

A REASSESSMENT OF CIVIL SERVICE IN CALIFORNIA

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Abstract
of
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Fundamental problems in California’s civil service processes result in increased costs and places California at risk to address future workforce needs given the increased number of retiring state employees. This study examines various reports issued over a fifteen year period by the Little Hoover Commission, the Legislative Analyst's Office, California Bureau of State Audits, and the California Performance Review, to gain a better understanding of the challenges that surround civil service practices in California. This study also explored reform trends in other states to determine how other governmental entities resolved similar challenges. Using the challenges framed in this thesis, I reassessed California’s current civil service practices to determine if the state addressed the initial challenges identified.

The results of my study found the civil service practices of classification, recruitment and selection, workforce planning, and employee performance management to be the greatest challenges to improving inefficient and ineffective processes. Specifically, the governance structure of the State Personnel Board and the Department of Personnel Administration, and the relationship between labor and management in California hinder efforts to improve the civil service. This study suggests several approaches to addressing civil service challenges through the restructuring the governance of statewide human resource functions, adopting a collaborative approach for labor-management negotiations around classifications and employee performance, expanding testing methods, establishing mandated workforce plans, and ensuring leadership development.

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Date

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Chapter 1

INTRODUCTION

Independent reviews by the Legislative Analyst's Office (LAO), Little Hoover Commission (LHC), Bureau of Audits (Audits), and California Performance Review (CPR) over the past twenty years identified two key economic and administrative problems driving reform in California's civil service. First, inefficient and ineffective processes cost the state money in time, resources and productivity. Second, California leaders and policy advocates are concerned that the state workforce will not be prepared to address future complex problems and provide continuous quality services.

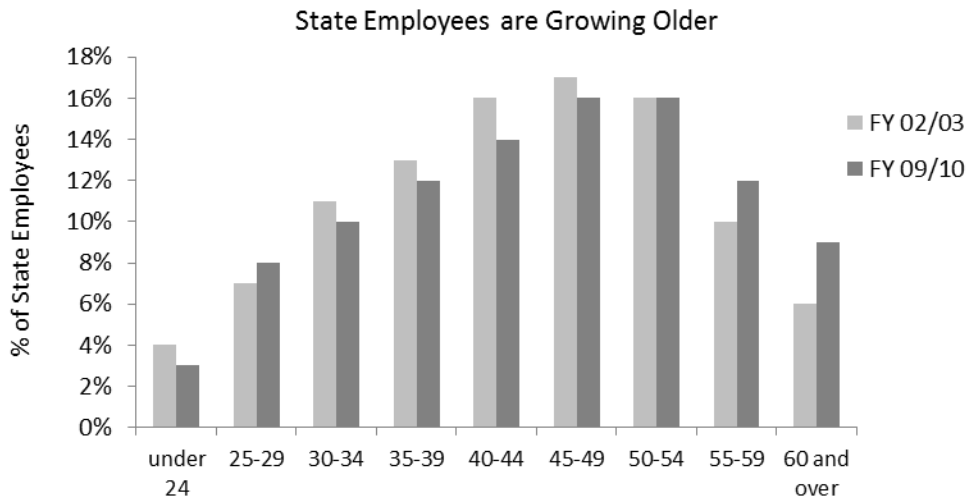
The purpose of this thesis is to analyze the problems addressed above through the exploration of four major challenges that prevent the state from solving and improving state civil service: an inefficient classification and pay structure, limited recruitment and selection, lack of workforce planning, and ineffective employee performance management. I will then explore how other states have adopted reform methods to address these challenges, and assess current efforts in California to determine if they address the challenges initially raised by the LHC, LAO, Audits and CPR.

Timeliness of Issue

The Bureau of State Audits (2007) identified human resources management as a high-risk area in the report, *High Risk: The California State Auditor's Initial Assessment of High-Risk Issues the State and Select Agencies Face*, due to the increased number of retiring state employees (p. 17). The percentage of state employees over the age of 50 has grown exponentially over the past decade. In 2003, there were 68,298 over the age of 50,

equaling 31% of the state workforce (SPB, 2004). By 2010, the number increased to 81,924, equaling 37% of the state workforce (SPB, 2010). The largest percentage increase is in the 60 and over bracket. In 2003, employees 60 and over represented 6% of the workforce at 12,705 employees (SPB, 2004). By 2010, the number of state employees working past 60 is 19,452, or 9% of the workforce (SPB, 2010). Figure 1.1, below, shows the age distribution of all state employees as of June 2010.

Figure 1.1: State Employees Are Growing Older



Source: SPB Annual Census (2004, 2010)

When the age distribution is divided between rank and file employees and leadership positions, the disparity for leadership is intensified, with over 50% of leaders over the age of 50 (Audits, 2009a, 2009b). By 2008, the majority of leaders fell between the age bracket of 50 and 54 (Audits, 2009a, 2009b). The Bureau of Audits (2009a) calculated that 42% of leaders in the state workforce will retire in the next seven year given the average age at retirement of 60 years (p. 12).

While a large segment of the workforce is nearing retirement age, the distribution of younger employees in the workforce is not proportionate to the gap left by the vacating baby boomers. In the 40 to 49 bracket, the group most likely to succeed the retiring leaders, the population decreased from 34% in 2003 to 30% in 2010 (SPB, 2004, 2010). The 24 to 30 age group has stayed relatively stable over the past seven years decreasing by only 1% (SPB, 2004, 2010), but in order to fill the vacancy gap left by retirees this population would need to be at the same or higher percentage of the 50 and older bracket. Additionally, only 16% of the state departments have completed succession plans for essential leadership position (Audits, 2009a, 2009b). Without the clear identification of future leaders, departments lose the ability to transfer key organizational knowledge from departing retirees and fully develop leadership capacity in the younger generation.

Several political and economic factors have contributed to a predominately older workforce in California. Hiring during the early 1990s was halted as the state enacted a layoff process due to the economic downturn (LHC, 1995). Just a few years later, Executive Order D-48-01 (2001) imposed a hiring freeze from October 2001 until June 2003. Governor Schwarzenegger issued an unofficial hiring freeze in November 2010 warning agency and departments to halt hiring in light of the overdue 2010-11 budget (Ortiz, 2010). This was followed by Governor Brown's Executive Order B-3-11 (2011) that prohibits hiring for all positions. Long term effects of the current hiring freeze remain to be seen, but it can be anticipated that decreasing the percentage of younger workers will impact the ability of the state to address the current retirement gap.

The Center for State and Local Government Excellence (2009) surveyed 5,125 members of the International Public Management Association for Human Resources and the National Association of State Personnel Executives on the subject of public sector retirements and the economy. Survey respondents felt that the economy affected the timing of retirements at a rate of 80.4%, and of that number, 84.5% were delaying retirement due to the economy (p. 2). The effect of the economy on retirements in California is quite different. The retirement rates in California have increased year over year since 2008. In fiscal year 2009-10, the retirement rate increased almost an entire percentage point from 3.9 to 4.8 (California Public Employees Retirement System, 2011). Reasons for the recent increases in retirements are due to the impact of furloughs and recent contract concessions increasing employee pension contributions.

Why Civil Service Reform? Why Now?

The principles of civil service reform focus on the capacity of government to solve complex problems, the ability to reward high performers, more flexibility to improve bureaucratic processes, greater accountability for individual performance, and the development of strong leadership, all to accomplish the public ideals of better education, health and social services, and public safety (Kellough and Seldon, 2003; Hayes and Sowa, 2006). Retaining, recruiting, and rewarding the best possible workforce is essential to improving government services (Kettl, Ingraham, Sanders, & Horner, 1996).

The aim of this report is to provide the new Brown Administration and Legislature with the current status of civil service challenges in the state and assess

reform efforts by other states to determine if the current efforts in California address the administrative challenges identified by independent review. In Chapter 2, I will review the historical basis of civil service reform in California. In Chapter 3, I will discuss the administrative challenges identified by the LAO, LHC, Audits, and CPR and highlight the recommendations made in the independent reports. In Chapter 4, I will discuss how other states conduct civil service reform. In Chapter 5, I will assess the current reform efforts of California to determine if they address the challenges addressed by independent review. In Chapter 6, I will conclude my report and present my recommendations to policymakers.

Chapter 2

CIVIL SERVICE REFORM IN CALIFORNIA

From the Progressive era until the advent of collective bargaining rights, California mirrored national efforts of civil service reform. Recent efforts to modernize human resource functions in California failed to gain the momentum necessary to effect change. The lack of civil service reform in California can be explained by the political power of the unions, and by the absence of motivation on the part of policymakers and the public to demand change.

The Merit System

The federal government introduced the principles of a merit based system through the passage of the Pendleton Act in 1883 in response to the assassination of President James Garfield in 1881 by a disgruntled job seeker. The public called for an end to the “spoils system” in government, which allowed for politicians to award supporters with appointed positions. The three provisions of the Pendleton Act, summarized by Patricia Ingraham (2006): 1) requires a requirement for open, competitive exams; 2) prohibits termination for any reason except cause; and 3) bans the coercion of employees for political actions (p. 486).

California enacted a merit system through the Civil Service Act in 1913, creating the Civil Service Commission to ensure competence, equal opportunity, and political neutrality in hiring practices (LHC, 1995). In response to major layoffs, the newly organized California State Employees Association (CSEA) sponsored an initiative on the 1934 ballot placing the principles of the Civil Service Act in the State Constitution, now

known as Article VII (LHC, 1995, 1999; LAO, 1995; Naff, 2006). The measure also replaced the Civil Service Commission with the State Personnel Board, a five person panel responsible for policy setting, managing the personnel system, and administrating over the disciplinary process (LHC, 1995, 1999).

Employee Rights

In 1961, the Legislature expanded the rights of workers through the George Brown Act, granting public employees the right to form labor unions and requiring employers to “meet and confer” with employees prior to making decisions on employments actions (LHC, 1999). Following a recommendation by the Assembly Advisory Council on Public Employee Relations to expand collective bargaining rights, modeled after the National Labor Relations Act, the Legislature passed the State Employer-Employee Relations Act (also known as the Dills Act) (LHC, 1995, 1999; LAO, 1995). The Dills Act expanded the “meet and confer” requirement to employer-employee negotiated terms and conditions of employment (LHC, 1995, 1999, Naff, 2006). The Dills Act also created the dual personnel management structure between SPB and the newly formed Office of Employer-Employee Relations, which oversaw the requirements of the Dills Act under the Governor. The Department of Personnel Administration replaced the Office of Employer-Employee Relations in 1979 (LHC, 1995).

Call for Efficiency

The federal government convened the National Commission on State and Local Public Service (also known as the Winter Commission) to explore performance and

accountability in government. The recommendations of the Winter Commission focused on several areas, but relevant to the civil service discussion, they sought to: 1) provide executive leadership with greater authority, and 2) empower management through deregulation and decentralization of administrative processes by delegating controls over performance policy, reducing job classifications and broadbanding, streamlining hiring and adverse action processes, limiting use of veteran's preference, ensuring performance management, and improving labor relations (Ban, 2005; Thompson, 2008; Burke, Cho, Wright, 2008; Nigro & Kellough, 2008).

The Little Hoover Commission responded to the Winter Commission by convening an advisory group of 90 representatives from management, labor, academia, the public, and the Legislature to identify key problems in California personnel management. Additionally, two public forums were conducted in Sacramento and Los Angeles to explore the regulatory and administrative barriers to change. The resulting report, *Too Many Agencies, Too Many Rules (LHC 1995)*, found that resulting reforms must address the structural and administrative processes and must include all stakeholders to succeed. The LAO (1995) also released *Reinventing State Civil Service*, which outlines the problems caused by civil service laws and rules.

Fifteen bills were introduced in the 1995-96 legislative session based on the recommendations from the LHC, but only two of the bills passed that addressed minor administrative recommendations (Naff, 2006). LHC released the report *Of the People, By the People (1999)* due to the failure to make sufficient reformatations in the years following 1995. The LHC (1999) shifted approaches from earlier reports by providing a

collaborative process for stakeholders to identify the changes that need to be made and develop an approach to accomplish that change, but the report never resulted in any sufficient change.

Governor Schwarzenegger, upon taking office, championed the “fix government” movement fashioned after Clinton’s National Performance Review and G.W. Bush’s President’s Management Agenda to reduce inefficiencies of government, control costs, and ensure accountability. The California Performance Review produced over 1,200 recommendations in total, including many of the suggestions of the prior LAO and LHC reports. Many believed that the enthusiasm that carried Schwarzenegger into office would sweep through the governmental bureaucracy and accomplish the reform.

Schwarzenegger ignored the suggestion from the 1999 LHC report to use a collaborative approach, instead demanding change from the Legislature, unions and other stakeholders. In the end, the recommendations that required legislature approval, which included all the sufficient civil service changes, never succeeded.

Union Resistance to Modern Reform

The unions’ resistance to modern reform can be summarized by one word: contention. There are two areas of communication breakdown with the unions: the first is influenced by the relationship with the Governor; the second is the incentive present for the unions to use other political and legal avenues when they disagree with an outcome.

The relationship between the Governor and the unions is an essential criteria for the success of reform efforts. In the nineties, Governor Wilson backed the privatization of some state services in an effort to reduce costs. The unions contested the reform, taking

Wilson and the state to court. The case went to the California Supreme Court. The ruling interpreted Article VII to include contracting out only when those tasks could not be provided by a civil servant (LHC, 1995; Naff, 2006).

The LHC (1995) reported that a majority of the unions are frustrated with the administration due to a lack of mutual respect and the reduction of overall state costs through a reduction of salaries and wages during hard economic times (p. 113). Almost fifteen years later, the same feelings could be expressed today regarding the unions' relationship with Governor Schwarzenegger. An example of Schwarzenegger's impetuous relationship with unions is the impasse he declared in contract negotiations with the California Correctional Peace Officer's Association (CCPOA), allowing him to impose his own contract terms (Department of Personnel Administration, 2007).

His relationship with all the state unions worsened with the economic downturn in 2008. Schwarzenegger ordered two furloughs a month in December 2008, increasing it to three days a month in June 2009, and again in July 2010. The unions filed suit and the California Supreme Court ruled that the Governor did not have the authority to impose furloughs, but the Legislature did, and passage of the 2009-10 Budget Act assumed approval of the furloughs (Siders, 2010). Given the economic pressures to reduce spending it is hard to determine if the relationship between Brown and the unions will improve, although CCPOA, Service Employees International Union, and many of the unions did endorse Brown in the 2010 election.

The DPA clearly feels the unions circumvent collective bargaining by taking issues to the SPB or to the Legislature (LHC, 1999). For example, regarding changes to

the classifications, the unions can reject proposals from DPA by making their case to SPB (SPB has final approval on classification classes). Additionally, the unions have legislatively pursued items that should have been negotiated at the bargaining table. The LHC reported that the unions used their influence in the passage of SB 539, regarding the donation of leave credits, and AB 634, to redefine family members, two issues that could easily been negotiated (LHC, 95).

Lack of a momentum for change and resistance from the unions to reform civil service has prevented efforts for process improvement. Many of the recommendations made by California's independent reviewers were never addressed by the state. In order to develop a baseline of civil service challenges in California, the next chapter will reassess the problems identified by the Little Hoover Commission, Legislative Analyst's Office, the Bureau of State Audits, and California Performance Review.

Chapter 3

THE STATE OF CALIFORNIA'S CIVIL SERVICE

The Winter Commission inspired several civil service reform efforts at the federal and state level since its completion eighteen years ago. Together, the Little Hoover Commission (LHC), Legislative Analyst's Office (LAO), Bureau of State Audits (Audits), and the California Performance Review (CPR), have released eight independent reports with recommendations to improve the efficiency and effectiveness of California's civil service. Below is a discussion of each challenge as framed by the independent assessors, and their suggested recommendations for reforming the existing civil service system in California.

Classification

Classification specifications are used in state service to identify the minimum qualifications needed to perform the work for a given position. The classification specifications form the basis for determining pay scales, developing examinations, and identifying training needs. Challenges addressed by independent review stem from two areas. First, there is a systematic flaw in the governance structure of state personnel functions that creates high costs in resources to change, monitor, and control the system. As a result many classifications have not been updated to meet current needs. Second, outdated and narrow classifications do not provide management with the flexibility to meet program goals.

Efforts to change, monitor, and control classification system creates high costs

The divided structure of SPB and DPA is the greatest challenge to revising the state classification system. The establishment and revision of classifications is owned by the five member personnel board, but DPA must first approve all changes. DPA also solely owns revisions to classification pay scales. The process to revise classifications is further complicated by the role of the collective bargaining. Many classifications have not been updated in the last twenty years (CPR, 2004).

There are currently over 4,400 state classifications, represented by 21 different bargaining units. CPR (2004) reported that 37% of the classifications have five or fewer incumbents, and 1,062 classifications have no incumbents (p. 1575). To either develop a new classification or modify an existing classification, the process is the same. The department submits a concept paper to DPA. If approved, a more detailed plan is developed by the department. The plan is shared with the affected unions by the department. Once DPA approves the classification plan it then is submitted to SPB for review and placed on the consent calendar. If opposed, a public hearing is scheduled. The process can take from a couple of months to years (LHC, 1999). DPA staff verified, in the California Performance Report, that the only classification proposals pursued over a five year period were agreed to in contract negotiations (CPR, 2004).

There is a fundamental argument between DPA and SPB on the legal interpretation of the merit law and what personnel issues can be negotiated at the bargaining table. DPA (2009) publishes on their website an eleven page document, *Who Does What?*, listing which personnel functions are owned by each of the personnel

departments. The confusion over ownership spills into the legal system, costing DPA and SPB time and resources. CPR (2004) reported SPB spent an average of 50 hours a month on litigation with DPA for the period of June 1998 to March 2004. In contrast, DPA on average spent over 18 hours a month for the period of December 1998 to March 2004 (p. 1514). DPA, SPB, the unions, employees and departments all agree that the dual personnel system is complicated and stymies growth, but none of the parties are willing to agree on the change needed (CPR, 2004).

Classifications do not provide managers the flexibility to meet program goals

The Little Hoover Commission found that the lack of flexibility around the classifications does not provide departments with the tools needed to address public priorities. The limited scope of the classifications prevents managers from reassigning workload and duties to meet changing needs. As discussed above, minor revisions go through the same approval process as a request for a new classification (LHC, 1995, 1999). An alternative to creating or modifying a classification is the demonstration project. California Government Code (§19600) defines a "Demonstration project [as] a project conducted by the State Personnel Board, or under its supervision, to determine whether a specified change in personnel management policies or procedures would result in improved state personnel management.

The Managerial Consolidation project was a demonstration project started in 1996 to condense several managerial classifications with similar duties into a broad class and to explore alternatives to the traditional methods of classifications, selection, and compensation. The proposal looked at consolidating 326 managerial classifications to 13

broad classifications. Anticipated improvements were faster hiring periods for managers, greater flexibility in job match, and pay for performance. The California State Employee's Association (CSEA) opposed the project and it was abandoned with the new Davis Administration. CSEA also opposed an attempt by DPA to abolish 100 classifications in 2003, and this project was abandoned (CPR, 2004).

LHC and CPR Report Recommendations

Consolidating personnel management functions into one governing agency was recommended by both the Little Hoover Commission and California Performance Review as a remedy to address the ineffective and unproductive process of monitoring the classification system in the state. Personnel management functions would be consolidated into DPA and the five member state personnel board would remain as the appellate body for hearings (LHC 1995, 1999; CPR, 2004). The Little Hoover Commission further recommended granting DPA the authority to delegate to the departments the ability to oversee classifications (LHC, 1995).

CPR suggested DPA work with the unions to abolish classifications with no incumbents after a two year period (CPR, 2004), and both CPR and LHC recommended broadbanding major occupational groups into generalized classifications to simplify the classification system (LHC 1995, 1999; CPR, 2004). Additionally, LHC (1995) proposed departments should be given the authority to negotiate additional agreements with the unions for individual departmental needs to provide management with greater flexibility. Lastly, LHC (1995) recommended California Government Code (§19600) should be amended to simplify the process for demonstration projects. Demonstration

projects provide a good venue for piloting new reform methods, and a forum to discuss concerns from all stakeholders (LHC, 1995) Table 3.1, below, summarizes the recommendations offered by LHC and CPR.

Table 3.1: LHC and CPR Recommendations to Improve Classification System

Challenge	Recommendations	Report	
		LHC	CPR
Efforts to change, monitor, and control classification system creates high costs	Consolidate personnel management functions into DPA	X	X
Classifications do not provide managers the flexibility to meet program goals	Abolish classifications with no incumbents		X
	Broadband major occupational groups	X	X
	Amend Government Code 19600 to simplify process for demonstration projects	X	

Recruitment and Selection

California Government Code (§18900) stipulates that job applicants are entitled to a fair and competitive selection process. Critics of the state hiring process argue that the current practices have moved away from the spirit of the law. Each of the independent assessments conducted concluded that the flawed hiring process limits the ability of managers to hire quality candidates. At the core of the problem are: costly and ineffective examinations, no coordinated effort to recruit quality candidates, confused information on the hiring process, and non-meritorious preference points for veterans.

Examinations are Costly and Ineffective

The state hiring process consists of two phases: recruitment and selection. The main component of the recruitment portion is the competitive examination. Applicants are tested for the skills, knowledge, and abilities needed for the given classification, and

then ranked on an eligibility list. Those who score in the highest three ranks are considered eligible for hire. During the selection process, applicants apply for advertised positions and seek interviews. The selection process may include additional evaluations and tests, and is not complete until the applicant finishes a probationary period (LAO, 1995).

In 1982, Assembly Bill 3332 delegated the authority to state departments and agencies to design and administer examinations, but the process to fully decentralize the examination process was not fully realized until the end of the century (SPB, 2003). SPB concluded in their final evaluation that the deficiencies of decentralized testing are not systematic of SPB's rules and regulations, but the result of poor test development, inconsistent application of qualifications, inaccurate test scores and ranking, and the use of criteria outside the scope of classification specifications in examinations. SPB attributed these deficiencies to the lack of trained staff (SPB, 2003).

The LHC and the LAO found that the decentralization of testing to the departments did not result in improvements. The prolonged and expensive examination process creates initiatives for the departments to offer internal promotional exams in an effort to simplify the process and reduce costs, resulting in a reduced candidate pool that is closed to quality candidates from outside state service (LHC, 1999, 2005; LAO, 1996).

Lack of a coordinated recruitment effort

The analogy "breaking into state service" is aptly named because there is little to no information for those job seekers outside of the system. For outsiders, the information available through SPB and DPA is complicated to understand, gives little information on

the exam process, does not advise individuals on which exams are available based on competencies and prior experience, and does not indicate what to study for on the exam (LAO, 1995; LHC, 2005; CPR, 2004). Additionally there is no coordinated recruitment effort to target quality candidates based on state workforce needs. Many departments focus recruitment in high demand areas, but in general no centralized program exists to target recruitments based on occupational and geographic needs of the state (CPR, 2004).

All of the assessments specifically point out that the lack of recruitment for recent college and universities graduates and qualified managers from outside state service hinders the ability of the state to respond to the increase in retirements (LHC, 2005; CPR, 2004). The entry-level position for most college graduates is the staff services analyst, but between 1999 and 2004 only 6% of the 7,600 open positions were hired outside of state service. The state practice of promoting internally prevents younger, highly educated candidates from entering state service (LHC, 2005).

Until recently, the examination process was closed to most classifications except entry-level positions, which prohibited quality managers from other public and private sectors from competing for open positions (LAO, 1995; LHC, 1995, 2005). The Little Hoover Commission (2005) found that between 1995 and 2004, none of the staff services managers (out of 2,592 open positions) were hired from outside state service (p. 11). Lack of entry into state service diminishes the quality of leadership and experience that managers from public and private sector can bring into the state.

Use of preference points prohibits fair, competitive examination process

The final challenge to entry into state service is the use of preference points. Veterans and current state employees applying for employment receive preference points, in addition to their exam scores, moving them to the top of the ranking system. Management is only able to consider candidates in the top three ranks under California Government Code (§ 19057). Preference points interfere with the fair, competitive exam process by preventing hiring managers the ability to choose candidates based solely on ability (LAO, 1995, 1996).

LAO, LHC, SPB, and CPR recommendations

The Status of the State's Decentralized Testing Program (SPB, 2003) proposed several recommendations to address the deficiencies found in selection and recruitment processes. Most importantly, SPB recognized the need to provide state departments and agencies with an expert consultative role by establishing standards and guidelines, offering necessary training to examination staff to ensure compliance in test development and selection tools, and providing greater access to SPB staff for guidance (p. 108).

Opening the examination process to outside candidates, specifically for management classifications, was recommended by the Little Hoover Commission and the Legislative Analyst's Office to provide hiring managers with greater flexibility in the hiring process. Open examinations on a continuous basis allow a larger candidate pool of applicants to ensure a better job match (LHC, 1999, 2005; LAO, 1996).

The California Performance Review (2004) and Little Hoover Commission (1999, 2005) both recommend the need to establish a central statewide college and university

recruitment program to entice the best and brightest to enter state service. Additionally, CPR (2004) recommends establishing intern programs for students and expanding the student assistant and graduate student assistant positions to promote entry into state service (p. 1544). College graduates enter into state service with better analytical and problem solving skills (CPR, 2004) and will be better positioned to be ready for management positions in the future (LHC, 1999). To address concerns over the increased numbers of retiring managers, CPR (2004) and LHC (1999) recommend the expansion of the career executive appointment position to all levels of management and to open the management classification to outside individuals.

The coordination of recruitment efforts should be organized by a centralized program that expands information available to job seekers through the internet. The website should contain a complete listing of all examinations and job postings (LHC, 1999; CPR, 2004). The state should re-establish the State Employer Service Center for the purpose of providing job seekers with information by telephone and walk-in (CPR, 2004). Lastly, the coordinated program should collect statewide recruitment data for use in workforce planning by the state and for assessing the effectiveness of the program (CPR, 2004).

The LAO (1996) recommends amending Government Code Section 18951 and 18971 to discontinue the use of performance points for non-merit and non-job related reasons. Eliminating the use of preference points for veterans and current state employees will ensure a fair and competitive examination process and will ultimately result in a

more qualified candidate pool (p.166). Table 3.2 summarizes the recommendations made by LAO, LHC, SPB, and CPR to improve recruitment and selection processes for hiring.

Table 3.2: LAO, LHC, SPB, and CPR Recommendations to Improve Hiring

Challenge	Recommendations	Report			
		LAO	LHC	SPB	CPR
Examinations are costly and ineffective	Establish clear standards and guidelines			X	
	Provide departmental staff appropriate training			X	
	Open exams	X	X		
Lack of coordinated recruitment effort	Open staff services analyst and manager exams	X	X		
	Coordinated recruitment program for college and university students		X		X
	Centralized recruitment program		X		X
Preference points for Veterans diminish fair competitive exam process	Limit exam points for non-merit reasons	X			

Workforce Planning

The Bureau of State Audits (2007) identified human resource management as a high-risk area in the report, *High Risk: The California State Auditor's Initial Assessment of High-Risk Issues the State and Select Agencies Face*, due to the increased number of retiring state employees. Audits (2009a) reported on a survey conducted by DPA on workforce planning efforts in the state. They found 59% of departments have not started or are just beginning process on workforce plans and 52% of departments have not started or are just beginning process on succession plans (p. 14). The lack of planning by the state reveals two core problems in addressing this risk. First, there is no momentum to

conduct workforce planning, and second, there is little workforce data available to the departments for workforce planning.

No momentum for workforce planning

Currently California does not require departments to submit workforce plans (Audits, 2009a; CPR, 2004; LHC, 2005). DPA worked to institute statewide requirements for departmental workforce plans through SB 721 sponsored by Ashburn, but the bill died in the Assembly Appropriations Committee (Audits, 2009a). Additionally, the workforce planning method suggested by DPA requires workforce plans to align to departmental strategic plans. In 1994, the legislature passed the State Government Strategic Planning and Performance Review Act requiring departments to submit strategic plans to the Department of Finance, but by 2001 provisions of the law changed and the requirement was revoked (CPR, 2004). Each of the independent reviewers felt that without a legal requirement for the departments to submit planning documents, there was little incentive for the departments to complete workforce and strategic plans independently (Audits, 2009a; CPR 2004; LHC, 2005).

Reported in, *High Risk Update—Human Resources Management* (Audits, 2009a), DPA and SPB provide the state with tools and resources for workforce planning, but interest from the departments has declined (p. 17). In 2008, DPA conducted two workforce planning conferences and developed a workforce planning website. SPB offers a one day introductory class on workforce planning. At the time of the report, 60 participants attended the class between March 2006 and March 2009, but of the 14 classes offered, six were canceled due to lack of interest (Audits, 2009a).

Insufficient data to produce workforce plans

Existing workforce data is limited and available data is not comparable statewide. The State Controller's Office, Department of Finance, SPB, and DPA all collect employment data on the state workforce. Each of the departments has a different use for the data and uses different data collection methodologies. For example, each of these departments may collect statistics on the number of employees in the state, but each uses different parameters resulting in four different figures (CPR, 2004). None of the reports reviewed for this thesis addressed if individual departments are tracking their own workforce data.

LHC, Audits, and CPR recommendations

A requirement to establish departmental workforce plans to address workforce gaps between employee skills and future organizational goals was recommended by CPR, LHC, and Audits (CPR, 2004; LHC, 2005; Audits, 2009a). In order to complete a gap assessment on workforce needs as identified in the workforce planning guidelines suggested by LHC, CPR, and Audits highly recommend the Legislature re-establish the strategic planning requirement (LHC, 2005; CPR, 2004; Audits, 2009a).

CPR (2004) recommended the state establish a centralized unit to collect workforce data and develop a statewide workforce plan to manage statewide hiring (p. 1533). The State should manage workforce needs at a system-wide level using the available data, and assist departments with development of plans. Table 3.3 summarizes the recommendations offered by LHC, Audits, and CPR to ensure workforce planning among the state departments.

Table 3.3: LHC, Audits, and CPR Recommendations to Ensure Planning

Challenge	Recommendations	Report		
		LHC	Audits	CPR
No momentum for workforce planning	Require workforce plans	X	X	X
	Require strategic planning	X	X	X
Insufficient data to produce workforce plans	Establish centralized unit to collect workforce data			X

Performance Management

Performance management is the on-going conversation between employee and supervisor to address training needs, merit-based compensation, and, when needed, performance issues. Challenges addressed by independent review focus on three areas of concern for the state: the state lacks a commitment to training, state managers lack the skills needed to manage, and the state is hindered in its ability to promote a culture of accountability.

State lacks commitment to training

Currently the state has no formal policy on training. California Government Code (§19995) states that training should be provided to employees to continually improve the quality of services, and that the contracts decided through collective bargaining with the unions determine rules and regulations around training. State agencies are required to develop annual training plans that assess departmental needs, but there is no mechanism in place to monitor the plans (LHC, 2005). Following the CPR recommendations to expand training in the state, Governor Schwarzenegger closed the State Training Center (LHC, 2005).

State managers lack the skills needed to manage

The lack of investment in training coupled with the large percentage of state leadership expected to retire in the next seven years poses a risk to the state due to the reports issued by the Little Hoover Commission that find many state managers lack the skills needed to manage (LHC, 1995, 1999, 2005). Currently the state requires 80 hours of training for new supervisors and managers, and leadership academies are offered through some of the larger departments, such as the Department of Social Services and the Department of Corrections and Rehabilitation. LHC praised these efforts made by the state to ensure training, but found them insufficient to prepare current and future managers statewide (LHC, 2005).

State is hindered in its ability to promote a culture of accountability

A culture of accountability is achieved through continuous conversations between employee and supervisor on expectations of performance. Supervisors should have the flexibility to acknowledge good performance with pay increases. The state currently awards a five percent merit salary adjustment (MSA) on an annual basis automatically. Over 99% of employees are awarded an MSA every year (LHC, 1995; LAO, 1995). The CPR (2004) further stated that the MSA gives, “no incentive for managers to conduct annual performance reviews [and] no opportunity to distinguish excellence” (p. 1589).

The other side of performance management is the disciplinary process. The disciplinary process contains three stages: preventative actions, corrective actions, and adverse actions (LAO, 1995). Much like the classification process, adverse actions have

high costs in resources and discourage managers from addressing performance issues (LAO, 1995; LHC, 1995).

California Government Code (§19572) governs the adverse action process beginning with the issuance of the adverse action by the employee's manager, with the assistance of Human Resources. The employee is granted a "Skelly" hearing which allows the employee to present her case to department leaders. If the department moves forward with the adverse action, the employee can appeal the case to the SPB. An Administrative Law judge reviews the case and determines if it can proceed to the State Personnel Board. The five member State Personnel Board rules to either sustain, revoke, modify, or approve a settlement with the employee (LAO, 1995; LHC, 1995). LAO (1995) reported SPB annually charges state departments \$2.5 million for administrative law judges to hear adverse action cases.

LHC and CPR recommendations

Both CPR (2004) and LHC (2005) recommended the state adopt a comprehensive training policy that acknowledges the significance of employee training to meeting organizational goals. The establishment of a statewide centralized training program should be included in the development of the training policy to provide employees access to all training provided through the state, private vendors, and California colleges and universities. The training portal should also include a registration system to ease access to training and provide the state with a tracking system for training data (CPR, 2004). Lastly, the State should work with the Department of Finance to tie training dollars to

position allocations to ensure departments provide staff development on a continuous basis (LHC, 2005).

As part of workforce and succession planning, CPR (2004) and LHC (2005) recommend the State develop leadership capacity in current and future state managers. Training should be developed at all levels of management--supervisors, middle managers, senior managers, and executives--and aligned to the leadership competencies needed to achieve organizational goals (CPR, 2004; LHC, 2005). As part of succession planning, CPR also recommends the establishment of a mentoring program to develop future leadership (CPR, 2004).

To change the culture of accountability in the state, departments should provide training to HR staff, supervisors, and managers on performance management to ensure that supervisors not only understand the rules and regulations on performance managements, but understand their role in communicating expectations and conducting annual performance appraisals to prevent poor performance from escalating into larger problems (LHC, 1995; CPR, 2004).

DPA should work with unions to establish performance standards for rank and file employees at the bargaining table. By discontinuing the use of automatic merit salary adjustments and agreeing to new standards around performance and salary increases, employees and managers will have a greater understanding of expectations. Performance standards will provide managers with more flexibility to manage performance within the unit and reward excellence, when justified (CPR, 2004). DPA should also re-establish pay for performance for managers and executives. Performance goals should be identified

annually and tied to salary adjustments. LHC (1995) recommended that DPA expand the Career Executive Assignment program to all levels of managers to provide the state with more authority to manage performance (p. 72).

To resolve disciplinary actions and improve the lengthy process, LHC (1995, 1999) recommended two options for improve efficiency: 1) the Legislature should enact legislation on the use of arbitration or mediation to resolve employee appeals; 2) DPA and the unions should resolve to use arbitration or an independent panel through collective bargaining (p. 85). The use of alternative dispute models will create a process that ensures the employee a fair and efficient process (LHC, 1995, 1999; CPR, 2004). Table 3.4, on the following page, summarizes recommendations made by LHC and CPR to promote employee performance management.

Many of the recommendations proposed by the LAO, Audits, LHC, and CPR to address the challenges of classification, recruitment and selection, workforce planning, and performance management, have yet to be resolved. Chapter 4 will present research and practices of other states who have addressed similar challenges in civil service reform to help frame the discussion on the best approach for California to improve civil service functions.

Table 3.4: LHC and CPR Recommendations to Promote Performance Management

Challenge	Recommendations	Report	
		LHC	CPR
State lacks commitment to training	Develop statewide training policy	X	X
	Establish centralized training program and website		X
	Build training costs into position allocations	X	
State managers lack the skills needed to manage	Develop leadership development program	X	X
	Establish mentoring program for future managers and executives	X	
State is hindered in its ability to promote a culture of accountability	Provide training to HR staff, supervisors, and managers on performance management		X
	Work with unions to develop performance standards for rank and file employees		X
	Adopt a performance compensation policy for managers and executives (pay for performance)	X	X
	Require Arbitration	X	

Chapter 4

CIVIL SERVICE REFORM TRENDS

This chapter presents examples from other states who addressed the challenges of inefficient and ineffective human resource processes while implementing civil service reform in the areas of classification, recruitment and selection, workforce planning, and performance management. The successful implementation of civil service reform is highly dependent on the political influence of the unions particularly in the areas of classification and performance management. (Hou, Ingraham, Bretschneider, & Seldon, 2000; Kearney, 2006). Modern civil service reform has used two different approaches to implementing change within states that have collective bargaining rights: a private sector model that abolishes merit protections, or a strategic model working with the unions in a collaborative process.

The private sector reform model seeks to improve the efficiency and effectiveness of the organization in responding to program goals by decentralizing authority over human resource functions to the manager (Condrey, 2005; Hays & Sowa, 2006; Condrey & Battaglio, 2007). Proponents of a private sector model believe that the ideals of merit, once espoused to end patronage, have deteriorated and only protect civil servants from poor performance (Ingraham, 2006; Condrey & Battaglio, 2007). Public organizations using the private sector model will be more productive by eliminating civil service protections in exchange for at-will employment, implementing pay-for-performance, and granting managers more authority over personnel decisions (Coggburn, 2005, 2006; Condrey & Battaglio, 2007).

Strategic reform seeks to modernize current merit based practices, while providing managers with more discretion over personnel decisions. Strategic reform is the hybrid approach between the traditional public human resource management model and the private sector model (Condrey, 2005). Strategic reform, like private sector reform, places value in a decentralized approach to managerial authority to ensure organizational effectiveness, but also seeks to incorporate the values of equity and fairness in the merit system through a consultative and collaborative role at the central state agency level (Condrey, 2005; Klingner & Lynn, 2005).

Classification

As identified in the last chapter, outdated and narrow classifications do not provide management the flexibility to hire qualified candidates and meet program goals. The current processes to make changes, monitor, and control the classification system create high resource costs for public entities. Reform efforts in other states addressed challenges to outdated classifications through restructuring the governance structure. Discussed below are the implications of governance structure and authority on a classification system and the modernization of those classifications on managerial flexibility.

Movement to decentralize authority over classification

Under the banner of increased managerial flexibility, organizational responsiveness, and improved hiring processes, many states are moving toward a model of decentralized human resource functions. Decentralized human resource functions place authority at the departmental level allowing hiring managers more control over hiring

processes. Centralized authority over personnel functions can provide many benefits to states by ensuring consistent application of rules and regulations, and providing economies of scale over duplicative processes (Selden, Ingraham, & Jacobsen, 2001; Cogburn, 2005). Many states find themselves balancing on a continuum between central and decentralized functions to meet organizational needs (Seldon, 2010).

Analyzing data from the Government Performance Project, Hays and Sowa (2006) found that 48% of the states use a partial form of decentralized human resource authority and 30% of states have moved towards significant decentralization (p. 107-108). Also utilizing data from an earlier Government Performance Project survey, Seldon et al. (2001) found that those states that do decentralize personnel functions, more than 50% retain control over the classification system (p. 600).

The presence of unions with strong political power can also influence the ability of a state to decentralize (Hou et al, 2000). Of the 20 states that are partially decentralized, 48% expanded at-will employment, and for those states that have significant decentralization, 80% function in an at-will employment system (Hays & Sowa, 2006). Many states have expanded at-will employment by placing classified employees into unclassified positions, thereby eliminating merit protections and limiting the role of collective bargaining. Merit protections have become interconnected with the administration of civil service systems including the rules and regulations around fair, competitive hiring, property rights, and due process (Ingraham, 2006).

Restructuring governance through the elimination of merit protections. In the early 1990s, Georgia enacted two reform efforts under Governor Zell Miller to transition the civil service to at-will employment (West, 2002; Kellough & Nigro, 2002, 2005, 2006; Battaglio & Condrey, 2006). The first reform, GeorgiaGain, restructured personnel management processes to implement a pay for performance system for the purpose of increasing employee motivation and productivity. Initiatives of GeorgiaGain included: a significant reduction in classifications, competitive entry and mid-levels salaries, and an employee appraisal system (Kellough & Nigro, 2002, 2006).

The second reform effort resulted in the passage of the Merit System Reform Act (Act 816) to decentralize the structure of personnel authority to the agency level and remove civil service protections, including longevity rights and due process, for all new employees hired after July 1, 1996 (Kellough & Nigro, 2002, 2006; Gossett, 2002; West, 2002; Battaglio & Condrey, 2006). Additionally, merit status was tied to a position, so all employees who transferred into “unclassified” positions lost their merit status (Gossett, 2002). As of June 2010, only 14.88% of Georgia’s classified positions still exist (Georgia State Personnel Administration, 2010).

The decentralization and deregulation of personnel authority to the state agencies, through Georgia Act 816, granted agencies with the power to define agency-specific classifications including the qualifications and pay ranges; allocate agency positions to the new classifications; tailor new recruiting and hiring procedures at the agency level; and develop agency-specific personnel policies aligned to state and federal employment laws (Kellough & Nigro, 2006).

An informal assessment by the International Personnel Management Association, reported by West (2002), found that decentralization and elimination of the merit protections positively resulted in decreased time to fill positions, improved qualification requirements and selection procedures, and the ability to terminate poor performers (p. 82). From a negative standpoint, the hiring managers and Human Resource professionals struggled to develop consistent and fair hiring practices and salary management across various agencies due to the lack of a centralized authority (Lasseter, 2002).

Governance structure in a heavily unionized state. The current battle in Wisconsin to end collective bargaining rights is ironic due to the collaborative relationship between labor and management that existed for the last fifteen years prior to the recent inauguration of Governor Scott Walker. Wisconsin efforts to use consensus based bargaining provides an excellent example of strategic reform even given recent developments because it reflects the best practice of collaborative reform.

After years of contentious labor-management relationships that prolonged contract negotiations, the Wisconsin Office of Employment Relations established a consensus based model for negotiations in 1991 that is foundational for the many successful reforms the state has enacted (Hays, 2004; Fox & Lavigna, 2006). All labor and management leaders attended trainings to learn the basics of interest-based bargaining, followed by on-going workshops in specific topics, such as active listening and conflict resolution. At the beginning of each workshop, participants identify and develop action plans to improve current labor-management problems (Hays, 2004).

Wisconsin remains control over the classification system through the Department of Employment Relations. Taking a consultative role, the Department of Employment Relations included the unions in a consensus model to develop a new classification system that improves the ability to reward performance, improved the time to classify and reclassify positions, and provided managers with flexibility in determining classification and pay (Fox & Lavigna, 2006).

Modernizing classification systems

At the core of the discussion on outdated classifications is a tool for managers to improve hiring and reward systems through the simplification of job classifications into more meaningful groups, eliminate unused job titles, and create a rewarding compensation system for future and current employees. Many recent reform efforts to modernize classifications have addressed those concerns through the implementation of broadbanding.

Broadbanding combines similar classifications into broad pay bands to provide managers with greater flexibility to hire and promote within a range (Hays, 2004; Whalen & Guy, 2008; Llorens & Battaglio, 2010). Traditional classification systems attach position compensation within a grade plan where employees are hired at the minimum range and granted step increases (Rainey, 2006; Llorens & Battaglio, 2010). Broadbanding is associated with pay for performance and therefore unions historically opposed the reform for fear of inequity among civil servants (Rainey, 2006; Whalen & Guy, 2008).

Broadbanding in a strategic model. Following the 1996 Commission on the Reform of State Human Resource System, the Wisconsin Department of Employment Relations implemented a broadband pay system initially as a project for Information Technology classifications and further expanded it over time. The broadbanding system implemented in Wisconsin resulted in two key accomplishments: first, the number of classifications reduced from 2,600 to 1,900 (Fox & Lavigna, 2006); second, agencies were granted delegated authority to set starting salaries and provide increases in salaries and bonuses for permanent employees up to 12% annually. These accomplishments provided agencies and line managers with the flexibility to recruit talented applicants and manage employee performance through incentives (Fox & Lavigna, 2006; Hays, 2004).

Hays (2004) identified the key indicators of a successful broadbanding program; several of these characteristics are present in Wisconsin's approach to updating the classification system. An effective program incorporates stakeholder involvement in the design of updated and new classifications, a process to mediate and monitor equity and fairness issues, managerial training in compensation, and predetermined criteria for salary increases and bonuses (p. 271).

Broadbanding in a private sector model. In 2001, Florida Governor Jeb Bush implemented Service First, eliminating seniority for all employees, transitioning all managers and supervisors into at-will employment through the Selected Exempt Service, and establishing broadbands for all job classifications as a basis for pay for performance (Walters, 2002; West, 2002; Battaglio & Condrey, 2006). A team of managers, Governor's office employees, and legislative staff used the Federal Standard

Occupational Classification to form the classification system (Whalen & Guy, 2008). Florida reduced 3,300 classifications into 38 broad occupational groups and 25 pay bands (Walters, 2002). Florida failed to achieve the goals of pay for performance because the new pay bands did not provide formulas for the pay increases, and agency budgets were not provided for cost of living adjustments or performance increases. In the end, very few employees benefited from the reform (Whalen & Guy, 2008).

Surveying all 50 states on the adoption of broadbanding systems, Whalen and Guy found discouraging results (2008). At the time of the survey, only 12 states adopted broadbanding, and an additional four implemented it in a limited way through a department or program. Of the 34 states that did not use broadbanding, 18 decided against it. Results of Whalen and Guy's survey found that broadbanding failed to produce the intended results due to the lack of budgetary and managerial discretion needed to tie pay for performance to the new pay bands, and therefore did not achieve the flexibility that managers desired (p. 350).

Other efforts to modernize classification systems. Of the 34 states that chose not to pursue broadbanding, many of them implemented changes to their classification systems through other avenues. New York reduced the number of classifications by 2,000 by grouping specialized titles into larger categories. New York eased the fears of the unions over pay discretion and was able to accomplish a great deal of change to the antiquated classification system through interest-based negotiations (Kearney, 2006; Riccucci, 2006). Georgia Act 816 granted agencies with the authority to define agency-specific classifications, including the qualifications and pay ranges, and allocate agency

positions to the new classifications (Kellough & Nigro, 2006). Table 4.1, on the following page, summarizes reform trends to simplify classification systems in other states.

Table 4.1: Reform Trends for Classification Systems

Challenges identified by California independent review	Reform Trends
<p>Efforts to change, monitor, and control classification system creates high costs</p> <p>Classifications do not provide managers the flexibility to meet program goals</p>	<p>Decentralize authority to establish and modify classifications to agency level. Examples: Georgia, Texas, Florida, Virginia</p> <p>Eliminate merit protections through at-will employment: Examples: Georgia, Texas, Florida, South Carolina, Arizona, Kansas, Missouri, Nevada</p> <p>Modernize classification systems:</p> <ul style="list-style-type: none"> Broadband classifications-Examples: Wisconsin, Virginia, South Carolina, North Carolina, Montana, Missouri, Florida, Illinois, Indiana, Kansas Collaborate with stakeholders to improve classifications-Examples: New York, Wisconsin

Recruitment and Selection

Efforts to provide efficiency to recruitment, testing, and selection processes while maintaining equity within a human resource management system is a major challenge. As addressed in the last chapter, independent reports found that California's recruitment and selection processes were flawed due to costly and ineffective examinations, no coordinated effort to recruit quality candidates, confused information on the hiring process, and non-meritorious preference points for veterans. Discussed below are examples from other states who addressed efficiency and effectiveness challenges to recruitment and selection processes by finding a balance between centralized and decentralized hiring practices, modern recruitment efforts, and the development of alternative testing methods.

Centralized vs. decentralized authority over recruitment and selection processes

Centralized recruitment and selection ensures consistency, and takes advantage of economies of scale for statewide practices. Decentralized efforts to recruit and select provide agencies and hiring managers with greater flexibility and discretion to hire quality candidates. The mixed approach between centralized and decentralized authority over hiring practices is commonly found throughout state practices (Seldon et al., 2001). Many states centralize examinations and recruiting when economies of scale produce benefits and decentralize applicant selection to provide hiring managers more control over selection (Seldon, 2001, 2006; Seldon et al, 2001).

Selden (2006) studied the effects of unionization on authority structure and development of policies and procedures of hiring practices. The study found little statistical evidence to suggest unions create a barrier to change around recruitment and selection practices (p. 61-62). Selden's study suggests that the balance between a centralized-decentralized approach may have more to do with efficiency measures and less to do with merit provisions.

The Wisconsin Department of Employment Relations serves in a consultative role, delegating authority to agencies for examinations, application processing, candidate evaluation and ranking, and hiring. To provide consistency to agencies on hiring practices, the Department of Employment Relations establishes formal policies and procedures, conducts training, and performs compliance audits. Additionally, recruitment efforts are supplemented by the Department of Employment Relations through full time staff who assist agencies with statewide recruitment efforts. By taking a consultative role

the central department is able to focus on the development of strategic statewide approaches to hiring on behalf of the agencies (Fox & Lavigna, 2006).

Georgia also delegates recruitment and selection authority to the agency level. Agencies are responsible for recruitment and developing procedures for screening and hiring applicants. Agencies can contract with the Georgia Merit System to provide testing and consultation on hiring practices. The Georgia Merit System provides a centralized recruitment effort by providing a listserv on recruitment information so that agencies to share costs on retirement fairs, and conducts a monthly statewide council on recruitment (Condrey, 2002; Walters, 2002; Seldon, 2010). Georgia reduced the hiring process from ten weeks to four weeks as a result of their reform efforts (Lasseter, 2002).

Modern Recruitment Efforts

Traditionally, states take a passive role in recruitment efforts, allowing applicants to self-pursue employment opportunities (Hays and Sowa, 2006). Due to the expected increase in the number of public employee retirements, the focus on recruiting a qualified candidate pool is essential to the success of a state in meeting public needs. Current reform efforts focus on increasing recruitment of job applicants through enhanced websites and application technology, and targeted recruitment of college graduates.

Online recruiting presents states with significant cost savings in recruitment costs and provides job seekers with convenience. Seldon (2010) reported data from the 2007 Government Performance Project (GPP) on recent efforts of states to promote on-line recruiting. The GPP surveyed all 50 states and developed rating criteria on the content of

information and usability of websites to measure the user experience of state recruiting websites. The GPP found a user-friendly experience resulted in more applicants (p. 10).

Indiana, Vermont, Virginia, and Washington all ranked highest in content and usability. Aspects of a good recruitment website include: the importance of public service, information on workplace culture, career paths and promotional opportunities, state quality of life, and search engines for job listing. Iowa allowed applicants to match job opportunities to their own knowledge, skill, abilities, and competencies for relevant job searches (Seldon, 2010).

The GPP data, as reported by Seldon (2010), found 43% of states have a centralized college recruitment program, and 81% offer paid internships to college students (p. 12). Indiana recruits on college campuses and hosts information session for interested college students. Kansas offers a loan forgiveness program for hard to fill positions. Alabama targets colleges, universities, and technical schools with recruitment visits to give students information on the available positions and instructions for the online recruitment system (Seldon, 2010).

Alternative Testing Methods

The ability to evaluate applicants in a fair and competitive process is major principle of merit based systems. In states such as Texas, Florida, and Georgia that have moved toward at-will employment the examination process reflects the private sector model. These states have eliminated written exams and solely use the knowledge, skills, and abilities identified in a resume and job application (Walters, 2002).

With the advent of new technological advantages the ability to test applicants in new and creative ways has changed the way human resource offices approach examinations (West & Berman, 2001). In the traditional model of civil service, the examination process is mainly administered through a paper and pencil skill test. Table 4.2 presents selection methods identified by Hays and Sowa (2005) that can be used to assess applicant qualifications (p. 116-121).

Table 4.2: Definitions of Selection Methods

Selection Method	Description
Unassembled Examinations	Uses resume and/or application to assess education and experience. A variation method is the Task Inventory which has applicants score themselves on a list of experiences. Validity of test can be compromised by inflation of applicants responses to questions and ability of hiring manager to assess qualifications (Hays & Sowa, 2005)
Interview	Often used in conjunction with other testing methods. All applicants receive the same questions to increase objectivity and reliability of examination (Hays & Sowa, 2005).
Performance Test	Can also be used in conjunction with other testing methods. Physical assessments and assessments on computer skills and testing fall under this category. Using not used for higher level jobs due to complexity of skills needed (Hays & Sowa, 2005).
Assessment Center	Series of exercises such as: in-basket simulation, oral presentation, group discussion, and writing. Mostly used for promotional examinations, but have high costs and are not practical to large audiences (Hays & Sowa, 2005).

Computerized Adaptive Testing (CAT)	Used to assess level of applicant's knowledge. Applicant is asked a series of questions beginning at a moderate level, if answered correctly applicant given more difficult question, if answered incorrectly a less difficult question, until computer pinpoints an accurate level of the applicant's knowledge. A benefit to CAT examinations is the ability to match results of test to application database for to produce edibility lists of more qualified candidates (Hays & Sowa, 2005).
Post examination	Use of veteran's performance points, drug testing, background checks (Hays & Sowa, 2005)

Practice of preference points for Veterans

A review of literature on preference points for Veteran's in the examination process yielded no results. For those states that have implemented at-will employment, the use of veteran's point is no longer applicable. Table 4.3, below, summarizes reform trends to improve recruitment and selection processes.

Table 4.3: Reform Trends in Recruitment and Selection

Challenges identified by California independent review	Reform Trends
Examinations are costly and ineffective	Mixture of centralized and decentralized authority over recruitment and selection processes. Examples: Georgia, Wisconsin
Lack of coordinated recruitment effort	Improved recruitment efforts: Use of enhanced technology. Examples: Indiana, Vermont, Virginia Targeted recruitment of college and university graduates. Examples: Indiana, Kansas, Alabama
Preference points for Veterans diminish fair competitive exam process	No findings

Workforce Planning

The International Public Management Association-Human Resources (IPMA-HR) (n.d.) defines workforce planning as the alignment of future workforce needs to an organization's strategic objectives (HR Management Glossary, section "Workforce Planning"). Succession planning builds upon workforce plans by addressing the human capital risk left by exiting employees in critical business areas, most importantly leadership positions (Hilton & Jackson, 2007). In order to develop effective workforce plans, there must be an incentive for agencies to plan through legal mandates and readily available data to conduct workforce analyses.

An effective workforce plan, according to the Pew Center for the States (2009), is composed of five elements: first, a supply analysis of current workforce demographics; second, a demand analysis of future workforce needs based on the strategic goals of a state or department; third, a gap analysis identifying weaknesses between current and future needs; fourth, a discussion of external opportunities and risks; and fifth, an action plan of mitigating strategies (p. 9).

State agencies required to submit workforce plans

A review of the latest Grading the States survey, from Pew Center for the States (2008), showed 10 states that mandated state agencies to submit workforce plans either by executive order or by law: Alabama, Georgia, Louisiana, Minnesota, Pennsylvania, Texas, Delaware, Virginia, Washington, and Wisconsin. A mandated order to submit agency workforce plans resulted in 100% participation. Georgia, Louisiana, Texas, and Virginia also require workforce plans to be aligned to state and agency strategic plans.

For the remaining 40 states, participation from the agencies level varied between no participation to 50% participation (Pew, 2008).

Several states are introducing competencies into their workforce planning models. The Pennsylvania workforce planning model incorporates a competency model into their workforce plans by conducting a competency gap analysis on critical positions, including development plans for the needed competencies. Accomplishments reported by Pennsylvania include: an established talent pool, leadership development initiatives, and a developmental program that provides master's degree graduates with working internships in state government (Hilton & Jackson, 2007). The Georgia Merit System recently updated the competency management program as part of their workforce planning efforts. Agencies are provided with a competency dictionary that provides definitions of all statewide competencies, and identifies attributes of the different levels of performance (Pew, 2009).

Centralized technology provides access to state workforce data

The Pew (2009) survey of the states also collected data on the number of states with centralized data repositories. Pew recommends that states upgrade human resource technology to include data warehouses for storing centralized historical data, data mining tools, and workforce analytics software programs. Pew reported 68% of states have data warehouses, 71% utilize data mining tools, and 23% of the states use workforce analytical software (p. 11).

Virginia publishes an annual workforce demographics report *HR At-a-Glance* and provides public access to management scorecards for all agency directors. Each agency is

also given access to run customizable human resource data for planning efforts through a web interface. Georgia produces a statewide *Workforce Analytics Report* annually and recently integrated workforce data with competency management to allow managers to identify workforce gaps and align competency development and training with the needed skills (Pew, 2009). Table 4.4, on the following page, summarizes reform trends to promote workforce planning in other states.

Table 4.4: Reform Trends in Workforce Planning

Challenges identified by California independent review	Reform Trends
No momentum for workforce planning Insufficient data to produce workforce plans	State agencies required to submit workforce plans. Examples: Georgia, Pennsylvania, Virginia, Washington, Wisconsin Centralized technology to provide agencies with workforce data. Examples: Virginia, Georgia, Utah

Performance Management

As identified in the last chapter, the outdated performance management system in California does not provide managers with the flexibility to develop, motivate and retain employees, and to resolve disciplinary actions in a timely manner. Discussed below are reform efforts in other states who addressed challenges to performance management by centralizing training programs, providing leadership development programs, developing new appraisal processes, and restructuring the disciplinary process.

Benefits of a centralized training program

Centralizing training effects at the state level can produce benefits by decreasing duplication of efforts, utilizing trainer skill sets statewide, taking advantage of economies of scale, and providing the state with the opportunity to address statewide skill gaps

identified in workforce plans. Below are examples of states that provide training programs in a centralized or online structure.

Louisiana administers the Comprehensive Public Training Program, as part of the Division of Administration. The program manages 300 training coordinators embedded throughout the state departments. The training coordinators provide the central office with training needs data for each employee. Michigan is developing a shared services model between agencies to reduce vendor costs (Pew, 2009).

Online capacity allows states to centralize training efforts and provides cost efficiencies. Alabama, Arizona, Iowa, and Virginia offer 45% of their training courses online. Iowa provides over 400 online courses for state employees. North Carolina provides employees with a self-guided online career development program that helps employees build critical skill sets. Wisconsin State Training Council provides a forum for agencies to share best practices and training programs, and Delaware hosts a chat room so that employees can share knowledge (Pew, 2009).

Promoting leadership development

Trends in leadership development include an integrated approach incorporating coaching, job sharing, 360 degree feedback, and in-classroom training to provide managers with a set of different experiential modes of learning (Hays, 2004). Data from Pew (2009) found agency leaders average 131 hours of leadership development (p. 23).

Many states partner with the state colleges and universities to deliver leadership development programs and certificates. Virginia provides leadership development programs and executive training through the Center for Public Policy at Virginia

Commonwealth University. Oklahoma partners with Oklahoma State University and the University of Oklahoma to provide competency-based executive training (Pew, 2009).

Michigan's Office of Great Workplace conducts 360 degree evaluations for all state supervisors and managers on an annual basis. The survey rates 36 behavior statements aligned to Michigan's core values and leadership competencies. A training plan is identified for each supervisor and manager based on the results of the evaluation (Seldon, 2010)

Managing performance

Recent reform efforts to modernize employee performance management systems focus on providing managers with tools to manage employee performance through the annual performance evaluation process and the employee grievance process. Many states adopted pay for performance systems to provide employees a rewards system based on the assumption that employee performance affects long-term organizational performance (Bowman, 2010). To address improvements to cumbersome employee grievance processes, the removal of merit protections has dramatically changed the landscape of public employment (Llorens & Battaglio, 2010).

Reform efforts to modernize employee evaluations systems. Georgia implemented a pay for performance system, GeorgiaGain, as part of its first reform effort in 1994. The new performance appraisal system granted agencies with the ability to award performance pay at four different rates for employees who meet or exceed satisfaction levels (Gossett, 2002; Kellough and Nigro, 2005). The original program failed to gain the support of employees and managers, and was replaced with Performance Plus in 2001

(Kellough & Nigro, 2002). Performance Plus granted an increase in base pay to all employees who meet or exceed satisfaction, and a lump sum bonus to employees exceeding satisfaction (Gossett, 2002). Although Georgia has received much attention for the reform efforts, many scholars find that pay for performance produces an incentive for employees to focus on short-term goals, reduces creativity and risk taking, and focuses on individual interests instead of team goals (Seldon et al., 2001; Bowman, 2010).

Historically unions oppose pay for performance systems on the basis that pay increases should be determined through collective bargaining due to the inconsistencies and inequity issues that arise from managerial discretion (Kearney, 2006). Although the political influence of unions in Washington is not as strong as some states, the performance appraisal system they implemented in 1998 provides a good example of an evaluation system that does not include a pay component.

The components of Washington's performance appraisal system include: 1) an employee-developed plan and a manager-developed plan; 2) collaborative communication between employee and manager; 3) a narrative approach tied to objectives; 4) the elimination of rating scales; 5) the alignment of personal and organization performance goals with a punitive focus; and 6) the option of a 360 degree evaluation if desired (Hays, 2004). Employee approval rating of the new appraisal system increased from a 93% disapproval rate of the old system to 97% satisfaction (Hays, 2004).

Reform efforts to improve employee grievance processes. The private sector reform approach, to provide managerial flexibility and increase organization

effectiveness, is rooted in the belief that implementing at-will employment, through elimination of merit protections, will ease the process for managers to terminate poor performers. Hays and Sowa's (2006) survey of the states found a movement to restrict grievance rights for half of all states, including states that still maintain merit (p. 106).

Georgia's elimination of merit protections reformed the laws for termination and employee appeals procedures. Under the new reformed laws the definition of reasonable cause for termination expanded, allowing agencies to terminate for any violation of agency rules (West, 2002). The Public Employee Relations Commission continued to hear employee appeals following the reform, but the reform eliminated the ability of employees to appeal layoffs, transfers, or cases of inequitable treatment of an employee. Additionally, the commission lost the authority to minimize penalties set by agencies (West, 2002). Many managers felt the reform benefited the termination process, as evidenced by the increase in terminations from 0.9% in 1994 to 1.6% in 2000 (Lasseter, 2002).

In those states that still employ a merit system, changes to employee grievance processes require collaboration with the unions. Wisconsin established an alternative grievance process that includes a communication model that is used prior to the grievance being filed. Wisconsin reduced the number of grievance by 46% in 2000 and saved over 300,000 dollars in staff time. Additionally, Wisconsin reduced the number of unresolved dismissal cases by 72% and improved the length of time to resolve dismissal appeals within one year (Fox & Lavigna, 2006). Table 4.5 summarizes reform trends to improve employee performance management.

Table 4.5 Reform Trends on Performance Management

Challenges identified by California independent review	Reform Trends
State lacks committed to training	Centralized training programs. Examples: Louisiana, Michigan Access to online programs. Examples: Arizona, Iowa, Virginia, North Carolina, Wisconsin, Delaware
State managers lack the skills needed to manage	Leadership development programs. Examples: Virginia, Oklahoma, Michigan
State is hindered in its ability to promote culture of accountability	Employee evaluation systems: Pay for Performance- Examples: Virginia, Georgia Employee Appraisal- Examples: Washington Employee grievance processes. Examples: Georgia, Wisconsin

The approach used by a state can be greatly influenced by the political influence of a union. For many states with a strong union presence, a collaborative approach resulted in many smaller, incremental changes to inefficient processes. This is not the norm, as many states are moving to a private sector model that expands at-will employment in the belief that removal of protections will ease the ability to accomplish change. The next chapter will discuss California's current efforts to reform civil service to determine if recent changes resolve the core challenges identified in the independent reports.

Chapter 5

CURRENT CIVIL SERVICE REFORM IN CALIFORNIA

Many of the civil service reforms currently in progress are managed through statewide incentives such as HR Modernization, a joint effort between SPB, DPA, and the Department of Finance. Additionally, several technology projects are in the planning and implementation phase, which will greatly affect human resource functions and the data available to departments. The current budget deficit over the past several years has prolonged the rate of progress. Below, I discuss California's recent efforts to reform civil service in the areas of classification, recruitment and selection, workforce planning, and performance management.

Classification

This section will review the recent efforts to implement solutions to improve the ineffective governance structure of the classification system, which creates high costs for California and limits the flexibility of managers to meet program goals. Original recommendations from the independent reports suggested California consolidate personnel management functions into DPA, abolish classifications with no incumbents, and broadband major occupational groups.

Recent efforts to improve the dual structure of DPA and SPB

California still operates under a divided structure between SPB and DPA. At the time of this thesis, there are currently no planning efforts to consolidate the two departments. In an effort to address many of the challenges identified in the independent reports concerning California's civil service system, the legislature established the

Human Resources Modernization (HR Mod) joint project between DPA, SPB, and the Department of Finance with funding for eight years. The goals of HR Mod (n.d.) are: create a fast and attractive recruitment and hiring process; simplify the complex civil service structure; improve and encourage high performance in the workplace; establish workforce planning to ensure continued government services; modify the compensation structure; and ensure human resources functions and processes work together (“Project Goals”).

HR Mod (n.d.) intends to simplify the civil service structure by consolidating classifications and establishing a competency management system (“Project Goals”). While the objectives of HR Mod do not address the bifurcated personnel management functions between DPA and SPB, the project does provide a venue to address classification challenges in a collaborative setting.

Recent efforts to improve effectiveness of classification system

HR Mod produces an annual report to the Legislature outlining high level accomplishments organized by goals. In the last three years, HR Mod abolished 213 unused classifications and laid the foundation to consolidate more classifications by completing occupational analyses, developing competency models, and producing recommendations (HR Mod, 2009, 2010, 2011).

The HR Mod (2008) Baseline Survey found many state departments are attempting to independently revise and consolidate classifications. Results of the survey determined departments conducted classification studies with the intent to revise and/or

consolidate classifications (HR Mod, 2008). I was unable to find data on the success rates of departments' independent efforts to revise classifications.

As the foundation for improvement efforts in classification, HR Mod developed a competency management model, defining knowledge, skill, abilities and personal characteristics needed to perform a job. Efforts completed to accomplish the competency management model include: a completed "Best of Definition" competency dictionary, the alignment of state classifications to the National Bureau of Labor Statistics Standard Occupational Classification Catalog, and a developed leadership competency model for managers and supervisors (HR Mod, 2009, 2010, 2011). My research was inconclusive to the level of implementation of HR Mod's competency model by state departments.

Recruitment and Selection

Discussed below are California's recent efforts to address efficiency and effectiveness challenges to recruitment and selection processes. Independent reports found that California's recruitment and selection processes were flawed due to costly and ineffective examinations, no coordinated effort to recruit quality candidates, confused information on the hiring process, and non-meritorious preference points for veterans.

Recent effort to expand hiring pools through cost-efficient and effective exam methods

Significant changes to the examination process occurred through the Three Rank Selection Pilot, a two year project beginning in June 2008 and ending June 2010. The demonstration project, administrated by HR Mod, piloted new selection methods for 18 statewide classifications and 22 department specific classifications. SPB (2009) defined the scope of the Three Rank Pilot:

A three-rank eligible list is one in which all applicants who meet the minimum qualifications for a classification and pass the examination are placed into one of three ranks. Applicants who do not pass the examination will always be assigned a score of 65 and will not be ranked or appear on the eligible list [...]

Departments will then continue the competitive assessment of candidates by further evaluating their qualifications, fitness, and relative strengths during the hiring process and probationary period (Definition section, para 1).

Inclusion in the Three Rank Pilot required that participating departments agree to conduct a current job analysis, produce baseline data, document all hiring processes, complete probation reports for all hires, and sign a request confirming to adhere to all the requirements (CPS, 2010). The desired results of the study were to increase the candidate pool by opening the exams to applicants inside and outside state service, and thereby increase the probability of selecting the right candidate for a position (CPS, 2010).

Many of the selection methods used in the Three Rank Pilot were new or unfamiliar to departmental HR and exam staff. Several of the new methods present significant differences to the traditional way of doing things. SPB administered many of the examinations online and allowed applicants to self-certify if minimum qualifications were met. Self-certification shifted the process for screening minimum qualifications to after the examination and placed the responsibility on the department. The most commonly used testing method in the pilot was the Training and Experience questionnaire, which allowed applicants to self-rate on a point based system. Additionally, applicants could identify proficiency in specialized areas for selection purposes (CPS, 2010).

Overall, results of the study found that the Three Rank Pilot met the objectives of the project to increase candidate pools and increase the efficiency of the hiring process

(CPS Human Resource Services, 2010). HR Mod reported a combined increase from 8,000 eligible candidates to over 24,000, a reduction of 279 examinations throughout state departments, and an estimated cost savings to the state of 3.4 million dollars (HR Mod, 2010). An additional accomplishment to the Three Rank Pilot is a change to the application of veteran's and career performance points. Prior to the pilot, preference points were added to an applicant's score and the applicant ranked accordingly. The Three Rank Pilot applies performance points after a candidate passes the examination. The resulting process is fair and competitive because candidates are reachable at all three ranks (CPS, 2010).

The Three Rank Pilot also positively affected the use of alternative examination methods in participating departments. The structured interview examination, the most commonly used method, reduced from 62.8% prior to the pilot to 54.3%, and written multiple choice exams decreased from 19.2% to 10%. Several alternative testing methods saw an increase in usage by participating departments: use of qualifying assessment increased by 2.4%; Education and Experience questionnaires increased by 6.2%; point-based Training and Experience questionnaire (the most common method used in the pilot) increased by 7.3% (CPS, 2010).

The Three Rank Pilot shifted the responsibility to use reliable, valid testing tools to the departments and hiring managers. Prior to the pilot, SPB verified minimum qualifications for statewide exams. The increase in candidates greatly increased workload for the department to verify minimum qualifications and assess the reliability of candidates' responses on the Training and Experience questionnaire. The hiring

manager's role in developing valid, reliable hiring interview questions is now greatly emphasized, as departments found candidates inflate their qualifications. The study found a need for standardization of the selection process among the departments to ensure consistency (CPS, 2010).

Recommendations from CPS (2010) include: developing a statewide training effort for new and existing HR and exam staff, focusing on the interpretation and application of minimum qualifications, interview development, administration, and scoring techniques; documenting the selection and minimum qualifications screening processes and updating the SPB Merit Selection: Policy and Practices Manual; extending the probation period; improving the Training and Experience examination, by exploring the use of other testing methods to use in conjunction with the questionnaire; providing on-going, consultative support to the departments; increasing communication to all participants, including an increased effort to clarify the selection process to those outside state service; and clarifying to the departments the rules of inclusion in the study (p 92-94).

Recent efforts to expand recruitment efforts

The implementation of the SPB Online Selection System (OSS) provided a significant technology improvement to the examination process. OSS allows for applicants to submit examination applications online for all state exams. Applicants develop a personal account online that allows them to develop, store and track application status. The new OSS also has an E-notify feature allowing applicants to sign up for a notification email when desired classification examinations are released (SPB, 2009).

Recruitment efforts to college and university graduates also increased greatly through a revision in the Staff Service Analyst (SSA) classification, the entry level position for college graduates. HR Mod revised the SSA classification to allow for college graduates to enter at the highest pay range. Although there is no data yet to quantify the increase of college graduates into state service, the revision provides a significant accomplishment in recruitment of recent graduates (HR Mod, 2009).

Workforce Planning

The challenges identified by the Bureau of Audits (2009a, 2009b) found little momentum among the state departments to conduct workforce planning and limited data readily available to the departments for workforce planning. The recent economic downturn and resulting budget cuts has further impacted the development of workforce planning since Audits (2007) first identified the lack of workforce planning as a high risk area for the state.

Recent efforts to ensure workforce and succession plan development

As a result of the state budget situation, HR Mod (2010) adjusted the scope of the project to focus on “low hanging fruit” activities that will produce substantial results without a large investment (p. 14). At this time, HR Mod is not directing resources into workforce planning. DPA maintains a dedicated workforce planning website that provides best practices from other state departments, tools, sample templates for exit surveys, and workforce planning duty statements. A quarterly workforce planning ad hoc group and a workforce planning blog are sponsored by DPA to share best practices and resources among the state departments (DPA Website, n.d.)

Recent efforts to improve centralized data collection

The pending implementation of the new Human Resource Management System, MyCalPAYS, is a major milestone towards providing workforce data to the state. The core functions of the new employment and payroll system are employment history, leave accounting, benefits, timekeeping, electronic workforce, payroll, position management, reporting, and employee/management self-service. The implementation of the new system will readily provide the state and departments access to workforce data (SCO, 2009).

Performance Management

As identified in the last chapter, the outdated performance management system in California does not provide managers with the flexibility to develop, motivate and retain employees, and to resolve disciplinary actions in a timely manner. Discussed below is a report on the progress of California to enhance centralized training programs and leadership development programs, and the employee appraisal and disciplinary processes.

Recent efforts to centralize state training programs

DPA reestablished the authority over statewide training and reprised the role of Statewide Training Officer. The Statewide Training Officer acts in a consultative role, through the HR Mod project, to develop interdepartmental partnerships for training opportunities, centralize best practices and resources for department training offices, and manage HR Mod training initiatives. HR Mod offers several online training resources, including a statewide training portal to share resources and find free online trainings, and an online training calendar for departments to advertise courses available to other

departments. Additionally, the Statewide Training Endorsement Statements provide guidance to departmental training offices on best practices and training industry standards (HR Mod, 2010).

Recent efforts to develop leadership skills

HR Mod partnered with California State University, Sacramento to develop the CSU, Sacramento State Leadership Portfolio which provides classes in Leadership for the Government Executive, Management for the Government Professional and, Advanced Supervision for the Government Professional (HR Mod, 2009). HR Mod also partnered with the Los Rios Community College System and CPS to ensure the Statewide Endorsement Standards are included in trainings offered to state employees (HR Mod, 2010). Additionally, HR Mod offers online resources to supervisors and managers through the Virtual Help Desk, which provides tools to aid in the hiring process (HR Mod, 2010).

Recent efforts to promote a culture of accountability

There have been no efforts to improve or reform the employee performance appraisal process or the employee grievance process since the release of the independent reports. HR Mod (2008) conducted a baseline survey to assess department practices to complete probation and individual development plans for employees. Results of the survey found only 13% of departments complete 90% or more of their probation reports and only 8% complete the reports on time. About 10% of departments complete an annual individual development plan (33-34).

Most of the efforts to improve civil service practices in California are a result of the HR Mod project. Due to a decrease in funding and lack of authority over most of the processes, the HR Mod project lacks the resources to implement substantial reform to address the challenges identified by the independent reports. See Appendices A through D for a complete data table representing all of the study findings. In the next chapter, I will present my findings and offer recommendations.

Chapter 6

FINDINGS AND RECOMMENDATIONS

The LAO, LHC, Audits, and CPR identified four major challenges in California's civil service practices in the areas of classification, recruitment and selection, workforce planning, and performance management that result in added costs to the state money in time, resources and productivity. These challenges also place the state at risk to address future complex problems and provide continuous quality services by preventing the development of a future workforce prepared to address California's needs.

Other states adopted reform methods to address the challenges above by implementing either a collaborative model with the unions, or a private sector model. Many states are moving to a private sector model to streamline processes and provide managerial flexibility in hiring and employee management. Based on this research, I found that states with a strong union presence tended to adopt a collaborative model that results in smaller, incremental changes to inefficient processes.

In the previous chapter, I assessed the current efforts in California to improve human resource practices against the challenges facing California's civil service, as framed by LHC, LAO, Audits, and CPR. Based on this research, I found that many improvement effects are managed through the HR Modernization project, which lacks the resources and authority to implement the reform needed to accomplish substantial change. In this chapter, I will offer my recommendations to address the existing gaps based on the research presented in this thesis.

Classification

Several independent reports identified a systematic flaw in the governance structure of California's classification system that creates high costs in resources to change, monitor, and control. The resulting effect is outdated and narrow classifications that do not provide management with the flexibility to meet program goals. Other states addressed these challenges by reforming the governance structure and authority over the classification system and broadbanding classifications.

The governance structure of California's classification system creates high costs

As presented in the Chapter 2, the state's classification system remains divided between SPB and DPA, resulting in ineffective processes to change, monitor, and control outdated classifications. The goal of HR Mod to simplify the complex civil service structure does not address the underlying problem of operating under two personnel departments. While most states do not have California's bifurcated personnel structure and therefore do not have this particular challenge, many states addressed challenges to the governance structure of the classification system by decentralizing authority to the department level and implementing at-will employment.

Should California decentralize authority over classifications? Decentralization of classifications can provide managerial discretion and control over departmental classifications that promote organizational goals. The efficiency gained at the organizational level does not equate to the benefits a state achieves through centralized classifications, such as the consistency and economies of scale.

Another element of the discussion around decentralization of classification authority is the influence of collective bargaining in a state. The current political and legal environments with the unions in California dictates changes to classifications go through the collective bargaining process. Most states that decentralize authority over personnel functions, specifically classification, have expanded at-will employment in the effort to increase managerial flexibility and efficiencies. Additionally, most states that implement at-will employment do not have strong unions. A survey of HR professionals in Georgia to determine the effects of at-will employment on employee motivation found a perception of loss of job security negatively impacted employee motivation and organizational productivity (Battaglio, 2010). The perception that managerial flexibility leads to increased productivity may not be true.

Given the political and legal influence of California's unions and the academic research that questions the benefits of a decentralized classification system and at-will employment, I recommended California not decentralize authority to the departments, and focus its efforts instead on the reorganization of SPB and DPA, following the original recommendations by the LHC (1995, 1999) and CPR (2004) to consolidate the personnel management functions into DPA and retain the five member state personnel board as the appellate body for appeal hearings.

Recommendation #1: To improve the governance structure of the classification system and reduce the high cost of changing, monitoring, and controlling the system, California should consolidate state personnel functions into the Department of Personnel Administration and retain the five member State Personnel Board as the appellate body for appeal hearings.

California's outdated and narrow classifications do not provide flexibility

Outdated and narrow classifications do not provide managers with the tools they need to improve hiring and reward systems. HR Mod produced a small accomplishment through the elimination of over 200 classifications, but seems limited in its ability to consolidate classifications. While HR Mod has developed much of the foundational work to consolidate several classifications, including recommendations, little has been done to achieve results. I suggest further research to interview HR Mod staff on the challenges around consolidating classifications. It seems to me that HR Mod does not have the authority to consolidate. Without the discretion to improve classifications, HR Mod is limited in the ability to achieve its goal of simplifying the complex civil service structure. In order to modernize classifications, many states use the broadbanding system which ties pay for performance to the classification and pay system.

Should California implement broadbanding? As discussed in Chapter Four, both Wisconsin and Florida found benefits to implementing broadband through a reduction in classifications and managerial flexibility to set starting salaries and reward performance. In a collaborative setting, as Wisconsin was in at the time of implementation, it is possible to work with strong unions to implement broadbanding, including pay for performance, but researchers found in many states budgetary cuts have eliminated performance pay increases. Without the ability to tie broadbands with the employee compensation component, the system lacks the managerial discretion needed achieve results.

New York used interest-based negotiations with the public employee unions to reduce classifications. To implement a collaborative approach to modernizing classifications, I recommend building on the recommendations from the LHC (1999) and the experience of Wisconsin during the early nineties to establish a consensus-based model for negotiations. To accomplish this change, all stakeholders should attend training on the collaborative process, and on-going meetings should be scheduled to identify and develop action plans on current labor-management problems, including classification.

Recommendation #2: To modernize outdated and narrow classifications and improve managerial flexibility, California should adopt a collaborative model for consensus based negotiations with the unions. Further, to accomplish this change, all stakeholders should attend training on the collaborative process, and on-going meetings should be scheduled to identify and develop action plans on current labor-management problems, including classification.

Recruitment and Selection

The ability to hire quality candidates is severely impacted by flawed hiring processes that stem from costly and ineffective exams, no coordinated effort to recruit quality candidates, confused information on the hiring process, and non-meritorious use of preference points. Efforts to address these challenges by other states included a mix of decentralized and centralized authority over examinations, alternative testing methods, and modern recruitment efforts.

The ability to hire quality candidates is limited by costly and ineffective examinations

California currently delegates authority to the departments to conduct recruitment and selection processes. Recent efforts through HR Mod's Three Rank Pilot have centralized many state-wide exams to expand hiring pools and realize cost-efficiencies. While substantial accomplishments were accomplished in the Three Rank Pilot, including

increased candidate pools and increased efficiencies in the hiring process, CPS recommended several areas of improvement to ensure fair and competitive testing. SPB's (2003) report on decentralization, referenced in Chapter Three, also found lack of training to result in effective and unfair hiring process. I propose that the recommendations set forth by CPS and SPB be implemented, specifically training of HR staff and hiring managers on valid, reliable testing methods. I recommend the Three Rank Pilot processes be implemented into standard practice, and SPB promote the use of alternative exams to reduce costs and increase hiring pools.

Recommendation #3: To improve the ability to hire quality candidates and improve the cost and effectiveness of exams, California should implement the recommendations set forth by CPS in the Three Rank Eligible List Pilot Study Evaluation, specifically training of HR staff and hiring managers on valid, reliable testing methods. Further, the Three Rank Pilot processes be implemented into standard practice, and SPB promote the use of alternative exams to reduce costs and increase hiring pools.

The ability to hire quality candidates is limited by lack of coordinated recruitment

California addressed many of the recommendations presented in Chapter 3 to expand recruitment efforts. HR Mod made significant efforts to extend recruitment to recent college graduates through the revision of the Staff Services Analyst examination and opening access to many specialized and management level examinations.

Additionally, the implementation of the new Online Selection System greatly improved the application process.

While HR Mod has made some efforts to expand recruitment efforts, the need for clearer information to potential applicants and improved technology to match applicants to job opportunities are still required. I recommend California improve the recruitment

website, using the state practices identified in Chapter Four. Indiana, Vermont, Virginia and Washington provide excellent examples of recruitment websites that include information on the importance of public service, information on workplace culture, career and promotional opportunities, and information on living in California. Additionally, the CPS audit on the Three Rank Study found applicants from outside state service need clearer information on the hiring process; the recruitment website should include clear, easy to understand information on the state hiring process.

Lastly, California should enhance recruitment technology to match job opportunities to applicant's knowledge, skills, abilities, and competencies as found in Iowa. Currently, applicants must search for and apply to open positions. New technology would provide targeted recruitment to applicants with the best qualifications for a vacant position and provide hiring managers with a list of the most qualified applicants.

Recommendation #4: To improve the ability to hire quality candidates, California should improve the recruitment website by including information on the importance of public service, information on workplace culture, career and promotional opportunities, and information on living in California. Additionally, the CPS recommendation in the Three Rank Eligible List Pilot Study Evaluation should be implemented to include clear, easy to understand information on the state hiring process on the recruitment website. Further, California should enhance recruitment technology to match job opportunities to applicant's knowledge, skills, abilities, and competencies to increase the potential to find the most qualified candidate for a position.

Use of preference points prohibits fair, competitive examination process

The application of Veteran's and career points under the Three Rank Pilot provides a fair and competitive approach to use of performance points. All candidates passing the exam are placed in three reachable ranks and preference points are added only after a candidate passes the examination. I recommend the Three Rank Selection process

be extended to all new examinations to ensure a fair and competitive system for all candidates.

Recommendation #5: To ensure a fair and competitive examination process, California should extend the Three Rank Selection process to all new examinations.

Workforce Planning

The increased number of retiring state employees poses a risk to California due to a lack of workforce and succession planning by state departments. The challenges identified by independent reports reveal a lack of momentum to conduct workforce planning and limited data available to the department. Audits and CPR recommended a requirement to complete workforce and succession plans and the establishment of a centralized unit to collect data, both of which are practiced in other states.

California lacks a requirement to conduct workforce planning

Due to the recent economic downturn, HR Mod and DPA have invested few resources into promoting workforce planning. Without an incentive to conduct workforce plans, departments will continue to make planning a low priority. I recommend California mandate workforce planning for all state departments, using the legislative requirement of both Pennsylvania and Georgia as an example. Further, departments should work with HR Mod to incorporate the competency management model into their workforce plan to ensure all workforce and succession planning efforts are tied to hiring, recruitment, and training and development activities.

Recommendation #6: To ensure California is prepared to address current and future workforce risks, the Legislative should require all state departments to submit annual workforce plans to DPA. Further, state departments should work with HR Mod and DPA to incorporate competency management into their workforce plans.

California is limited in its ability to produce centralized data for workforce planning

The implementation of the new Human Resource Management System, also known as MyCalPAYS, addresses the challenge addressed by CPR on the lack of centralized data. MyCalPAYS will also align California to other states that have improved technology to produce workforce statistics.

Performance Management

The ability to develop, motivate, and retain quality employees, and to resolve disciplinary actions in a timely manner is impacted by lack of an employee performance management system in California and the managerial skills necessary to manage that system. Efforts to address these challenges by other states include centralizing training programs, providing leadership development programs, developing employee appraisal systems, and restructuring the disciplinary process.

California lacks a commitment to training

Few efforts have been made to accomplish the original recommendations made by LHC, LAO, and CPR to develop a statewide training policy, establish a centralized training program and website, or build training costs into positions. HR Mod and DPA laid the foundation to develop a centralized training program by reestablishing authority for the Statewide Training Officer. The Statewide Training Officer has focused much attention on producing a centralized training website that offers trainers resources and best practices, and a forum to share services. I recommend California expand the role of the Statewide Training Officer and reestablish the State Training Center. Centralized training will decrease duplication of efforts among departments, utilize departmental

trainers' skill sets, and provide California with the opportunity to address skill sets and competencies lacking in the state workforce from an enterprise level.

Recommendation #7: To ensure all state employees are provided with the training and development necessary to complete their jobs, and to ensure California is prepared for future workforce needs, California should reestablish the State Training Center.

California state managers lack the skills to manage

LHC expressed in all three of their reports that managers lack the skills to manage, and recommended California develop leadership and mentoring programs to address this lack of skills and to prepare future leaders for succession in light of the planned increase in retirements. Many state departments currently offer leadership development programs, and HR Mod partnered with CSU, Sacramento to develop the State Leadership Portfolio. Further research is needed to assess the performance of managers. Michigan conducts 360 degree evaluations for all state supervisor and managers annually. I recommend California establish a performance evaluation model that incorporates 360 degree evaluations and competency development for state managers and supervisors to evaluate areas of improvement. I further recommend California incorporate workforce and succession plans into an annual statewide training plan that focus on leadership development.

Recommendation #7: To ensure future state leaders are prepared to manage, California should establish a performance evaluation model that incorporates 360 degree evaluations and competency development for state managers and supervisors to evaluate areas of improvement. I further recommend California incorporate workforce and succession plans into an annual statewide training plan that focuses on leadership development.

California is hindered in its ability to promote culture of accountability

In order to develop a culture of accountability, California needs to ensure an employee performance appraisal system is in place and the employee grievance process is improved. No changes to either the employee appraisal system, nor the employee grievance process have occurred in several years. CPR recommended the state work with the unions to develop performance standards, but no effort has been made to facilitate that process.

Many states, such as Georgia and Virginia, have implement pay for performance systems to promote individual and organizational productivity, but many scholars find that pay for performance produces an incentive for employees to focus on short-term goals, reduce creativity and risk taking, and focus on individual interests instead of team goals. Given the political and legal strength of the unions in California and the advice of academia, I recommend California pursue the recommendation of LHC and CPR to work collaboratively with the unions to develop an employee appraisal system. Further, I recommend California develop a labor-management collaborative approach to improve the employee grievance process.

Recommendation #8: To promote a culture of accountability, California should adopt a collaborative process with the unions to improve employee evaluation and grievance processes. Further, to accomplish this change, all stakeholders should attend training on the collaborative process, and on-going meetings should be scheduled to identify and develop action plans on current labor-management problems, including employee evaluation and grievance processes.

Final Thoughts

I entered this research project open to exploring all civil service reform models to understand my own perceptions of an outdated workforce management model in California. As a state employee, I have spent the last several years analyzing organizational performance and facilitating planning efforts. I see the effects of poor human resource processes on the ability of state departments to meet business objectives. I was particularly interested in the role of HR Modernization to effect change in California's hiring processes. HR Mod has made significant strides in updating recruitment and selection processes in the state, but I was disappointed to find the project lacked the authority to address classification and employee performance management. My research confirmed that many of the challenges identified by the LAO, LHC, Audits, and CPR still exist. My recommendations reiterate prior findings that the current labor-management relationship creates challenges to accomplishing substantial change.

In the process of researching this thesis, a movement started in the states to consider a private sector model, due to recent budget constraints, to diminish the political influence of the unions around layoffs and pension reform. While this thesis does not specifically address these economic reforms, it provides a timely and relevant framework of the civil service challenges facing California for policymakers within the administrative and political context of the unions. Any civil service reform effort proposed to address the economic challenges of pension and program deficits should not forget the risk to the state in meeting future workforce needs of the state, as identified by this thesis. A collaborative model for labor-management relations can generate trust

between California and the unions to ensure that all parties are engaged in problem resolution.

APPENDICES

APPENDIX A

Classification Summary Table

Challenges	LHC, LAO, Audits, and CPR Recommendations	Reform Trends	Current California Efforts	Remaining Gap	Study Recommendations
Efforts to change, monitor, and control classification system creates high costs	Consolidate personnel management functions into DPA	Decentralize authority to establish and modify classifications to agency level. Examples: Georgia, Texas, Florida, Virginia Eliminate merit protections through at-will employment: Examples: Georgia, Texas, Florida, South Carolina, Arizona, Kansas, Missouri, Nevada	Established HR Modernization-joint project between DPA, SPB, and DOF	Personnel functions still split between DPA and SPB	Consolidate personnel functions into DPA and retain 5 member State Personnel Board for appeal hearings
Classifications do not provide managers the flexibility to meet program goals	Abolish classifications with no incumbents Broadband major occupational groups Amend Government Code 19600 to simplify process for demonstration projects	Modernize classification systems: Broadband classifications-Examples: Wisconsin, Virginia, South Carolina, North Carolina, Montana, Missouri, Florida, Illinois, Indiana, Kansas Collaborate with stakeholders to improve classifications-Examples: New York, Wisconsin	Some efforts to abolish classifications with no incumbents by HR Mod Preliminary work to broadband and/or condense classifications by HR Mod	Classifications remain outdated	Revise and condense outdated classifications with unions using a collaborative approach

APPENDIX B

Recruitment and Selection Summary Table

Challenges	LHC, LAO, Audits, and CPR Recommendations	Reform Trends	Current California Efforts	Remaining Gap	Study Recommendations
Examinations are costly and ineffective	<p>Establish clear standards and guidelines</p> <p>Provide departmental staff appropriate training</p> <p>Open exams</p>	<p>Mixture of centralized and decentralized authority over recruitment and selection processes. Examples: Georgia, Wisconsin</p>	<p>Movement to centralize statewide exams</p>	<p>Need for training from HR/Exam staff and hiring managers on valid, reliable testing methods</p>	<p>Train HR/Exam staff and hiring managers</p> <p>Expand open statewide exams</p> <p>Promote use of alternative exams</p>
Lack of coordinated recruitment effort	<p>Open staff services analyst and manager exams</p> <p>Coordinated recruitment program for college and university students</p> <p>Centralized recruitment program</p>	<p>Improved recruitment efforts:</p> <p>Use of enhanced technology. Examples: Indiana, Vermont, Virginia</p> <p>Targeted recruitment of college and university graduates. Examples: Indiana, Kansas, Alabama</p>	<p>Exams opened to public for staff service analyst and staff service manager exams</p> <p>State improved online selection website</p> <p>No centralized recruitment program</p>	<p>Need to expand centralized recruitment efforts and information to outside applicants on hiring process</p>	<p>Improve recruitment website to include clearer information and enhance job match technology</p>
Preference points for Veterans diminish fair competitive exam process	<p>Limit exam points for non-merit reasons</p>	<p>No findings</p>	<p>Three Rank pilot process applies Veteran's points after candidates ranked</p>	<p>Examinations outside of Three Rank pilot still apply Veteran's points prior to ranking</p>	<p>Expand Three Rank pilot to all examinations</p>

APPENDIX C

Workforce Planning Summary Table

Challenges	LHC, LAO, Audits, and CPR Recommendations	Reform Trends	Current California Efforts	Remaining Gap	Study Recommendations
No momentum for workforce planning	Require workforce plans Require strategic planning	State agencies required to submit workforce plans. Examples: Georgia, Pennsylvania, Virginia, Washington, Wisconsin	DPA provides model, tools, and best practice forums	Few department complete workforce plans	Legislature should require state departments to submit workforce plans
Insufficient data to produce workforce plans	Establish centralized unit to collect workforce data	Centralized technology to provide agencies with workforce data. Examples: Virginia, Georgia, Utah	Implementation of MyCalPays will modernize state's human resource management system and provide departments access to workforce data	MyCalPays resolves lack of centralized data	No Recommendations

APPENDIX D.

Performance Management Summary Table

Challenges	LHC, LAO, Audits, and CPR Recommendations	Reform Trends	Current California Efforts	Remaining Gap	Study Recommendations
State lacks commitment to training	<p>Develop statewide training policy</p> <p>Establish centralized training program and website</p> <p>Build training costs into position allocations</p>	<p>Centralized training programs. Examples: Louisiana, Michigan</p> <p>Access to online training programs. Examples: Arizona, Iowa, Virginia, North Carolina, Wisconsin, Delaware</p>	<p>Statewide Training Endorsement Standards (best practice guidelines)</p> <p>Access to best practices and training resources</p>	No centralized training program	Reestablish State Training Center
State managers lack the skills needed to manage	<p>Develop leadership development program</p> <p>Establish mentoring program</p> <p>Provide training to HR staff, supervisors, and managers</p>	<p>Leadership development programs. Examples: Virginia, Oklahoma, Michigan</p>	<p>California State Leadership Portfolio</p>	No centralized performance standards for managerial evaluations	<p>Establish performance evaluation model for managers</p> <p>Develop statewide training plan</p>
State is hindered in its ability to promote a culture of accountability	<p>Work with unions to develop performance standards for rank and file employees</p> <p>Adopt a performance compensation policy for managers and executives</p> <p>Require Arbitration</p>	<p>Employee evaluation systems: Pay for Performance- Examples: Virginia, Georgia</p> <p>Employee Appraisal- Examples: Washington</p> <p>Employee grievance processes. Examples: Georgia, Wisconsin</p>	<p>Gathered employee performance appraisal data</p>	State still lacks an effective employee evaluation system and grievance process	<p>Adopt a collaborative approach to facilitate a new employee appraisal model and grievance process with the unions</p>

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