

DEPARTMENT OF INDUSTRIAL RELATIONS

ITEMS 178 and 179 of the Budget Bill

Budget page 620

FOR SUPPORT OF THE DEPARTMENT OF INDUSTRIAL
RELATIONS FROM THE GENERAL FUND AND
DEPARTMENT OF EMPLOYMENT CONTINGENT FUND

Amount requested from the General Fund.....\$19,370,437
 Amount requested from the Department of Employment Contingent
 Fund 48,507

Total amount requested.....\$19,418,944
 Estimated to be expended in 1964-65 fiscal year..... 18,291,345

Increase (6.2 percent)\$1,127,599

Increase to improve level of service\$106,107

TOTAL RECOMMENDED REDUCTION.....\$217,958

Summary of Recommended Reductions

	<i>Amount</i>	<i>Page</i>	<i>Budget Line</i>
From amount requested to maintain existing level of service:			
Division of Conciliation			
1 Fractional position—legal counsel and hearing officer----	\$12,000	622	5
Division of Apprenticeship Standards			
Support costs—Department of Employment Contingent			
Fund	47,232	626	34
Support costs—Federal grant.....	42,671	626	35
From amount requested for new or improved services:			
Division of Apprenticeship Standards			
1 Information officer	13,173	626	6
Division of Housing			
1 Executive secretary	9,948	627	5
Division of Labor Statistics and Research			
1 Assistant economic analyst.....	7,800	628	7
Division of Fair Employment Practices			
1 Associate counsel	12,696	629	6
1 Assistant education officer.....	8,856	629	6
5 Consultant	43,020	629	6
4 Intermediate stenographer.....	20,562	629	6

PROGRAM PLANS AND BUDGET

This department's budget request supports six major programs. There is a seventh program within the departmental organization but as this program is self-supporting, it does not appear in the budget request. Each of the six programs supported by the budget request involves one or more of 10 of the organizational divisions of the department.

The total expenditure proposed in \$19,482,115 and is funded from the General Fund in the amount of \$19,370,437; from the Department of Employment Contingent Fund \$48,507; from estimated reimbursements of \$20,500; and a \$42,671 grant from the federal government for administration of the MDTA program of on-the-job and apprenticeship training.

1. Regulatory Program

The regulatory program of the department includes the interpretation of the statutes, the establishment of standards, the issuance of administrative orders, and the necessary surveillance to reasonably assure the protection of the public and all employees in the state in matters of safety, health and welfare. The degree of compliance with regulations

Department of Industrial Relations—Continued

is determined through contacts with owners, operators, employers and employees in the course of periodic and regular onsite inspections. Initial compliance is secured through the issuance of licenses or permits.

An estimated amount of \$5,253,520 from the departmental budget will be required for the implementation of this program in fiscal year 1965-66.

2. Enforcement Program

The department enforces the regulations and standards and interpretations of law established and maintained under its regulatory program through court actions or on its own authority. This program will require support of \$2,545,860 from the departmental budget in the budget year.

The collection of unpaid wages and the enforcement of labor laws, not elsewhere assigned, by the Division of Labor Law Enforcement is a major activity of this program. The amount estimated to support this function is \$1,795,384.

The other major enforcement activity is in the field of investigations and \$750,476 is estimated to support this activity in the budget year. Investigations usually result from report of an alleged violation of the law, standards or order, and are made by field staff personnel of the department to provide a basis or evidence for prosecution of alleged violators. The investigation of industrial accidents, in which no violation of a safety order was involved, is to determine the cause and means to prevent a recurrence of such accidents.

3. Adjudication and Conciliation Program

Matters in contention between employee and employer are adjudicated as industrial injury claims or by conciliation in the case of labor disputes and unfair labor practices. The estimated cost of this program for fiscal year 1965-66 is \$7,082,472.

The adjudication activity is almost entirely confined to the hearing, award and appeal functions of the Industrial Accident Commission in connection with settlement of industrial injury claims and is estimated to cost \$6,618,426.

The conciliation, arbitration and mediation activity for the purpose of maintaining a stable labor relations climate in the state as well as those conciliatory actions followed in cases of unfair employment practices are budgeted to cost \$414,010.

4. Promotional and Advisory Program

The department promotes interest in apprenticeship and provides consultative advisory services to the public and public agencies concerning the application of laws, standards or orders to preclude inadvertent violation of legal requirements. An amount of \$2,347,108 is budgeted for support of the program.

Of that amount, \$1,493,703 is estimated to support the apprenticeship promotional and advisory activity by the field staff and the remainder, \$843,405, is estimated for the consultative advisory services rendered to the public and public agencies.

Department of Industrial Relations—Continued

5. Public Information and Education Program

Advice, information, guidance and education is offered concerning the department's responsibilities in the area of industrial relations. Emphasis is directed toward specifically interested segments of the public through publications, news releases, film clips, slide projections, motion picture films and speaking engagements. In fiscal year 1965-66, an amount of \$1,465,142 is budgeted to support this program.

An expansion of this program by \$18,297 is noted in the activity related to Apprenticeship Information Centers.

6. Statistical Program

Information relating to employment, wages, industrial accidents, labor contracts, etc., is gathered from many sources on a regularly scheduled basis and analyzed and converted into reports used by government, labor, industry and business. This program is budgeted to cost \$766,583.

7. Compensation Insurance Program

The State Compensation Insurance Fund, the departmental agency with the responsibility for the program's execution, competes in the open market place as an insurer under the same regulations as apply to private insurance firms.

The program is self-supporting and therefore is not an item in the Budget Bill. The fund statement is presented on budget page 899 and indicates an estimated payment of \$2,400,000 in premium tax to the state in 1965-66.

REVIEW OF AGENCY ACCOMPLISHMENTS

The department had \$15,802,228 available for expenditure in 1963-64. This was composed of \$14,957,795 for support, \$516,278 for additional support to fund salary increases and OASDI contributions, \$313,314 of reimbursements and \$14,841 of federal grants.

Total expenditures from all sources in 1963-64 amounted to \$15,225,274 leaving an unexpended balance of \$576,954. This unexpended balance was due primarily to lack of availability of key personnel to make up the 10 referee teams authorized for the Industrial Accident Commission.

1. Regulatory Program

In fiscal year 1963-64, the department issued 110,741 licenses or permits which resulted in \$580,977 of revenue to the General Fund and \$226,437 of reimbursable costs. In addition, 25 orders or standards were initiated or revised. This program is estimated to cost \$3,914,621.

The support costs of the inspection activity under this program is estimated to have been \$3,327,428 and involved an estimated 198,360 inspections statewide.

2. Enforcement Program

The total program costs for fiscal year 1963-64 are estimated at \$1,946,696. Activity in respect to collection of wages due and enforcement of labor laws is estimated to have cost \$1,387,724. Over \$4,108,-

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000 of wages due were recovered for wage earners and 944 violations of labor law were prosecuted through the courts.

Investigative enforcement activity is estimated to have cost \$558,472.

3. Conciliation and Adjudication Program

This program is estimated to have cost \$5,503,332 in fiscal year 1963-64.

Conciliation activity is estimated to have cost \$348,020 and involved 732 labor disputes, union representative elections, etc., and 773 cases were closed by Fair Employment Practices Commission actions.

The adjudication activity is estimated to have cost \$5,155,312 and involved 91,281 filings before the I.A.C. which made 88,971 case dispositions in that year.

4. Promotion—Advisory Program

The total program cost for fiscal year 1963-64 is estimated at \$1,810,085.

Advisory support was provided to 617 local or statewide apprenticeship committees and, in turn, these committees administered programs for 22,125 active apprentices during the year and certified 3,981 apprentices to journeyman. Other advisory services provided the public involved approximately 203,066 man-hours of service.

5. Public Information and Education Program

In 1963-64, this program is estimated to have cost \$1,131,452. This involved the printing and distribution of 378 reports, news releases and periodicals and involved numerous speaking engagements by all executive and staff personnel.

6. Statistical Program

This program is estimated to have cost \$604,650 in fiscal year 1963-64 and produced 72 statistical reports dealing with economic conditions in the state or related to labor, the labor market, wages, industrial accidents and others.

7. Industrial Accident Insurance Program

This self-supporting program, the State Compensation Insurance Fund, paid \$2,165,041 in premium tax to the state in fiscal year 1963-64.

ANALYSIS AND RECOMENDATIONS

The department's expenditures (\$19,461,615) proposed for fiscal year 1965-66 are 5.7 percent, or \$1,055,332 above the estimated expenditures for the current year. This increase is due to substantial increases in personal services resulting from salary increases, new position costs, increases in operating expenses, primarily in rent, and a reduction of reimbursements occasioned by a change in policy which will require legislation to effect. This policy change will provide that fees now received for the trailer coach inspection program will be revenue to the General Fund rather than reimbursements to the department. The revenue estimates for this activity in fiscal year 1965-66 are \$475,000.

Department of Industrial Relations—Continued

Division of Administration

The division's budget request (\$2,582,254) for fiscal year 1965-66 is \$227,385, or 9.6 percent, above the estimated expenditures of the current year. While reductions are shown in some line items of expenditure, these reductions are more than offset by substantial increases in communications (\$35,857), rent (\$206,415), building maintenance (\$21,648), moving expenses (\$11,616) and other minor increases. These increases reflect the price increases set forth in the Department of Finance budget preparation instructions and the refurbishing and moving expenses associated with relocations and final staffing of branch offices. The most significant reduction is the result of the transfer of 6.5 positions authorized to staff the Referral Services Unit to the Department of Rehabilitation.

We recommend approval as budgeted.

Division of Conciliation

The budget request for this division of \$263,457 is \$3,237, or 1.2 percent, above the estimated expenditure for the current year.

0.4 Special consultant—hearing officer.....	\$7,500
0.6 Special consultant—legal counsel.....	4,500
1.0 Total (budget page 622, line 5).....	12,000

These positions were approved for use by the division in discharging their statutory responsibilities associated with the six transit districts or authorities established by the Legislature.

We recommend these positions be deleted resulting in a savings of \$12,000.

The inclusion of these positions in the budget has unnecessarily encumbered \$12,000 of General Funds moneys during both the last actual and current fiscal years on the mere possibility that they might be needed if a conciliation situation arose. In the absence of a continuing and current need, the authorization of these positions is not justified. If a need arises, the department can have recourse to an emergency allocation, a deficiency appropriation or utilize operating savings, if available.

Division of Industrial Accidents

This division has requested \$6,055,266 for support of its activities in fiscal year 1965-66. This is \$177,217, or 3 percent, above estimated expenditures for the current year.

We recommend approval as budgeted.

Division of Industrial Safety

The division has requested \$3,450,516 for fiscal year 1965-66. This amount is \$104,480, or 3.1 percent, above the estimated expenditures for the current year.

We recommend approval as budgeted.

Division of Industrial Welfare

An amount of \$909,026 has been requested for fiscal year 1965-66, an increase of \$6,376, or 0.7 percent, above the current year.

Department of Industrial Relations—Continued

In the section of this analysis on policy options, we have made reference to the consolidation of this division with the Division of Labor Law Enforcement.

We recommend approval as budgeted.

Division of Labor Law Enforcement

This division has requested \$2,042,142, an increase of \$78,908, or 4 percent, above the estimated expenditures of the current year.

We recommend approval of the item as budgeted.

Division of Apprenticeship Standards

The division's request amounts to \$1,612,518 of which \$1,522,615 is from the General Fund, \$47,232 from the Department of Employment Contingent Fund and \$42,671 in a federal grant for administration of the MDTA on-the-job and apprenticeship training programs. The amount requested is \$12,891, or 0.8 percent, above the current year expenditure. The reduction of the federally-supported Manpower Development and Training Act activity results in the elimination of 11 positions utilized in that program. The potential savings from the elimination of these positions are offset by the request for nine new positions to be supported from the General Fund. The General Fund increase requested is actually \$79,982, or 5.5 percent.

We offer three recommendations for reductions of the support expenditures of this division. The first relates to a position, the remaining two relate to support costs by funding source and each may be considered as separate and distinct from the others.

The division has proposed the establishment of nine new positions at a total salary and wage cost of \$71,913.

1 Information officer (budget page 626, line 6)----- \$13,173

A position of information officer was established administratively as an exempt position during the current year at a salary cost of \$12,546, funded from salary savings. It is requested for the purpose of assisting the division chief and the department director in carrying out their responsibilities in the apprenticeship program.

We recommend this position be deleted from the budget resulting in a saving of \$13,173.

The second assistant chief position granted by the Legislature in the current fiscal year and the established position of state intergroup relations coordinator should provide the division chief and director with sufficient assistance to carry out their responsibilities in respect to this program without the requested information officer position.

One area supervisor, four apprenticeship consultants and three clerical support positions are requested on the basis of projected workload in the apprenticeship program.

We recommend approval of these positions and approval of the General Fund support in the reduced amount of \$1,509,442.

*Department of Employment Contingent Fund support
(budget page 626, line 34)----- \$47,232*

These funds are used to support the proposed five Apprenticeship Information Centers to be established in urban centers as part of the

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Equal Opportunity Program for minority groups. Two such centers are now in operation.

Approximately 45 percent of these funds are for personal services to support three positions, 38.4 percent, or \$18,160 is requested for the production of two movies at \$8,000 each and \$2,160 for four sets of projection equipment to show these films.

The first use of the Department of Employment Contingent Fund to fund expenditures of this nature occurred in the Budget Act of 1964.

We recommend that this support of the division from the Department of Employment Contingent Fund be deleted from this budget.

For the first time we are now advised that this is the second year of a two-year pilot program to be funded from the Department of Employment Contingent Fund thus, in fiscal year 1966-67 this program, if continued, will be funded from the General Fund.

The success of the program depends upon the availability of apprentice job openings in the number required to meet the needs of unemployed youth in the geographic areas in which the centers are located. Increasing the scope of public information about apprenticeship is useless without, at the same time, increasing the availability of apprenticeship openings. It appears to us that the promotional program necessary to acquaint the youth of the state with the apprenticeship program must, of necessity, gear itself to the availability of apprenticeship openings and the willingness of the labor unions to accept and place qualified referrals from the immediate area. Inasmuch as it appears unlikely that any change is going to occur to make more apprenticeship openings available, this program should not be continued.

Division of Apprenticeship Standards support — federal grant (budget page 626, line 35)----- \$42,671

These funds are included in the division's total support budget and consist of the anticipated federal grant from MDTA funds for the division's administrative costs incurred in connection with on-the-job training and apprenticeship training projects approved by the Department of Labor. Under the current federal Manpower Development and Training Act, the state will be required to share in the training costs and payment of training allowances after June 30, 1965 on a 50 percent basis. No such matching funds are included in this budget.

The participation of the division in this activity during the current year is at a level two and one-half times above the funding level for the budget year indicating a substantial reduction or withdrawal of effort from this program.

We recommend that the Division of Apprenticeship Standards budget request be reduced by \$42,671.

One of the difficulties experienced in implementing this program to date has been the funding of development costs. These costs are borne by the state and no reimbursement is made, thus the division is required to divert state funds appropriated for other purposes to initiate, develop and submit proposals for MDTA training. This practice will continue unless the federal law is amended.

Department of Industrial Relations—Continued

The problem of unbudgeted developmental costs and the fact that no matching funds for the training and allowance costs required to implement the MDTA program appear in the budget are adequate reasons for not continuing this program.

Division of Housing

The division has requested \$1,104,277 for its support in fiscal year 1965-66. This amount is \$367,200, or 49.8 percent, above the amount estimated for expenditure in the current year. This distortion of the interyear increase occurs because this budget shows the elimination of reimbursements in the budget year. Legislation will be introduced to provide that the fees collected in connection with the trailer coach inspection program will be deposited in the General Fund, and the budget anticipates passage of such legislation. An amount of \$475,000 in revenue is estimated to accrue from this action in the budget year.

The division has requested four new positions, three district representatives and one intermediate stenographer on the basis of workload increases in the trailer coach construction inspection program at a first year cost of \$28,074 in salaries and wages.

1 Executive secretary (budget page 627, line 5)----- \$9,948

The division has included in its budget since 1961-62 an exempt position of executive secretary. This position constitutes the exempt position allowed to boards under Section 4 of Article XXIV of the Constitution. It would act as executive secretary of the State Housing Appeals Board established by Chapter 1844, Statutes of 1961. This position has been vacant since October 1, 1963.

We recommend this position be deleted from the budget.

The appeals board has not been activated by the appointment of members, thus no need to budget for such a position exists. The position can be established if an appeals board is appointed.

Division of Labor Statistics and Research

An amount of \$804,068 is requested to support this division in the budget year and is an increase of \$60,995 or 8.2 percent above estimated expenditures for the current year. Workload increases justify the addition of 6.5 new positions of statistical clerk I, intermediate account clerk, senior typist-clerk, statistical typist, programmer I and key punch operator (1.5).

1 Assistant economic analyst (budget page 628, line 7)----- \$7,800

The division has requested a position of assistant economic analyst on the basis of workload.

We recommend this position be deleted from the budget request.

One of the 13 presently authorized assistant economic analyst positions was reported vacant for the nine-month period, October 1, 1963 to July 1, 1964. In July this position was downgraded to junior economic analyst and filled; thus the division is authorized 12 assistant economic analyst positions and one junior economic analyst position at present.

Department of Industrial Relations—Continued

The authorization of this position would result in 14 positions being available to do the work which was accomplished by 12 positions during 1963-64. No workload increase in terms of added amounts of economic analysis, studies, requests for information, backlogs, overtime or similar acceptable criteria has been submitted to justify this increased level of service.

Division of Fair Employment Practices

The division has requested \$638,091 for its support during the fiscal year 1965-66. The increase over the current year is \$16,643, or 2.6 percent.

The following positions were initially approved by the Legislature in the First Extraordinary Session of 1963 after passage of Chapter 1853, Statutes of 1963, to provide the division with sufficient personnel to properly implement that legislation dealing with discrimination in housing.

1 Associate counsel	\$12,696
1 Assistant education officer	8,856
5 Consultant	43,020
4 Intermediate stenographer	20,562
11 Total (budget page 629, line 6)	85,134

We recommend these positions be abolished and deleted from the budget resulting in a saving of \$85,134.

The division, in its budget presentation, contends it still has responsibilities and authority to act under certain sections of Chapter 1853, Statutes of 1963 (Part 5 of Division 24 of the Health and Safety Code) on the basis of an opinion of the Legislative Counsel.

The opinion dated August 4, 1964 states that whether any functions remain is a matter for judicial determination. In the meantime, the passage of Proposition 14 at the last general election in 1964 makes actions in the field of fair housing by the division, commission or its staff questionable until such time as the courts have ruled on the issues involved. Until the division can rely on a firm legal basis for activity in the housing field, it seems proper that these positions intended to provide increased levels of service in this area of discrimination should be eliminated. These are the positions which we identified in our report issued prior to the election as the cost factors associated with Proposition 14.

As in prior analyses, we continue to express concern over the low caseloads carried by the consultants of this division in comparison to the annual caseloads carried by deputy labor commissioners (1,000), Industrial Accident Commission referees (900), Industrial Accident Commission counsels (100) and other field personnel of the department.

These low caseloads persist in spite of the fact that approximately 60 percent of the total annual caseload falls in the categories of insufficient or no evidence of discrimination, no jurisdiction, or failure to proceed. In addition, the consultants are supported by two area supervisors, one special consultant and one special representative.

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The tables below present the annual caseload presentation of the division.

Annual Caseload and Consultant Time

<i>Fiscal year</i>	<i>New</i>	<i>Closed</i>	<i>Pending</i>	<i>Man-years *</i>
1959-60 (9 months) -----	279	114	165	2.2 8
1960-61 -----	722	570	317	8.2 9
1961-62 -----	724	631	410	9.4 13
1962-63 -----	911	607	714	10.5 13
1963-64 -----	1,017 †	857 †	874 †	15.1 19
Totals -----	3,653	2,779	874	

* Actual man-years consultants, authorized positions in italics.

† Includes 135 new, 84 closed, and 51 pending housing cases.

<i>Fiscal year</i>	<i>Closed cases</i>	
	<i>Per year</i>	<i>Per month</i>
1959-60 (9 months) -----	51.8	5.7
1960-61 -----	69.5	5.8
1961-62 -----	67.1	5.6
1962-63 -----	57.8	4.8
1963-64 -----	57.7	4.7

From the above tables it appears the production of the consultants has actually been decreasing with more experience rather than increasing. An explanation of this decrease might be a diversion of consultant time to other duties such as the affirmative action program, community group assistance, or other educational programs.

If the caseload per authorized consultant position were to be increased to only 7.6 cases per month the current new cases could be handled and the backlog existing on June 30, 1964 reduced to zero without an increase in staff.

Considering that only 3.1, or 40 percent, of these cases are those that will require a complete and full followup, it would appear that the division has not properly used the assigned personnel to cope with its caseload problems.

POLICY OPTIONS

1. As the Division of Labor Law Enforcement has the responsibility for enforcing the laws requiring employers to have Workmen's Compensation Insurance coverage, consideration may be given to the transfer of the self-insurer function from the Division of Administration to this division. Expansion of the self-insurers function is contemplated, and we believe that better supervision will result if it is placed within a line division for this purpose. While no specific savings can be offered, it appears this activity, from an organizational standpoint, is truly a line function and should therefore be placed where its personnel will receive line supervision.

2. At the hearings on the budget for fiscal year 1964-65, this office was directed to have legislation drafted to accomplish the consolidation of the Division of Labor Law Enforcement and Division of Industrial Welfare. Such legislation has been prepared. This direction resulted from our recommendation on this matter based on a careful study by the Department of Finance which indicated savings of \$100,000 annually could accrue if the two divisions were consolidated.

Department of Industrial Relations—Continued

Passage of such legislation will not have an adverse effect upon the manner or degree of enforcement of either the labor laws now enforced by Labor Law Enforcement or Industrial Welfare but will rather result in the standardization of present policies between these two divisions to provide better service to wage earners.

The argument against this action is that it does not afford separate agency consideration for labor laws dealing specially with women.

3. Consideration may be given to funding the support of the Division of Industrial Accidents and the Industrial Accident Commission from a premium tax on Workmen's Compensation Insurance as is done in a number of other states. This would relieve the General Fund of an annual expenditure of over \$6,900,000 and place the burden of support directly upon those segments of the private economy in relation to their experience and need for this public service.

4. In conjunction with the above policy, additional savings of General Fund expenditures would be achieved if the Division of Industrial Safety were similarly funded and with the same reasoning, i.e., that those areas of the private economy receiving the service would be paying for that service. Thus, if industrial accidents increase in certain industries, such additional costs as may be required to correct the situation would come from increases in those industries' share of the costs. This service is supported by an annual appropriation of \$3,900,000 from the General Fund.

5. An additional policy option offered for consideration relates to reimbursable costs of the Division of Safety. This agency provides consultation service to various segments of city and county government and in addition provides inspection services to those agencies. The state engineers exercise concurrent authority and there are a number of occasions where they are requested by local agencies to make inspections due to the nature or type of the inspection. A schedule of fees for such services to other public agencies with equal capability and authority should, if applied to such cases, have the effect of reducing the amount of state engineers' time and the funds spent in duplicative services in areas of overlapping jurisdiction.

6. The Division of Housing also provides consultative services to other public agencies where an overlap of jurisdiction occurs. Here again the possibility of establishing a consultative fee schedule for services rendered to the primary jurisdictional body would place the cost of this service directly on those to whom the service is rendered.

7. The elimination of duplication of source material and the elimination of an overlap of expensive data-processing machine time could be achieved by placing the responsibility for the production of certain types of periodic reports now produced by the Division of Statistics and Research with the Department of Employment.

There are several periodic reports now produced by both these agencies in which each uses data provided by the other. These and other similar reports may be said to complement or supplement the other.

It appears logical to require all the source information for these reports to be acquired by one of these two agencies and that that agency should then produce the required reports to consolidate these reports.

Department of Industrial Relations—Continued

The Department of Employment is far better equipped to accomplish this consolidation than is the Division of Statistics and Research and such a reassignment of responsibility should lead to more efficient use of expensive data-processing machine time and delay the date on which the capacity of the data-processing machines of the Division of Statistics and Research will be reached.

8. The membership in the Fair Employment Practices Commission could be reduced from seven to five as the result of the passage of Proposition 14 thus returning it to its size prior to the passage of Chapter 1853, Statutes of 1963, which augmented the membership by two to cope with responsibilities related to matters of housing discrimination. Such action would require amendment of Section 1414 of the Labor Code and, if enacted into law, would result in an established annual savings of \$11,000 to the General Fund.

9. A policy option offered is to withdraw state support from the apprenticeship promotional program allowing the federal Department of Labor through its Bureau of Apprenticeship Training to assume full responsibility for the program within the state.

That this program is beneficial to both labor and management is conceded to the extent it would continue without state support.

There is, however, serious question whether this program as presently constituted benefits the state as a whole, and whether it meets the needs of the state's industries. The state lacks authority to exercise anything but persuasive argument to increase the availability of apprenticeship training. The success of the program depends on decisions made by management and labor and historically has met only a fraction of the needs of the state's industries for trained certificated journeymen. It is obvious that a considerable portion of this need is now being met outside this program. In a total California civilian nonfarm work force of 5,676,500, there were 24,245 apprentices in training on July 1, 1964. During fiscal year 1963-64, a total of 4,512 apprentices completed their training and were certified as journeymen. If the accepted average work span of a journeyman is considered as 30 years, this small body of new journeymen will provide for the replacement of the normal attrition (3.3 percent per year) of a force of only 136,363 skilled journeymen. This skilled group represents 2.4 percent of the nonagricultural work force of the state and obviously the replacement need and supply are far in excess of that figure.

We estimate that approximately 96 percent of the division's annual budget supported from the General Fund is directed to the promotion of apprenticeship and that the remaining 4 percent supports journeyman retraining and the division's activity in the California Plan of Equal Opportunity for minority groups.

Based on the actual support expenditures of the last five years, the average state cost for the promotional aspects of this program to produce a journeyman was \$1,180, or the four-year average cost to support an active apprentice was \$228. Approximately 5.1 active apprentices must be supported for every apprentice certified to journeyman.

Department of Industrial Relations—Continued

The present program depends upon the resolution of divergent views of labor and management in the area of apprenticeship training. Ideas differ as to proper ratios of journeymen to apprentices on the job; the cost of training and how it should be shared; should industry be given financial incentives to foster such training; to what degree should both labor and management participate in use of a subsidy if granted; etc. Each faction speaks of the desirability and need for all-around skilled journeymen but both tolerate and accept the narrowly skilled specialist.

Other weaknesses in the present program that inhibit its success are:

(a) A lack of national apprenticeship standards, uniformity of records and the mobility of the work force.

(b) The concentration of over 60 percent of the active apprentices in the construction trades.

(c) The over 50 percent dropout rate each year in the past four years while the active apprentices have been at 20,000 and less than 25 percent have been terminating their training as journeymen.

(d) The number of indentured apprentices at any one time has no relationship to the real need for training of replacements for skilled workers lost through natural attrition.

(e) The number of apprentices will fluctuate directly with the economy, thus when jobs are plentiful, there are larger numbers of apprentices in training. Conversely, in times of low employment, apprenticeship opportunities are at the minimum.

(f) The apparent older acceptance age of indentured apprentices (average age 22.5 years in 1955) has the effect of the individual acquiring personal responsibilities which, in turn, increase his financial responsibilities beyond the capacity of his earnings as an apprentice, thus he drops out to pursue a livelihood which will support these obligations.

(g) Standards governing the length of the apprenticeship period are too inflexible and make little provision for those who are unusually talented or have the capacity and capability to acquire skills at a more rapid rate.

(h) The program in the past four years has provided only an average annual increment of 4,022 journeymen to the work force per year.

(i) There is a distinct possibility that the wage scales of apprentices are so high as to inhibit their use by employers in a competitive situation, that is, if journeymen are available, the difference between the production of an all journeyman crew and their wages as opposed to a similar situation with a journeyman-apprentice crew might well affect the economic feasibility of offering a bid.

(j) No apparent effort has been made to correlate the present indenture period of apprentices and the specialization or fractionation of the old line trades with the extensive use of power tools, new materials and new production methods to determine whether the historical four-year term of apprenticeship is still valid.

Department of Industrial Relations—Continued

(k) The difficulties experienced in providing related and supplemental instruction to apprentices in remote areas as well as those instances in urban areas where insufficient apprentices in a trade exist to make up a class, or where the class attendance falls below preset minimums and the class is closed out in midterm, militate against the program.

(l) School districts' desire to fit apprenticeship training to the exactness of the school year terms presents problems and particularly does the fixed registration period at junior colleges present problems.

(m) Reluctance of management to engage in unilateral training at the expense of their competitive position as related to other firms or businesses in the same field.

If followed, this option would result in savings in excess of \$1 million annually and would permit the division to continue to operate in the journeyman retraining and on-the-job training activities authorized under Section 3092 of the Labor Code, and would permit these savings to be applied to the problems in other areas.

The whole question of the validity of the present apprenticeship approach to the problems of skill training, particularly as they relate to the problems of unemployment and manpower utilization is receiving critical scrutiny at all levels of governmental responsibility. The current emphasis being placed on skill training and retraining through such national programs as MDTA, the Economic Opportunity Act and the total war on poverty which has been declared require that a critical evaluation be made of those efforts and activities in this area which have apparently failed to meet these problems over the years.

STATE FIRE MARSHAL

ITEMS 180 and 181 of the Budget Bill

Budget page 630

FOR SUPPORT OF STATE FIRE MARSHAL FROM THE
GENERAL AND DRY CLEANERS FUNDS

Amount requested	\$716,207
Estimated to be expended in 1964-65 fiscal year	742,990
Decrease (3.6 percent)	\$26,783
TOTAL RECOMMENDED INCREASE (General Fund)	\$105,586

Summary of Recommended Reductions and Increases

	Amount	Budget	
		Page	Line
From amount requested for new or improved services:			
Delete one fire prevention engineer	\$10,440	631	4
Add one deputy fire marshal III	9,036	631	4
Net Reduction (General Fund)	1,414		
Delete reimbursement provisions from:			
State College Building Program	38,000	631	49
University of California Building Program	25,000	631	51
State Facilities	44,000	631	56
Total increase (General Fund)	107,000		

State Fire Marshal—Continued
PROGRAM PLANS AND BUDGET

We have segregated the services of the State Fire Marshal into eight programs. Many of these programs are reimbursable or revenue producing and the proration of administrative overhead revealed certain programs were not supporting their full share. The \$26,783 proposed budget reduction reflects adjustments made to insure adequate reimbursements and curtailment of the tank truck and fire extinguisher programs because they cannot generate sufficient revenue to maintain the past level of service. The addition of five positions to implement the apparent intent of Chapter 1554, Statutes of 1963 will be accompanied by reimbursement arrangements with the appropriate state agencies involved. A detailed analysis follows in the discussion of the various programs.

1. The State Fire Marshal conducts fire safety inspections and plan reviews of specified facilities in accordance with the Health and Safety Code. The following enumeration of the general categories of facilities that fall within the purview of the authority of the State Fire Marshal is accompanied by the anticipated program cost for the budget year (cost in parentheses):

The University of California (\$27,684), the California State Colleges (\$35,811), other state-owned institutions and facilities (\$79,407), city and county facilities (\$21,514), hospitals (\$163,990), welfare facilities (\$81,051), camps (\$21,114), public schools (\$67,959), private schools (\$95,901), public assembly facilities (\$50,494), fairs and expositions (\$16,745), and clothes cleaning establishments (\$135,415).

The proposal of five positions to implement Chapter 1554, Statutes of 1963, is prompted by an assumption (based upon interpretation of Chapter 1554) that full review of the drawings and a field inspection of every new state structure is required instead of the random or solicited check currently provided. The \$38,088 budget year cost will be recovered as charges to the projects investigated. Implementation of this program on a reimbursable basis led to the conversion of current and similar activity to reimbursement support. The total reimbursement from state construction project charges for the budget year is expected to be \$107,000. Public school and Dry Cleaners Fund reimbursements of \$65,000 and \$135,415 respectively, contribute to the total reduction of \$307,415 from the \$797,085 total cost of the program to the \$489,670 General Fund direct charge.

2. Section 34005 of the Vehicle Code requires the State Fire Marshal to inspect and certify cargo tanks transporting flammable liquids. The tank operator is charged for the certification, and despite an increase in the fee levels that prompted our recommendation for a new position in 1964-65, experience has proven that the revenue cannot finance the program. The budget, therefore, proposes reduction of four professional positions for a \$36,144 "personal services" saving. The \$91,700 expected reimbursement shown in the 1964-65 budget is reduced to \$50,000 for 1965-66. The budget reduction of four professionals from six to two, however, precludes collection of \$50,000 in certification fees. The estimated reimbursement, based upon experience, should not be higher

State Fire Marshal—Continued

7. Tests of 271 chemicals and materials were approved for registration as satisfactorily conforming to the minimum standards established in the administrative code. The proposed workload standards indicate that 229 approvals constitute a normal work year for the professional responsible for this activity indicating that overtime was required to process the 42 excess applications.

8. There were 332 routes and safe stopping places approved for vehicles responsible for the transportation of explosives. The State Fire Marshal's records indicate that this activity required 1.18 man-years as opposed to the one man-year authorized and performing.

ANALYSIS AND RECOMMENDATIONS

A fire prevention engineer position added in the 1963-64 budget, to perform service relative to the state college building program, has not been filled and should be deleted. A deputy fire marshal III position should be authorized instead. The budget proposal of five new positions to be added to three and one-half existing positions apparently envisions use of the unfilled fire prevention engineer (the supervisory level in the State Fire Marshal's staff) as necessary to coordinate the state building construction program. In fact, this program will have to be coordinated in the same manner as the 10 other fire safety inspection and plan review subprograms discussed above under (1) in the program plans and budgets, and review of agency accomplishment sections. A fire prevention engineer serves as a supervisor in each of the three district offices (Sacramento, San Francisco and Los Angeles). Each district supervisor deploys his staff to cover certain geographic areas and a given deputy fire marshal is responsible for a number of programs. Thus, more than eight and one-half employees will work on the state building construction program but it will be limited to the time equivalent of the eight and one-half authorized. The program will be coordinated by the district supervisors.

The deputy fire marshal III position should be substituted for the fire prevention engineer position to assume mandatory workload currently being performed by the district supervisors. Mandatory workload is estimated to consume two-thirds of their time. The equivalent time (one district supervisor man-year) could thus be freed to coordinate the new program and to focus attention on the fire incident analysis program discussed above.

Substitution of a deputy fire marshal III for the currently authorized fire prevention engineer would reduce the item total \$1,414.

We recommend an increase of \$107,000 so the expanded state building construction program will not be subject to cumbersome reimbursement arrangements. The legislation (Chapter 1554, Statutes of 1963) that requires this activity did not suggest charges to construction projects to support the activity, and comparable programs are financed by the General Fund without reimbursement provision. While the reimbursement proposal would relieve the General Fund at the expense of the State Construction Program Fund, the accounting required to properly allocate the charges would be high relative to the charges

State Fire Marshal—Continued

made. (The Fire Marshal charge to public schools for plan review is approximately 0.02 percent of construction cost.) We conclude that such accounting costs represent a needless additional cost to the state and, therefore, recommend the \$107,000 increase to this particular budget item. The net total recommended increase would be \$105,586, taking into account the reduction of \$1,414 mentioned above.

POLICY OPTIONS

The \$38,088 increase required to finance five additional positions necessary to assure full review by the Fire Marshal of plans prepared for every state facility is prompted by an interpretation of legislative intent expressed in the enactment of Chapter 1554, Statutes of 1963. If that interpretation is incorrect or if the Legislature chooses to redefine its intent, this increase could be avoided and a considerable portion of our recommended \$105,586 increase could be deleted. An optimum level of plan review service cannot be precisely determined. The architects responsible for design are required to adhere to code regulations relative to fire prevention just as to all other provisions of the applicable building codes. Spot checks by the Fire Marshal's technicians have been solicited in the past when interpretation was particularly difficult. Apparently the 1963 Legislature sought assurance that every measure is taken in the prevention of fire and panic in state facilities just as they have in the past relative to public schools.

The two positions remaining in the budget proposed to administer the tank truck program is insufficient and the Fire Marshal intends to seek a second increase in fees, since the 1961 program initiation, to fully finance it. A proposal to shift the program to the California Highway Patrol Motor Carrier Safety Section might be more logical. The budget proposes 57 positions to staff the Motor Carrier Safety Section's responsibility to inspect an estimated 18,301 carriers operating 244,279 vehicles. The existing need for the Highway Patrol to enforce the tank truck program and the broad base inherent in the Highway Patrol operation but absent from the six-/or seven-man staff of the Fire Marshal required for the activity, both contribute to the logic of transferring the operation. Division 14.7, Sections 34002 and 34005 through 34016 of the Vehicle Code would have to be amended to implement this option.

The responsibility of the State Fire Marshal to establish routes and safe stopping places for vehicles carrying explosives could also be transferred to the California Highway Patrol as the logic applicable to the tank truck program is also applicable to this program. An amendment to Section 31602 of the Vehicle Code would be needed to implement this option.