

**Division of Protective Social Services—Continued**

worker ratio there needs to be 380 psychiatric social workers in 1967-68. The department is requesting 414 psychiatric social workers in 1967-68, therefore we recommend a reduction of 34 so the Division of Protective Social Services can meet its 58-per-worker ratio.

*We recommend the reduction of 5 supervising psychiatric social workers (budget page 541, line 66) and 3 supervising psychiatric social workers (budget page 541, line 41) for a General Fund savings of \$36,258.*

The budget states that the psychiatric caseworker-supervisor ratio must be set at 5:1 in order to secure federal matching funds of 75 percent. The number of psychiatric social workers needed in 1967-68 is 380 which means that, in order to have a caseworker-supervisor ratio of 5:1, the Division of Protective Social Services requires 76 supervising psychiatric social workers. The budget requests 84 supervisors and therefore, to meet the needed ratio of 5:1, we recommend the reduction of 8 supervising psychiatric social workers.

*We recommend the reduction of 1 supervising clerk I, and 12 intermediate typist-clerks (budget page 541, line 69) and 5 intermediate typist-clerks (budget page 541, line 43) for a General Fund savings of \$42,813.*

The 17 intermediate typist-clerks are requested on the basis of a ratio to caseworkers-supervisors of 2.5:1. Therefore, on the basis of our recommended reduction of 42 supervisors and psychiatric social workers, the budget request for clerks should be reduced by 17 typist-clerks. The one supervising clerk is responsible for the work of the intermediate typist-clerks and therefore should also be eliminated from the budget request.

**DEPARTMENT OF INDUSTRIAL RELATIONS**

**ITEM 138 of the Budget Bill**

Budget page 543

**FOR SUPPORT OF THE DEPARTMENT OF INDUSTRIAL RELATIONS FROM THE GENERAL FUND**

Amount requested in Budget Bill .....	\$19,867,294
Budget request before identified adjustments .....	\$21,471,059
Increase to recognize full workload change .....	603,712
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Budget as adjusted for workload change .....	\$22,074,771
Adjustment—undetailed reduction (10 percent) .....	2,207,477

**RECOMMENDED REDUCTION FROM WORKLOAD BUDGET** ..... \$676,030

**BALANCE OF UNDETAILED REDUCTION—REVIEW PENDING** \$1,531,447

**Summary of Recommended Reductions**

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
Workload reduction to reconcile arithmetic balance .....	\$4,504	543	14
Division of Administration			
Delete workload position and equipment .....	7,008		
Reduce workload operating expenses .....	86,744		
Division of Conciliation			
Reduce workload operating expenses .....	7,282		

## Department of Industrial Relations—Continued

Division of Industrial Accidents			
Delete workload contract position and other expenses-----	12,901		
Division of Industrial Safety			
Delete workload positions -----	17,655		
Reduce workload operating expenses -----	13,653		
Division of Industrial Welfare			
Delete workload position -----	6,787		
Reduce workload operating expenses -----	7,887		
Division of Labor Law Enforcement			
Delete workload positions -----	48,064		
Reduce workload operating expenses -----	28,301		
Reduce workload equipment -----	7,481		
Division of Apprenticeship Standards			
Reduce workload operating expenses -----	11,447		
Reduce workload equipment -----	546		
Delete 3 administrative and workload adjustment positions:-----	41,928		
1 Assistant chief -----	548	18	
1 Assistant intergroup coordinator -----	548	20	
1 Information officer -----	548	22	
Division of Labor Statistics and Research			
Reduce workload operating expenses -----	7,034	543	14
Abolish Employment and Payroll Statistics Section (32 state employee positions) -----	360,838	549	69
Division of Fair Employment Practices			
Reduce workload operating expenses -----	5,970	550	42

## Summary of Policy Options

1. Fund the support of the Division of Industrial Accidents by a premium based assessment of workmen's compensation insurance carriers and equivalent assessment of self-insurers. Legislation is required. Potential General Fund savings of \$7.2 million annually.

2. Fund the support of the Division of Industrial Safety by a premium based assessment of workmen's compensation insurance carriers and equivalent assessment of self-insurers. Legislation is required. Potential General Fund savings of \$3.9 million annually.

3. Reorganize the Division of Industrial Welfare eliminating the Industrial Welfare Commission, set minimum wage for women and minors in statute and tie to cost of living. Legislation is required. General Fund savings averaging \$40,000 annually.

Or:

Abolish Division of Industrial Welfare and assign functions to Division of Labor Law Enforcement. Legislation is required. Potential General Fund savings of \$100,000 annually.

4. Withdraw state support from promotional aspects of the apprenticeship program. Potential annual General Fund savings of 1.5 million.

## GENERAL PROGRAM STATEMENT

The Department of Industrial Relations is the state's nearest counterpart of the federal Department of Labor and its mission is to protect, promote and develop the welfare of the wage earner, to improve his working conditions and to advance his opportunities for profitable employment.

To accomplish this mission, the department is organized into seven operating divisions, two staff services divisions and one division which is a public services enterprise funded entirely through its own operation. Because of the manner of its funding, this last division, the State Compensation Insurance Fund, does not appear in the department's

Department of Industrial Relations—Continued

support budget. In addition there are units within each of the staff services divisions which are involved in the execution of tasks in direct support of the accomplishment of the department's statutory mission.

The department and eight of its divisions derive their existence and functions through statutory authority from Division 1, Chapters 1-7, of the Labor Code. Two other divisions within the department, the Division of Administration and the Division of Conciliation, have been established administratively to provide for housekeeping, accounting and personnel functions by the former and more efficient service to management and labor in the case of the latter.

The department's growth in personnel and cost from fiscal year 1963-64 through the proposed 1967-68 fiscal year is shown in Table 1. A four-year comparison of divisional staff and cost increases is contained in Table 2.

Table 1

	<i>Actual</i> 1963-64	<i>Actual</i> 1964-65	<i>Actual</i> 1965-66	<i>Estimated</i> 1966-67	<i>Proposed</i> 1967-68
Positions	1302.1	1473.9	1555.6	1722.9	1720.1
Cost	\$14,325,130	\$16,806,701	\$18,447,497	\$21,755,234	\$22,219,858*
Percentage increase over prior year:					
Personnel		13.2%	5.5%	10.9%	---
Cost		17.3%	9.7%	17.9%	2.1%

\* Before workload adjustments and undetailed 10 percent reduction.

Table 2

Four-Year Comparison by Division

Division	1963-64		1966-67		Percentage increase	
	Positions	Cost	Positions	Cost	Positions	Cost
Administration	51.7	\$1,880,587	76.9	\$3,005,163	48.7%	59.8%
Conciliation	19.1	225,748	20.1	278,401	5.2	23.3
Industrial Accidents	463.3	4,740,430	587.1	6,976,772	26.8	47.2
Industrial Safety	251.4	2,722,877	312.0	3,911,304	24.2	43.6
Industrial Welfare	77.8	738,374	99.4	1,100,498	27.7	49.0
Labor Law Enforcement	178.7	1,597,735	245.3	2,465,501	37.3	54.3
Apprenticeship Standards*	137.7	1,296,541	217.0	2,397,284	57.6	84.9
Labor Statistics and Research	81.0	641,473	110.6	952,955	36.5	48.5
Fair Employment Practices	41.4	481,565	53.4	667,356	29.0	38.6
Total	1,302.1	\$14,325,130	1,722.9	\$21,755,234	32.5	51.8
*Without federally funded positions and their reimbursed support	137.7	\$1,128,466	188.4	\$1,747,756	36.8%	54.8%

The organization of the Department of Industrial Relations is unusual in that the chiefs of seven of the statutory divisions are Governor's appointees in addition to the director of the department; thus, it is conceivable that decisions on matters of policy disagreement between the director and his division chiefs or among division chiefs will be referred to the Governor's office for action. In addition, one of

## Department of Industrial Relations—Continued

his division chiefs, the Administrative Director of the Division of Industrial Accidents, now receives a larger salary than does the director as a result of legislation enacted in 1965. There is little logic for this organizational feature but it exists largely because of historic labor organization patterns.

In prior analyses of this budget item, recommendations have been made relative to reorganization of two of the divisions which would result in efficiencies and economies of operation without reduction of services as well as recommendations relative to studying the possibility of funding the operations of two other divisions from a source other than the General Fund. These recommendations will appear in the portions of this analysis which deal directly with the division or function affected.

## ANALYSIS AND RECOMMENDATIONS

This department's total proposed support expenditure for the budget year before workload adjustment and undetailed 10% reduction is \$22,375,132 and is funded as follows:

<i>Source</i>	<i>Amount</i>
General Fund -----	\$21,471,059
Dept. of Employment Contingent Fund -----	59,417
Federal MDTA funds -----	689,382
Reimbursements for services -----	55,274

Included in the budget prior to any adjustment are proposals for extending a net total of 33.4 positions established administratively in the current year into the budget year and 1.1 proposed new positions.

The 1967-68 Governor's Budget proposes a General Fund level of program of \$22,074,771, which includes \$603,712 to reflect workload increases. Upon application of a 10-percent reduction, the Budget Bill proposes an appropriation of \$19,867,294.

We are advised that the workload adjustment provides for 22 new positions with a personal services cost of \$202,615, increase in operating expenses of \$359,433 and equipment expenditure increases of \$41,664. We can identify all but \$1,625 of the personal services increases and \$2,879 of the equipment increases. These two discrepancies we understand are due to the problems associated with working between the budget without adjustment and adjusted budgets in that in the first instance a staff benefit for two positions was inadvertently left in the adjusted budget and in the second instance, additional equipment allowed in the workload budget remained after initial decisions on new and replacement equipment were made by the Department of Finance.

*We recommend that the adjusted budget be reduced by \$1,625 in personal services and \$2,879 in equipment expenditures.*

The amount of \$1,625 of staff benefits for nonexistent positions is not required.

We cannot identify the equipment for which the \$2,879 is requested and cannot recommend inclusion of that amount without an evaluation of its purpose and need.

## Department of Industrial Relations—Continued

## Division of Administration

This division is responsible for the administration and planning associated with the execution of departmental policies and for all the housekeeping functions of the department which include rent, postage, utilities, personnel and accounting. In addition it is responsible for the statutory function of administering the workmen's compensation plans of self-insurers.

The division will continue to provide housekeeping and other logistic support services to the eight operating divisions at current-year levels in the budget year as well as administering the audits of the self-insurers workmen's compensation insurance programs.

This division's budget before adjustment is \$3,020,419. Of this amount \$3,000,276 is funded from the General Fund and the workload adjustment of \$200,413 increases this amount to \$3,200,689. We are advised that the workload adjustment figure includes one clerical position with personal service costs of \$5,102, increased operating expenses totaling \$193,405 associated with the 22 new positions and opening two new branch offices, one in Pomona for Industrial Welfare and Apprenticeship Standards and the other in Martinez for Labor Law Enforcement and Apprenticeship Standards, and the equipment required for the new position at \$1,906.

The clerical position is requested on the basis of workload increase occasioned by the additional staff employed by the department. It is represented that in the budget year there will be a net gain of 48 departmental positions.

In addition the division is providing personnel services for the San Francisco Bay Conservation and Development Commission and the federally reimbursed MDTA positions in the Division of Apprenticeship Standards.

*We recommend deletion of this position, resulting in a total savings of \$7,008 in personal services and equipment costs.*

The 48-position net increase presented in justification material supplied to us for the new clerical position was based on the anticipation that the workload budget would include all the positions the department was requesting. However, the workload budget only has a portion of the positions resulting in a net decrease of 20 positions rather than a net increase of 48.

It does not appear that the division has been receiving reimbursements from other small state agencies for services rendered, yet this division includes such services as justification for workload increases.

*We recommend that the department execute a reimbursement agreement with all such small agencies to whom it provides services in order that these workload increases be properly charged.*

The division's workload budget for operating expenses totals \$2,579,082 and the workload increase is \$193,405, an 8.1 percent increase.

This increase is based upon the division's estimates of increasing postal costs, telephone communications, rent, building maintenance, general expenses and moving expenses for the entire departmental or-

## Department of Industrial Relations—Continued

ganization. A number of these expenses increase in relationship to the new positions.

*We recommend that the workload increase in operating expense be reduced to \$106,661, resulting in a savings of \$86,744.*

In our review of this workload increase we note what appears to be an inconsistency in that increases in general expense and communications are included for new positions for which funds are not budgeted. A review of the workload justification material clearly indicates that, although funds for requested positions are not included in the adjusted workload budget, funds for operating expenses for those positions have been included.

## Division of Conciliation

This division is responsible for the promotion of sound labor relations within the state and meets this objective through the mediation services it stands by to render at either party's request. Similarly it conducts elections and/or card checks to determine organizational representation by labor if requested. It also has mandatory obligations of a similar nature in connection with the various statutory transit authorities in the state.

The division will maintain the availability of its services to labor and management for investigation, mediation and other consultive services relative to labor disputes at current-year levels. Numerically the caseload of disputes, elections and consultive services has remained quite constant but the man-hours expended in these services is increasing.

The division's budget before workload adjustment is \$282,718, and we are advised that the adjustment of \$10,047 occurs in operating expense.

*We recommend that the workload adjusted budget of this division be reduced to \$285,483, resulting in a savings of \$7,282.*

Our review of this adjustment for workload reveals that it is based upon an increase in staff for which funds were not budgeted.

## Division of Industrial Accidents

The Workmen's Compensation Appeals Board and the referee staff in this division are responsible for the adjudication of workmen's compensation claims. The remainder of the staff is employed in providing logistic support of that function and performing tasks, statutory and otherwise, related to workmen's compensation.

The division will continue its adjudication of disputes of workmen's compensation insurance and the revision and adjustment of its procedures, forms and reports as experienced under the reorganization of the division, following the enactment of Chapter 1513, Statutes of 1965, is acquired and evaluated. New filings of claims in the first five months of fiscal year 1966-67 have increased by 7 percent over the comparable period of fiscal year 1965-66, and the pending caseload is up 1.5 percent over the same period.

The budget of the division prior to workload adjustment is \$7,163,212 and we are advised that the adjustment amounts to \$86,521 and in-

## Department of Industrial Relations—Continued

cludes three associate counsels and a supporting clerical position with a personal services cost of \$48,701, operating expenses of \$34,213 and \$3,607 of equipment costs.

Two of the associate counsel positions and the one supporting clerical position requested are justified by the division on the basis of increases in workload at the legal information desks in Los Angeles as well as an estimated increase due to a statement appearing on a new form developed as a result of legislation enacted in 1965 (Chapter 1513, Statutes of 1965, effective January 15, 1966). The new form invites the claimants to contact division staff at various listed offices.

*We recommend approval of these 3 workload positions.*

Another associate counsel position is requested on the basis that true experience and evaluation of actual needs of the Workmen's Compensation Appeals Board prior to its reorganization did not exist and now it is apparent the board required additional supporting staff in order to carry out its function properly.

*We recommend approval of this workload position.*

The adjusted workload request for operating expenses is \$404,321 and a review of the increase of \$34,213 indicates a \$1,200 item for flags, a \$300 item for costumers and an item of \$11,521 for services of a state policeman to act as a guard in the reception hall at the Los Angeles office.

*We recommend that the operating expense budget as adjusted for workload be reduced to \$391,420 resulting in a savings of \$12,901.*

The amount requested for flags is the result of a typographical error and the agency advises the correct figure is \$120; thus a savings of \$1,080 is indicated. In respect to the item on costumers (coat and hat-racks) a similar amount of \$300 was requested in the current year's budget. It is unlikely that this expense should be continued on an annual basis and we have included its deletion in the reduction above.

The request for \$11,521 to reimburse the Department of General Services for a specially detailed state policeman to provide protection against the likelihood of an assault or an attempted assault upon persons in the office or in the reception hall at the Los Angeles office is precedent setting. While it may be true that tempers and emotions of individuals involved in matters to be adjudicated by the division become inflamed and high, we do not believe the presence of a uniformed policeman within the hall would deter such persons from precipitous actions. It is understood that under present conditions the state police on regular duty within the building can answer a call for assistance within one minute. In view of the circumstances we have recommended that this service not be funded.

We have reviewed the equipment schedule and concur in the need for the amount requested in the workload adjustment.

The reorganization referred to above had as its primary objective the reduction of extensive litigation in the field of workmen's compensation. One method of achieving this objective is through the activities of the legal information staff referred to above.

## Department of Industrial Relations—Continued

## POLICY OPTION

On a number of occasions in the past we have recommended in our analysis of the budget consideration of an alternative method of funding the support of this division. We again offer for consideration the possibility of relieving the General Fund of this annual ever-increasing expenditure for support of the adjudication processes of workmen's compensation.

This savings of approximately \$7.2 million in the budget year could be achieved by legislation which would permit a premium based assessment of workmen's compensation insurance carriers and an equivalent assessment of self-insurers.

Some 27 states have adopted methods of self-financing their workmen's compensation programs; in all cases the costs of the program are paid directly or indirectly by the employers. In 19 states the law establishes a maximum percentage of total premiums or claims beyond which assessment cannot be levied.

This policy option, if adopted, would transfer the support of the adjudication process in respect to workmen's compensation claims arising out of injuries or death suffered in the course of employment from the state to employers. Also the cost of the agency would be equitably distributed among employers on the basis of their relative use of its services.

## Division of Industrial Safety

This division's responsibilities include all the inspection and enforcement aspects of insuring a safe place of employment for all the work force of the state.

The division will maintain the same level of service within the workload budget as in the current year. Increases due to new installations in the field of elevators, pressure vessels and oil field activities will be met by new positions proposed in the workload budget. While California's work injury rate declines to its lowest level in history (31.3 injuries per 1,000 workers) in 1965, the current statistics indicate injuries are up 8.4 percent in the first seven months of 1966. The work force increased by 4.8 percent in this seven-month period.

The budget for the division prior to the workload adjustment is \$4,015,636. The workload adjustment is \$140,258 and we are advised it consists of one senior safety engineer (mineral), six safety engineers (two elevator, three pressure vessel and one industrial) and two clerical positions with a personal services cost of \$86,289, operating expenses of \$50,270 and equipment costs of \$3,699.

The basis for the request of the senior engineer (mineral) is to provide supervision for four mineral safety engineers in northern California. This supervision is now provided by the supervising engineer (mineral) in the San Francisco headquarters office.

*We recommend that this requested position be denied resulting in a savings of \$12,553.*

We do not believe the addition of a senior safety engineer for supervision of four journeyman level engineers is warranted. The southern California area now has 1 senior safety engineer position

## Department of Industrial Relations—Continued

(mineral) supervising 10 safety engineers (mineral); thus, the span of control for the supervising engineer position, although on two levels, is not considered beyond its capability.

We are concerned by the department's concept of specialization which has resulted in the abolishment, in the current year, of the former supervisory position of district engineer, a generalist, and substituting therefor the senior engineer, a specialist. In the current year 22 district engineer positions were changed to senior engineers; no change in personal services costs was involved but the concept of a single district engineer supervising all the safety engineers within smaller contiguous geographical districts regardless of specialty was changed to the situation in which the specialist is now supervised by a senior engineer in his specialty who may be located several hundred miles distant. We do not believe this recent change results in either efficiency or economy except in metropolitan areas where, in most cases, the entire specialist group work out of the same office. It results in a condition in which, although several different specialists work out of the same office, each is responsible for his performance to a different senior engineer at an even different location. Under such circumstances the solution of safety problems within that geographic area lacks coordination and the general overall level of service suffers. Indeed, it is quite possible under these circumstances for three different safety specialists to call upon a single place of employment within three successive days. This may be considered as harassment of an employer and at the least a duplication of service and such situations can be avoided with the coordination responsibility of district or area supervision.

In order to properly develop career planning within the division it would appear that rather than continuing a narrowing of competency in the field of safety, the individual should be required to broaden his experience and competency level. Further the specialist concept inhibits the flexibility of the division to react to a varying workload.

*We recommend that the division review this problem of organization and supervisory responsibilities in the nonmetropolitan geographic areas to insure the public receives the most efficient and economical service within the capability of staff at these locations.*

The request for six safety engineers is based upon formulas in the case of the elevator and pressure vessel specialists and upon the increase in the number of places of employment and the rise in disabling work injuries in agriculture for the industrial specialist.

*We recommend inclusion of these positions in the workload adjustment.*

Two clerical positions are requested, one in Los Angeles and one in San Francisco. The Los Angeles position is proposed for the administration section to act as a receptionist, giving information of a routine nature and referring technical questions to the proper section and in general assisting the supervising clerk position as may be required. The San Francisco position is requested for the headquarters construction section to meet an increased workload of two years' duration which

## Department of Industrial Relations—Continued

involves the revision of Articles 9 and 10 of the construction safety orders. The requested position will be required to perform the usual office assignments of a position of this classification.

*We recommend that the clerical position requested for the Los Angeles office be deleted resulting in a savings of \$5,102 and we recommend approval of the position requested for the San Francisco office.*

We believe the justification offered for the position in the Los Angeles office results in an increased level of service. The division advises that the function is not presently assigned to any one person but is the responsibility of several positions. We recommend that one of the clerical positions existing in the administration section be assigned specifically to that work station and use other positions to cover during mealtimes and vacations.

The operating expenses, when adjusted for workload, reflect an increase of \$50,270 and total \$454,399. The detail indicates those costs which can be attributed to new positions were determined on the basis of requesting 13 safety engineers.

*We recommend workload operating expenses be reduced in the amount of \$13,653.*

The reduction represents the excess funds over and above necessary operating expenses required to support the six safety engineers recommended for inclusion in the workload budget. As stated previously, we do not believe that operating expense money should be budgeted for nonexistent positions.

*We recommend inclusion of the workload funds requested for equipment as necessary to support the positions included in the workload budget.*

**POLICY OPTION**

The policy option offered in this instance parallels the option offered in the case of the Division of Industrial Accidents appearing on page 631 of this analysis in that we recommend consideration be given to funding the support costs of this division by a premium based assessment of workmen's compensation insurance carriers and an equivalent assessment of self-insurers. This option will require enabling legislation and if effected, would result in annual General Fund savings of \$4 million.

The statutory inspections of places of employment and enforcement of the safety orders by this division to insure safe working conditions and the reduction of on-the-job injuries is an integral part of the state's industrial accident program. Insurance carriers and nearly all of the larger employers also are engaged in this effort to achieve safe procedures and practices in employment. All these efforts are in the accident prevention area and while the nonpublic efforts are directed primarily to the issue of minimizing casualty losses of a specific industry or employer, the state's efforts implement the public policy of preventing accidents in industry in a manner similar to that of promotion of safety on the highways by other public agencies. Both programs serve and achieve the same ends.

## Department of Industrial Relations—Continued

There is a recognized relationship between an employer's workmen's compensation losses and the industrial safety or accident prevention programs in that nine states fund their industrial safety programs by some means of self-financing and in all these cases the cost is borne by the employer either through direct assessment or indirectly through premium assessment.

The implementation of this policy option would place the support of this function upon those who realize the benefits of industrial accident prevention and reduction programs.

## Division of Industrial Welfare

This division has as its responsibility the promulgation and enforcement of the minimum wage orders for women and minors and is engaged in inspection activities to insure that the working conditions for women and minors meet the requirements of those orders.

The division's services to the estimated 1.8 million women and minor wage earners in the state in respect to administering and enforcing the minimum wage orders will remain at the same level as in the current year.

Revision of the wage orders has historically brought about increased activity and a peaking of workload following their adoption which in this case will occur in late 1967. No provision is made to meet this need in the workload budget.

Included in the 1967-68 fiscal year budget is a request for 1.1 position of temporary help and funds for 20 days of per diem and expenses for members of the Industrial Welfare Board in connection with the completion of the revision of the 14 wage orders commenced in the current year.

*We recommend authority be granted for this new position cost and the expenses of the board.*

This division's budget before workload adjustment is \$1,122,469, the adjustment is in the amount of \$24,272 and we are advised it includes one clerical position with personal services costs of \$5,102, an increase of \$17,485 in operating expenses and \$1,685 of equipment costs.

The division intends to open a new branch office in Pomona because of the workload increase in that area and it will be staffed by an existing agent from the area office which has been providing service to the Pomona area on a scheduled basis. By establishing an office in Pomona the services will be provided in a more efficient and expeditious manner and the agent assigned will require clerical support.

*We recommend that this clerical position and its equipment cost be denied resulting in a savings of \$6,787.*

We cannot recommend approval of this position on the basis of the need for an office in Pomona without statistics or workload figures to justify and support the division's contention in this regard. No justification has been presented for the establishment of the office itself in Pomona.

The amount of the workload increase for operating expenses of \$17,485 contains the funding necessary to support the in-state travel of 12 positions which do not appear in the budget.

## Department of Industrial Relations—Continued

*We recommend that the workload adjustment for operating expenses be reduced to \$9,598 resulting in a savings of \$7,887.*

There is no need to budget funds for positions not included in the budget and we have determined these additional travel costs to be \$7,887.

**POLICY OPTION**

We offer a policy option which will require amendment of current law and will, if implemented, result in savings of approximately \$130,000 every three years.

The Industrial Welfare Commission reviews and revises the 14 wage orders effecting minimum wages, hours and working conditions of women and minors at about three-year intervals. The individual wage order affecting a specific industry is reviewed and revised by one of the 14 wage boards appointed by the commission. The commission then holds the public hearings required by law in respect to each wage order as revised by the wage board and then, after consideration of all the issues, adopts the order, which then becomes a part of the California Administrative Code and has the effect of law.

The usual purpose behind the periodic revision of the wage orders is to adjust the minimum wage to insure it will, in accordance with statutory provisions of the Labor Code, *be adequate to assure a proper living standard*. We recommend the concept of the Industrial Welfare Commission adjusting or establishing the minimum wages, hours and conditions of employment be discarded in its entirety and in its stead substitute the following:

1. Establish by statute a minimum wage for women as expressed in the now current wage orders and further provide that this minimum will be adjusted annually as may be required on the basis of the inter-year percent increase or decrease of the California Consumer Price Index prepared by the Division of Labor Research and Statistics for the quarter ending September 30, the adjustment to be made commencing with wages paid on or after the following December 1.

2. Authorize the Chief of the Division of Industrial Welfare to establish, by administrative regulation, hours, conditions of employment, etc. In the preparation of such regulations the division chief could be assisted by an advisory board for each industry, occupation or trade and would be subject to the public hearing and notice requirements of the Administrative Procedure Act.

An alternative policy option affecting this division is offered which, according to a study made November 30, 1962, by the Department of Finance, would result in annual savings of \$100,000. This alternative would also require amendment of current law. We recommend consideration be given to the abolishment of the Division of Industrial Welfare and that its functions, responsibilities and duties under law be reassigned to the Division of Labor Law Enforcement.

**Division of Labor Law Enforcement**

This division's statutory responsibility is the enforcement of all California labor laws not specifically delegated to another state agency.

## Department of Industrial Relations—Continued

A substantial portion of the division's workload stems from the enforcement of laws pertaining to the payment of wages. Other activities include licensing and regulation of agencies offering employment opportunities, insuring compliance with law related to coverage for workmen's compensation insurance, and administration of the Child Labor Law.

The activities of this division are projected for the budget year at the same level as for the current year within the workload budget. The division anticipates it will receive approximately 65,000 wage complaints in the budget year, an increase of 16,616 over the fiscal year 1965-66.

The division's budget prior to the addition of the workload adjustment is \$2,515,774 and the adjustment is an amount of \$83,856. We are advised this amount contains a request for six new positions with a personal services cost of \$48,674, operating expenses of \$28,301 and equipment cost of \$6,340 for the requested positions and \$1,141 for a proposed new office in Martinez.

Four of the positions requested are two attorneys at the assistant counsel level and their clerical support of two senior legal stenographers. The justification offered in support of this increase in legal staff is based on the number of civil suits filed and the increased workload brought about by the addition of eight deputy labor commissioners to the staff in the current year.

*We recommend these positions be denied resulting in a savings of \$34,732.*

The ratio of legal staff to deputy labor commissioners ranged from 1:11.1 to 1:9.2 over the three most recent actual years and the authorized strength ratio for the current and budget years is now 1:9.7. The proposed increase would enrich this ratio to 1:7.8. We can find no compelling reason to change the ratio of lawyers to deputies at this time.

We are advised the division has requested two payroll auditors. No justification can be found for these requested positions.

*We recommend these positions be deleted resulting in a savings of \$13,332.*

The amount requested in the workload adjustment for operating expenses is \$28,301.

*We recommend this amount be denied resulting in a savings of \$28,301.*

This increase in operating expenses is directly associated with the new positions requested and should be deleted if the recommendations on that issue are accepted.

*We recommend deletion of the entire amount of \$7,481 for equipment costs in the workload adjustment.*

The amount of \$6,340 requested for equipment in the workload adjustment is required for the new positions which we have recommended be deleted and an additional amount of \$1,141 was requested for equipment costs associated with a proposed new office in Martinez. No detail is available on this latter expense.

## Department of Industrial Relations—Continued

## Division of Apprenticeship Standards

The Division of Apprenticeship Standards has the responsibility under law to promote and foster the apprenticeship programs of labor and management in the state, to promote and administer "on-the-job training" programs and to promote retraining of journeymen. These functions in the budget year are funded from three sources. The apprenticeship development and promotional program is funded almost exclusively by the General Fund. A small segment of this program for the operation of the Apprenticeship Training and Information Centers within the Youth Opportunity Centers is funded from the Department of Employment Contingent Fund and appears in the Budget Bill as Item 139. The on-the-job training (OJT) program is funded by federal moneys under the Manpower Development and Training Act (MDTA).

The budget year activity of the division will require the same number of man-years of employment but a shift of emphasis will be made from MDTA-OJT activities to apprenticeship promotion. This shift and the reasons therefor are discussed in the analysis below. It is understood that the Department of Labor has not as yet allocated a specific number of MDTA-OJT trainee assignments for fiscal year 1967-68 and the division anticipates such assignment will at least be at the current year level of 9,800. The increase in apprenticeship promotional activity is hoped to result in the recovery of not only the losses in fiscal year 1965-66 but will increase the numbers of indentured apprentices.

The division has budgeted a total expenditure program of \$2,451,915 which includes \$656,191 from the Department of Labor for the administration of the OJT program under MDTA, \$57,117 from the Department of Employment Contingent Fund, and \$1,738,607 from the General Fund.

This latter amount is adjusted for workload by an increase of \$11,993 which we are advised is composed of \$11,447 in operating expenses and \$546 in equipment.

In operating expenses the division has requested an increase in printing and subscription cost of \$4,711 and a \$6,736 increase in travel in-state over the current year's estimated expenditure.

*We recommend these increases be denied resulting in a savings of \$11,447.*

We cannot agree that the budget year printing costs for some forms and publications should be projected at the same level as the current year estimated expenditures as it has not been demonstrated that the need for these supplies are of a constant annual demand type, and that they reflect the actual level of demand. Similarly we recommend that the annual subscriptions to four daily newspapers be denied.

The increase of the amount requested for in-state travel is due to the increase of 20 percent in per diem costs. We believe the annual in-state travel costs of the division chief at \$3,011, the assistant chief at \$2,230, the state intergroup coordinator at \$1,164 and eight area supervisors at \$1,389 each, when compared with the annual budgeted travel cost of the 75 consultants at \$26,317, indicates substantial sav-

## Department of Industrial Relations—Continued

ings can be made in these administrative personnel travel costs. Without supporting detail on the estimated specific travel requirements rather than a projection of the cost based on actual travel performed in fiscal year 1965-66, we cannot evaluate the true requirements of the division.

We are advised the workload adjustment for equipment of \$546 is for the purpose of establishing work stations in two proposed new offices, one at Pomona and the other at Martinez.

*We recommend these funds be denied producing savings of \$546.* We have no detail on the staffing, rental costs or workload statistics to justify these offices and cannot therefore recommend their approval.

The division is requesting the continuance through the budget year of 29.6 positions 15.7 of which are consultant positions, 10.7 clerical, and 3.2 administrative, established by administrative action in the current year. They were established in conjunction with the MDTA-OJT program carried on under a contract with the Department of Labor and are fully federally funded. Eight of the 15.7 consultant positions and three clerical positions are to be employed in the regular state apprenticeship promotional program, if permitted by the Department of Labor. This action is to partially repay the state for 16 man-years of state consultant and clerical support time expended in a maximum effort in support of this federally funded program in the latter half of fiscal year 1965-66. This manner of repayment of state costs is now under negotiation with the Department of Labor.

As a result of this crash program, the division placed approximately 9,100 unemployed persons in on-the-job training positions. The employers of these trainees received in excess of \$3 million of MDTA reimbursements for their participation and the trainees are estimated to have received over \$13 million in wages during the training period.

Although the division liaison with regional and national MDTA officials of the Department of Labor is excellent, the administrative problems associated with this federal program at the outset caused significant difficulties in understanding the funding provisions of the contract. One result is the circumstance outlined above. We are informed that these problems have been resolved.

*We recommend that each federally funded position be identified as such in the budget supplement on salaries and wages.*

We are concerned in respect to the manner of display of the funding in the budget document. Our concern is that positions added through workload and administration adjustment are presented in the summary discussion as fully reimbursed under MDTA, but they are not so identified in the detail. Under such conditions it is difficult to determine exactly which positions should be deleted should there be a reduction in federal support.

*We recommend approval of 26.6 of the 29.6 requested administrative adjustment positions.*

The administrative adjustment provides for the following positions: an assistant chief, an information officer and an assistant intergroup

## Department of Industrial Relations—Continued

coordinator at a personal services cost estimated at \$41,928 or 15 percent of the estimated total personal services expenditures for the adjustment.

*We recommend deletion of these three administrative adjustment positions resulting in a savings of \$41,928 in personal services costs.*

We have no workload or other justification material upon which to judge the necessity for these positions. We question the need for the three positions on the basis that the functions which they are to perform should be funded in the overhead charges of the contract by reason of the fact that the division at present has authorized two assistant chiefs, an intergroup relations coordinator and an information officer.

The division provides three man-years of consultant support to the Apprenticeship Training and Information Centers at seven Youth Opportunity Centers operated and staffed by the Department of Employment. This program is funded from the Department of Employment Contingent Fund in Item 139 of the Budget Bill in the amount of \$59,417, of which \$2,300 is allocated to the Division of Administration for housekeeping and other charges.

In 1965-66 through this program 6,958 young people were interviewed, 2,606 were tested, 1,871 passed the test, 886 were placed in OJT positions and 583 entered apprenticeship programs.

*We recommend that Item 139 of the Budget Bill be denied.*

We recommend that the concept of requiring the Division of Apprenticeship Standards to engage in this program at the Youth Opportunity Centers be dropped and in lieu thereof that the Department of Employment staffs at the Youth Opportunity Centers be given the responsibility for screening, testing and referring to the local division of apprenticeship office all successful and eligible candidates for apprenticeship and/or on-the-job training positions.

We believe the promotional activity associated with this program is within the capacity of the currently authorized General Fund supported staff of the division and that all the functions up to the point of referral of the applicant to the division's local technical staff can be accomplished by Department of Employment personnel without detriment to an applicant's opportunities to enter either the apprenticeship program or the OJT program.

**POLICY OPTION**

We offer the option of the withdrawal of state support from the apprenticeship promotional program.

There is no doubt that the program as presently conceived is not meeting the needs of all the state's industries for trained skilled manpower. Conversely it is obvious that the need is being met to a considerable degree by other means, otherwise the program would show a constant growth in all apprenticable trades to parallel the increase in the state's work force.

That labor and management are interested in the product of apprenticeship training is evidenced by their joint participation through col-

Department of Industrial Relations—Continued

lective bargaining agreements in apprenticeship funds or programs which in California employ some 69 directors or coordinators of apprenticeship programs.

In the table below is shown the program's experience for each of the last five actual years.

	1961-62	1962-63	1963-64	1964-65	1965-66
Active apprentices	19,975	22,125	24,223	23,680	22,639
Certified to journeymen	3,976	4,462	4,500	4,292	4,450
Active apprentices to certified journeymen	5.02:1	4.96:1	5.38:1	5.52:1	5.09:1
Male nonagricultural work force (in thousands)	3,370	3,496	3,606	3,690	3,851

Of the 370 apprenticable trades listed by the division, 168 had active apprentices engaged in training and as of June 30, 1966, the carpenters' trade had 4,392 indentured active apprentices; 4 other trades have more than 1,000 such apprentices, 13 others have more than 300 indentured.

We believe that the apprenticeship program would continue at approximately the same level without state support and that the needs of industry will continue to be met in a manner satisfactory to both labor and management.

We estimate approximately 90 percent or \$1.5 million of the General Fund support appropriation is devoted to funding this program; thus if the state withdraws its support, a savings of that amount would be realized. The balance of the division activity is related to journeyman retraining, on-the-job training, and registration of apprentices which would continue with the adoption of the policy option.

Division of Labor Statistics and Research

This division has a statutory responsibility for collection, compilation and presentation of statistics relating to employment, unemployment, hours, wages, earnings, cost of living, labor supply and demand, industrial relations, disputes, accidents, and safety and labor productivity. The division is also responsible for the development of statistics related to the functions performed by the various divisions of the department. It is understood this latter task accounts for 60 percent of this division's workload.

The division will be engaged in applying the increased capabilities of the IBM 360-20 data computer to the routine statistics and to new applications involving increased support to the other operating divisions of the department.

The total support requested for these activities in the budget year prior to adjustment in \$961,981 and is funded from three sources, \$24,774 in reimbursements from the federal Bureau of Labor Statistics, \$15,348 federal support for activity associated with the OJT-MDTA program, and \$946,633 from the General Fund.

We are advised that this latter amount is adjusted for workload by \$21,987 and contains one new position of programmer I with a personal services cost of \$7,722 and operating expenses totaling \$14,265.

The programmer I position requested involves extending the author-

## Department of Industrial Relations—Continued

ity for this position beyond its termination date of June 30, 1967; through the following June 30. The extension of a full year is based on the fact that the new electronic data processing computer delivery and installation was delayed for a period in excess of six months and, thus, the position was not filled for that period and in addition, sufficient time to develop programs was not available on a similar machine at the IBM test center resulting in backlogging the process of programming until the division's machine was installed.

*We recommend this position be included in the workload adjustment.*

The \$14,265 of increased operating expense in the workload adjustment occurs in printing, travel and costs associated with the new data processing equipment.

*We recommend this workload adjustment increase for operating expenses be reduced by \$7,034.*

The printing request indicates that the cost of several annual reports has trebled since the last actual year's expenditure although the number of copies to be printed remains the same and we believe the costs should be returned to the level of fiscal year 1965-66 with allowance for price increases. This reduction amounts to \$5,034. In the case of increased travel costs, we have reduced the workload amount by \$2,000 as the increased cost of the proposed travel of new positions not appearing in the budget was inadvertently left in during the adjustment operation.

In the current and budget year 5.5 positions are added through workload and administrative adjustment. Four of the positions are located within the section of the division in which a cooperative program with the federal Bureau of Labor Statistics is conducted. Prior to January 1966 there were 12 federal employees working in this section on that program. In December 1965 the Bureau of Labor Statistics made a decision to withdraw the federal employee positions through the normal attrition process and substitute in lieu thereof reimbursements for a like number of state positions. This adjustment reflects the implementation of that decision and four of these state positions replace a like number of federal positions and are reimbursed by federal funds. The remaining 1.5 positions added are also federally reimbursed and are associated with the MDTA-OJT function performed in the Division of Apprenticeship Standards.

*We recommend these positions be included in the workload budget.*

This division has since 1924 participated in a cooperative program related to the collection of reports from California firms on employment, hours and earnings with the federal Bureau of Labor Statistics.

The employment and payroll statistics section which performs this function is staffed with 39 employees. Twenty-seven of these positions derive their support from the General Fund, four are by federal reimbursement and eight others are federal employees.

The division estimates the total support expenditures for this cooperative activity as \$423,238 for fiscal year 1966-67.

*We recommend the positions staffing this section of the division be abolished and that the function in its entirety be transferred to the*

## Department of Industrial Relations—Continued

*Department of Employment resulting in an annual General Fund saving estimated to be in excess of \$360,838.*

This function is being performed by the federally funded state employment service organizations in all but 4 of the 50 states.

The Department of Employment's normal operations require extensive contacts with employers and as one of the primary purposes of this cooperative program is the elimination of duplication of collection of the same information by federal and state agencies, its performance of the function would lend itself admirably to this purpose. We also believe that the task is well within the capability of the supervisory staff and the equipment of the Department of Employment.

The assumption of this function by the Department of Employment would, of course, require discussions with and between the federal Bureau of Employment Security and Bureau of Labor Statistics of the federal Department of Labor in respect to staffing requirements, funding and other matters related to the statistics desired, etc.

## Division of Fair Employment Practices

This division's staff, whose authority issues from the seven-member Fair Employment Practice Commission, is responsible for the administration and implementation of the Fair Employment Practice Act in respect to assuring equal opportunity of employment for all persons and performs a similar function relating to housing acquisition and occupancy under the authority of those sections of the Health and Safety Code dealing with these matters.

The activities of the commission and division staff will remain at the same level as in the current year. The division states it expects to process or file over 1,000 individual employment complaints. This figure appears to us as extremely high in view of prior years' experience. In addition, more man-years of employment are to be devoted to the Section 1421 investigations. As the employment complaint caseload is beyond control of the division, we believe it is incumbent upon the division to devote the available manpower to solutions of this nature before engaging in investigations of employer's personnel procedures when it appears to the commission that an unlawful employment practice may have been committed.

The division's budget, we are advised, contains no increases for workload adjustment and will maintain the same level of service as rendered in the current year. The amount proposed is \$685,734 and its increase over the current year's estimated expenditures is due to the normal merit salary increases.

Operating expense remains at the current year's level of \$79,306. Within this amount are three expenditures carried forward at current year's level which are not justified. These are \$1,200 for displays and exhibits, \$900 for photographic services in part to support the displays and exhibits, \$2,300 for subscriptions and publications, and \$14,354 for printing.

*We recommend that operating expenses be reduced by \$5,970 (budget page 550, line 42).*

We do not have supporting detail to justify the need for expenditures of \$1,200 for displays and exhibits on an annual basis and recommend

Department of Industrial Relations—Continued

this amount be reduced to the expenditures for this purpose of \$92 in the last actual year. Similarly we have no detail on the requirement for \$900 in photographic services and believe this should be reduced to \$400, an amount comparable to that expended in fiscal year 1965-66.

The detail on subscriptions and publications indicates \$1,323 is to be expended on subscriptions to 105 different daily, weekly, monthly and annual publications. We find no justification for the expenditure of \$977 and cannot comprehend the need or use of the 105 different subscriptions by the professional and technical staff of 29 positions nor has the division provided a reasonable justification and we believe expenditures for this purpose should be reduced by \$661, total reduction of subscription costs of \$1,638.

Our review of the workload printing expenditures indicates a number of pamphlets and other promotional material carried over from the current year's estimate are not of the type printed on an annual basis and therefore the amount proposed should be reduced by \$2,724.

State Compensation Insurance Fund

This statutory organizational unit of the Department of Industrial Relations is a public service enterprise unit of state government and because of its self-supporting nature, none of its support costs appear in the Budget Bill. The fund is administered by a board of directors of which the director of the department is the statutory chairman. The four other members of the board are appointed by the Governor to staggered four-year terms.

The responsibility of the fund is to provide a source of workmen's compensation insurance for all employers of the state at stabilized rates reflecting the local conditions in the state's industries.

The fund provides the same service to employers as do other private firms engaged in offering compensation insurance to the public and is governed by the same laws in its operation.

The fund proposes support expenditures of \$20,950,000 in fiscal year 1967-68 of which \$2,300,000 is the premium tax paid to the state under Article XIII, Section 14 $\frac{1}{2}$  of the Constitution.

DEPARTMENT OF INDUSTRIAL RELATIONS

ITEM 139 of the Budget Bill

Budget page 543

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

Amount requested .....	\$59,417
Estimated to be expended in 1966-67 fiscal year .....	59,417
<hr/>	
Increase .....	None
<b>TOTAL RECOMMENDED REDUCTION</b> .....	<b>\$59,417</b>

Summary of Recommended Reductions

	<i>Amount</i>	<i>Budget</i>	
		<i>Page</i>	<i>Line</i>
Apprenticeship Training and Information Centers at Youth Opportunity Centers.....	\$2,300	544	27
Delete administration costs .....	57,117	548	51

Discussion of this item is included in the analysis of Item 138.