish a diverse and inclusive workforce. In the short term, the unit would focus on gender and racial pay equity issues across all classifications and all departments.
- **Improving Statewide Tracking of Training (Three Positions).** Currently, a centralized record of what trainings an employee has received during their state service is not accessible to all departments. The administration proposes creating a system that would allow all departments to share and access employee training history.

Development of Diversity, Equity, and Inclusion Strategic Plan (Five Positions). The administration intends to use much of the lessons it learns through the establishment of the above described initiatives to develop a statewide strategic plan aimed at making the state a diverse, equitable, and inclusive place to work. As this plan is developed, we anticipate that the administration would submit more budget requests to the Legislature.

LAO Comments

Proposal Reflects Start of a Multipronged and Multiyear Initiative to Address Big Issue. This request is a major budgetary request for CalHR and initiates a process for major policy changes in the department’s role in overseeing the state’s workforce. The request attempts to improve or establish a variety of state programs with the overarching aim of making the state a better employer and making the state workforce more representative of the public that it serves.

Especially considering the sheer size of state government along with the more rigid and bureaucratic nature of the state civil service, taking a multipronged approach to address diversity, equity, and inclusion in the state workplace makes sense.

The administration’s intention of making this an iterative process also makes sense. Much of the work proposed under this request could inform future policies and initiatives to advance the overall goal of making the state a better place to work. From the perspective of legislative oversight, this has an added benefit of giving the Legislature multiple opportunities to evaluate the progress the administration is making towards its goals. Our comments below focus on the data collection efforts under the proposal because we think that any successful effort to establish a statewide diversity, equity, and inclusion strategy would require significant improvements to the data currently collected.

Existing Data Are Problematic... Federal law (Public Law 88-352, Title VII of the Civil Rights Act of 1964) requires each state and local government to maintain specific demographic data on its workforce to report these data to the U.S. Equal Employment Opportunity Commission. The data that CalHR currently **collects** and makes **public** about the demographic composition of the state civil service are collected using a form (known as **CalHR Form 1070**) designed to comply with federal law. This form asks employees to identify their gender—either “male” or “female”—and their race/ethnicity. When identifying their race/ethnicity, employees may only select one option from among 20 categories, including “multiple races (non-Hispanic or Latino).” There is no “other” or “not listed” option. In addition, an employee can choose to not self-identify. However, the form specifies that, if an employee does not self-identify, “the department is required to visually identify under federal law.” The data collected using this form are problematic for a few reasons. First, the race/ethnicity and gender options available might not reflect how the employee actually identifies. For example, there is no option for an employee who identifies their gender to be non-binary or for an employee to identify their race/ethnicity as Middle Eastern/North African. Second, there is no standardized guidance given to departments as to how they should visually identify employees.

The form states that “if you elect not to provide the information requested, CalHR will not be able to effectively evaluate the representation of the state civil service workforce.” The administration indicates that, as of January 31, 2022, 14 percent of state employees’ race/ethnicity was visually identified by management.

...But Identify Potential Issues of Diversity in the Workforce. Notwithstanding the problematic origins of some of the demographic data collected by CalHR, a number of observations can be made that suggest the state can improve racial/ethnic and gender representation in the state service. Overall, the state workforce is not representative of the demographic composition of the state population. For example, although Hispanic or Latino people accounted for 37 percent of the state working-age population in 2021, only 26 percent of state employees were identified to be Hispanic or Latino at that time. Some classifications have higher concentrations of different racial/ethnic groups than others. For example, although 40 percent of the entire state workforce was White in 2021, 68 percent of the state’s firefighters were White at that time. Similarly, although 26 percent of the state workforce was identified as Hispanic or Latino in 2021, 49 percent of correctional officers were Hispanic or Latino at that time.

There also is significant variation in gender diversity by classification. Specifically, certain classifications are more or less likely to be filled by men or women. For example, in 2021, 75 percent of the 31,347 state jobs that were considered to be office and administrative support occupations were filled by women while 86 percent of the 43,980 state jobs that were considered to be protective service occupations were filled by men. Because compensation in state employment is determined by an employee’s classification, the fact that demographic trends vary across state classifications means that compensation varies across state employees, depending on their race/ethnicity and gender. For example, the most recent [Women’s Earnings in State Civil Service](#) report identified that the median woman in state service earns about 14 percent less than the median man in state service. The report explains that this pay gap exists primarily because women tend to work in classifications that are lower paid than the classifications that men dominate.

Administration’s Proposal Should Allow for Better Data and Analyses Going Forward to Inform State Policy. A major feature of this proposal is that it should allow the state to collect better data. These improved data would allow the state to better identify where there might be diversity issues with the state’s recruiting, hiring, and promoting processes. This proposal in and of itself would not lead to the implementation of a plan to address any diversity, equity, and inclusion issues, however. Instead, we understand that this proposal would lead to improved data collection and analysis that would, in turn, identify issues—either within certain classifications or more broadly—and inform future proposals submitted to the Legislature by the administration. In other words, this is the first in likely a series of requests from the administration to implement a broader, yet to be fully defined, initiative to improve the diversity, equity, and inclusivity of the state workforce.

LAO Recommendations

Approve Proposal. We raise no objections to the merits of the proposal and think that it is a reasonable first step in identifying and addressing diversity, equity, and inclusion issues in the state workforce. However, the administration’s work in developing this diversity, equity, and inclusion policy is in its infancy. As such, as we discuss below, we think that legislative oversight of the process as CalHR more fully develops the state’s specific policies in this area will be very important.

Provide Legislative Oversight of Process. This proposal, in conjunction with four other proposals to augment CalHR’s budget, constitute a significant increase in CalHR’s resources and staffing levels in 2022-23. Relative to 2021-22, these proposals would increase CalHR’s appropriation authority by 15 percent and its position authority by 22 percent—a large and fast increase in staffing. While we understand the proposal is informed by the findings of the California Leads as an Employer taskforce, because the full taskforce report is not publicly available, assessing how the administration decided to pursue certain policy recommendations from the report over others is difficult. Because the proposal is to fund the initial stages of what ultimately would be a more developed initiative, we anticipate that the administration will submit

additional proposals related to diversity, equity, and inclusion in the state workforce over the next several years. The policies that will be developed in the future as a result of this proposal likely will have significant implications for the state as an employer. As such, we think it is important that the Legislature actively oversee the development of this policy going forward.

Due to the iterative nature of this initiative—and its current early stage of development—going forward, we recommend that the Legislature require regular reporting on its progress. Specifically, we recommend that the Legislature require the administration to report to the Legislature on or before January 10, 2023 (1) its progress in filling

the positions requested for 2022-23; (2) its progress in developing a diversity, equity, and inclusion strategy; (3) any changes it would recommend to existing legislative reporting requirements of CalHR regarding the demographic makeup of the state workforce in light of new data made available from the implementation of this proposal; (4) any challenges it experiences in the implementation of the initial stages of the initiative; and (5) what the administration sees as its next steps in its overarching plan to make the state a better employer. Going forward, we recommend that the Legislature continue to require the administration to provide regular reporting on the progress of this initiative.

LAO PUBLICATIONS

This post was prepared by Nick Schroeder, and reviewed by Ginni Bella Navarre and Carolyn Chu. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.