

City and County of San Francisco
Department of Human Resources
Philip A. Ginsburg, Director

Civil Service Reform
Preserving the Promise of Government

May 2005



Gavin Newsom
Mayor

Philip A. Ginsburg
Human Resources Director

May 23, 2005

The Honorable Gavin Newsom
Mayor, City and County of San Francisco
City Hall, Room 200
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: DHR's Civil Service Reform: Preserving the Promise of Government Report

Dear Mayor Newsom,

I am transmitting with this letter a copy of the Department of Human Resources' report, Civil Service Reform: Preserving the Promise of Government – a review of the City's civil service system which you requested from me in October, 2004. Our report offers a comprehensive overview of our century-old system and numerous recommendations for improvement. We have strived to provide you with a blueprint for a modern and more effective personnel system designed to ensure that San Franciscans continue to receive the highest quality services from their government in the 21st Century.

Some of the recommendations may not be embraced by labor; others will nettle management. Regardless, they are offered because they have the potential to improve the stewardship of our City government's greatest asset – its workforce. We wish to emphasize that this paper is about our personnel system, not our employees. City employees have been asked to work harder than ever to preserve vital services in an era of declining revenues. Public employment remains a noble calling and the vast majority of our employees serve with great pride, dedication, integrity, and talent.

The issues which most clearly plague San Francisco's civil service system—indeed most traditional civil service systems—are not new. Problems with hiring, evaluating, training, motivating and, when necessary, firing employees have been the subject of debate, analysis, and published reports and articles for decades. Our examination took advantage of that foundation, but also looked closely at the unique characteristics and values of San Francisco's government.

We understand that some are skeptical of civil service reform and will oppose change. Others have encouraged us “to blow the whole thing up and start over.” Neither option is realistic or advisable. Instead, the City must chip away at the most regressive characteristics of our current system—those which impede the effective delivery of public services to San Franciscans and

those which fail to motivate and inspire our employees. With adequate cooperation from employee organizations, we are confident that significant changes to our system can be made administratively. Some of our recommendations can be implemented now, while others may require more evaluation, collaboration, and investment. Although there is opportunity to improve our system through future Charter changes, at this time we are not recommending the “Big Bang” Charter amendment many have anticipated.

In brief, our recommendations advance six guiding themes which surfaced during the course of our review. To reform our Civil service system, we must:

- **Respond to a changing workforce.** With 43% of our employees 50 years old or older, the City must fulfill its responsibility to engage in succession planning, knowledge management and the recruitment of new employees to do San Francisco’s work. To ease this transition, we recommend providing some incentive to keep employees working longer. We must also give serious consideration to modernizing our classification plan (i.e. the specific jobs we do) to create broader and more dynamic definitions of work which better reflect technology’s influence on our jobs and the changing service needs of our City.
- **Engineer more efficient civil service hiring processes.** At present, it can take 12 months or more to fill a permanent vacancy. With over 1,100 separate job classes and limited resources, the City is unable to keep up with its cumbersome hiring processes. As a result, employees are often hired on a provisional or temporary basis. We recommend changing the way we hire permanent employees through better use of technology and new methodologies.
- **Focus on performance.** Healthy personnel systems require a commitment to performance. We must reinvigorate the use of probationary periods, because ultimately, performance is the best indicator of success in any hiring decision. The City must conduct regular performance evaluations, simplify processes for managing poor performance and provide adequate motivation – through our compensation plan and through non-financial recognition -- to inspire excellence.
- **Open doors to career development.** City employees are frustrated by the City’s inadequate training and lack of professional development. Indeed, we invest a fraction of recommended training expenditures. Employees complain of poor supervision and a lack of opportunity to learn and develop. We recommend greater investment in the training and professional development of our staff. Employees selected for supervisory and managerial positions should be required to learn these new skills. All employees should be guaranteed training and educational opportunities to develop their careers and we must create more flexible opportunities to promote.

- **Rationalize separation procedures.** Separations are extremely disruptive to individual employees, to the organizational mission, and overall morale. At present, it can take well over a year to remove an employee from our system, creating a perverse incentive for managers to ignore instances of poor performance or misconduct. Through “interdepartmental bumping” layoffs can result in the sudden displacement of highly specialized, trained, and high performing employees. We recommend modifications to these procedures to recognize that not all employees’ functions are interchangeable. Further, we recommend expediting the process to resolve necessary terminations.
- **Modernize and simplify the governance of our personnel system.** Our personnel system is perceived as confusing, unresponsive, and lacking accountability because of divided and overlapping authority between numerous departments responsible for personnel administration coupled with a patchwork of rules and regulations, and inefficient budget controls. Therefore, we recommend simplifying our system by clarifying the roles and responsibilities of DHR and the Civil Service Commission, consolidating civil service rules, reducing the number of separate labor contracts, standardizing common pay practices, and simplifying the requisition process.

Acknowledgments

As described in Section 1 of our report, our stakeholder and outreach efforts were extensive. We wish to thank all of those individuals – particularly our employees -- who cared enough to provide us feedback and ideas. We wish to acknowledge the support of the Board of Supervisors and the Civil Service Commission; each body lent us resources and convened hearings to help guide our review.

We would like to extend a special thank you to your advisory panel – a group of volunteers which included City employees, Civil Service Commissioners, outside experts and community representatives. This group donated their time and expertise over several months and served as both a sounding board and source of ideas. While consulted, neither this group – nor any other – was asked to endorse this report or its recommendations.

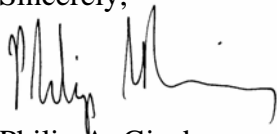
I would also like to thank other stakeholder groups who lent us time and expertise including department heads, financial officers, department personnel officers and exam professionals, the Council for Human Resource Managers (CHRM), the Professional Testing Council of Northern California, the Labor Team of the City Attorney’s Office, the Mayor’s Fiscal Advisory Committee (MFAC), and San Francisco Planning and Urban Research (SPUR).

San Francisco’s labor unions also deserve acknowledgment. Although management and labor might disagree on individual reform recommendations, we are united by the most fundamental belief in local government’s responsibility to our community and the important role our personnel system plays in fulfilling that commitment.

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Lastly, and most importantly, I wish to extend a personal thanks to DHR staff, in particular our project team: Michelle Allersma, Jennifer Johnston, Julian Low, Denise Cannonier-Craig, Bruce Topp and Ted Yamasaki. From the very outset, these individuals clearly recognized the importance of this endeavor for San Francisco and I am extremely proud of the integrity of their effort. I know you will be too.

Sincerely,

A handwritten signature in black ink, appearing to read "Philip A. Ginsburg". The signature is fluid and cursive, with a long horizontal stroke at the end.

Philip A. Ginsburg
Director

Enclosure

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1 Summary Report

1.1 PROJECT PURPOSE

In October 2004, Mayor Gavin Newsom asked that the Department of Human Resources (DHR), under its new director, look inward at the City's civil service and human resource systems and identify areas for reform. Members of the Board of Supervisors and the Civil Service Commission joined the call for this analysis. Over the last several months DHR has looked critically at its own internal operations, conducted best practices research and engaged numerous stakeholder groups in a discussion of City human resource systems and practices – both good and bad. Our goal was to identify opportunities to improve and modernize our current system without eroding the foundations of our system: merit-based employment, equal opportunity and strong labor relations.

“The result of all the rules and rigidity is depressingly predictable, argue reformers: a system where the central agency finds itself unable to keep up with the testing and classification needs of agencies in the field; where lists of eligible candidates quickly get old and out of date; where speed and efficiency are the last values served; and where agencies themselves begin to get quite creative in skirting the rules—not for sinister reasons, but out of the necessity.”

– *Jonathan Walters, Governing Magazine, October 2002.*

1.2 WHY CHANGE IS NEEDED

In 1900, San Francisco was in the vanguard when it created a civil service system to ensure fairness and efficiency in government. Since then, our system has followed the typical trajectory of other maturing systems, and now finds itself balancing multiple, conflicting roles—watchdog, collaborator, policy driver, and consultant (Klingner, 2003). As a result, our system is inflexible, slow, and unresponsive to operational needs. San Francisco's stature as both a city and county and its 48 labor contracts add a level of complexity that many other jurisdictions do not have. These internal pressures, combined with demographic trends, financial constraints, and service demands have converged to create an urgent need for reform.

Our review of literature on public sector human resource operations shows that the few states pursuing drastic civil service reform—Georgia, Florida and Texas—have garnered the most attention. But there has been a quiet sea change in civil service systems in jurisdictions across the country in the past two decades, even in those viewed as resistant to new ideas (Selden, 2001). Just like San Francisco, states, counties and cities are being pushed by public demands for better services at the same or lower cost, and pulled into reform by a looming wave of retirements. Jurisdictions are eliminating practices that slow the hiring process in all areas and are making classification, recruitment, selection, and compensation more flexible and responsive to the strategic goals and operating needs of diverse agencies. They are decentralizing authority on personnel issues to managers and shifting central

human resource agencies from a control mode to a service mode, staffed by cross-trained employees. Technology is central to their efforts (Washington State, 2002).

San Franciscans believe in government's critical role in protecting the health, welfare and safety of residents. However, they may not agree that the City is providing the best quality service effectively and efficiently, as evidenced in nine successive resident surveys (Controller, 2005). Our ability to deliver services is bound by systems that govern our most important resource, our workforce. San Francisco suffers most of the common ailments of civil service: it is behind in administering tests and creating lists of candidates to hire, its classification plan is out of date, we have trouble motivating employees, and departments often waste precious time and effort navigating the rules to meet critical service needs (Walters, 2000).

Our current system has become, in several key aspects, a triumph of process over purpose:

- We have a hiring system that provides 26 different opportunities for appeal; and it often requires more than six months to fill a permanent vacant position.
- Because DHR cannot keep up with demand for lists of qualified job candidates, we allow departments to hire through their own merit-based "provisional" process. Then we insist on repeating the process at DHR with no guarantee that the person selected, trained, and performing for the department gets to keep that job.
- We have a classification plan with approximately 1200 narrowly tailored job classes, some with minute distinctions that can border on the ridiculous. Not surprisingly, DHR can only generate hiring lists for a fraction of these job classes each year.
- We say that employees' career development matters, but we invest little in training and do not adequately provide feedback on performance.
- We have a compensation system that provides most employees with automatic 20% increases in their first 3.5 years of employment, but which provides little flexibility to reward excellent performance.
- We have created a byzantine system of pay differentials that include word processing premiums, lead pay, supervisory differentials, underwater diving premiums, callback, holdover, standby and night shift premiums; all with slightly different eligibility rules in each of our 48 labor contracts.

...our systems must change to reflect the current reality of smaller and less centralized funding for human resources and move toward a more consultative, less regulatory model.

- When employees are laid-off, they are entitled to displace or “bump” their colleagues based on seniority, no matter what department they work in, no matter what the specific expertise required for the position or how well they perform. Once an employee is laid-off they have rehire rights to fill any vacant position in their classification for up to five years. Although the individual has the right to refuse the assignment, the department has no ability to refuse the individual in favor of another.
- We have four volumes of detailed Civil Service Rules, 48 labor contracts and a myriad of other sources of personnel authority and regulations, making the rules hard to follow and apply consistently.

Our system must adapt to future challenges. Technology has changed expectations for service. In the coming years, our government will face increasingly complex, rapidly changing information-driven challenges. We must also confront a changing workforce. Nearly 75% of the City’s workforce is 40 years old or older and 43% of our current employees are older than 50. In the next ten years, baby boomers will retire in large numbers with a pool of available “Generation X” workers that is approximately half its size. Competition for talent will be strong in the coming years and we must be prepared to hire and train the next generation to continue to provide high quality service to San Franciscans (DHR Workforce Planning Group, 2003).

Our system must also adapt to fiscal realities. An analysis of payroll data over the past ten years illustrates two trends. The first is that in the past five fiscal years, staffing has decreased by 2% in the City as a whole but by 14% in DHR. During this economic downturn, positions in administrative functions such as human resources have been cut to spare direct service resources, a typical pattern in government organizations (Klingner, 2003). Given continuing projected budget shortfalls, this trend may slow but is not likely to reverse. The second trend is that the City has effectively decentralized a large number of its personnel functions from DHR to the departments so that today, among human resources job classes, the ratio of staff in operating departments to DHR is nearly four to one. [See Appendix D: Human Resources Staffing Trends].

We have had a fundamental misalignment between what our rules and regulations require and what the City has been willing to fund. At the very least, our systems must change to reflect the current reality of smaller and less centralized funding for human resources

and move toward a more consultative, less regulatory model. In order to align human resource practices with our current values and service demands, the City should instead invest in critical improvements. While we cannot reform our system without a greater investment, its ailments cannot be cured by money alone.

1.3 PROJECT PROCESS

We consulted a wide range of sources to develop recommendations for reform, including:

- Data and reports produced by DHR and other City departments on human resources and personnel systems.
- A review of trends and best practices from both academic and industry sources.
- A survey of ten comparable jurisdictions on core performance metrics and their experiences in implementing reform.
- Discussions with other public and private sector human resources professionals.

To craft recommendations appropriate to San Francisco's current systems, values, and operational needs, and to foster support, we hosted discussions with various stakeholder groups. The groups included:

- Employees via three town hall meetings
- Labor organizations
- DHR employees at all levels
- Department Personnel Officers
- Decentralized exam unit staff
- Department Heads and Chief Financial Officers
- Members of professional organizations, such as the Council of Human Resources Managers and the Personnel Testing Council of Northern California
- Advisory Panel members representing stakeholder groups and experts, including: department heads and personnel officers, a labor arbitrator, Mayor's Office staff, the Civil Service Commission, the Controller, the Board of Supervisors, the San Francisco Unified School District, a public policy research association (SPUR), the business community, community based organizations, an academic, and personnel representatives from Oakland and San Jose
- Members of the Board of Supervisors Government Accountability and Oversight Committee
- Members of the Civil Service Commission

[See Appendix O: Calendar of Events].

Finally, we collected input from employees and the public at large through an online survey and email comment line. By March 31, 2005, we received 380 responses.

We used the same format for our survey and discussions with stakeholder groups. After a brief discussion of core values, that is, the values we want to maintain and promote in our personnel system, we asked for input on four broad areas:

We designed our process to solicit ideas and recommendations from a diverse array of groups and we believe the input we have received has been substantive, thoughtful and balanced.

- **Hiring** – including classification, recruitment, assessment and selection, certification and referral.
- **Employee Investment/Performance Management** – including goal setting and performance evaluation, training, compensation, promotion, probation, discipline, and leaves of absence.
- **Separation** – including succession planning, retirement, seniority, layoffs and bumping, and termination.
- **Governance** – including policies and procedures, Civil Service Rules, Memoranda of Understanding (MOUs), Ordinances, and Charter provisions.

In part, our approach was driven by reform efforts in other jurisdictions. For example, the State of Washington conducted research before launching its own reform effort. Common themes emerged when they asked jurisdictions that had implemented change for their recommendations. They included the need for political, managerial, and fiscal support; inclusiveness and employee involvement; the importance of listening to customer needs; maintaining communication; and the need to provide adequate training (Washington State, 2002).

Our stakeholder process was criticized by labor groups, in part because of our decision to include representatives from the business community and other outside stakeholders. We designed our process to solicit ideas and recommendations from a diverse array of groups and we believe the input we have received has been substantive, thoughtful and balanced. Nevertheless, we are responding positively to organized labor's concerns by striving for collaboration and cooperation with employee organizations. We recognize the critical role our labor unions play as a source of ideas and as partners for change.

1.4 SUMMARY OF FINDINGS

A review of the literature on reform efforts at the federal, state, and local levels, as well as a survey of comparable jurisdictions conducted with the assistance of the Board of Supervisors' Office

“During the past year, the report said, the committee had numerous meetings with city officials, employee groups, civil organizations and others, and that ‘we found absolutely no one completely satisfied with the operations of civil service.’”
-- San Francisco Chronicle,
“New Blast at S.F. Civil Service” December 8, 1971, on a report of the 1971 civil grand jury.

of the Legislative Analyst, reveals remarkably consistent steps taken by those seeking improvement in their human resource management practices in the last two decades:

- Decentralize authority for personnel decisions from a central personnel agency to operational agencies, especially for hiring.
- Change the role of the central personnel agency from regulatory and transaction-oriented, to consultative and problem-solving.
- Make classification and compensation more flexible using broadbanding and other tools.
- Incorporate technology into operations as much as possible, especially in hiring.
- Broaden or eliminate arbitrary restrictions including narrow certification rules such as the Rule of Three.
- Link compensation to performance.
- Provide training to update the skills of employees, particularly those charged with supervision and management.
- Plan for workforce changes, including aggressively identifying and grooming leaders.
- Conduct regular performance evaluations that encourage dialogue between employees and their managers about the best means to achieve individual goals and the organization’s mission, vision and values.
- Simplify processes for separating poor performing employees.
- Use a cooperative labor-management approach to problem solving.

As one observer commented, “[R]eforms of this type are so common that no effort was made to keep score or chronicle every success story” (Hayes, 2004). They are the typical “modernization” reforms encouraged by the Commission on the State and Local Public Service (or “Winter Commission,” after its chairman) in its 1993 report (Naff, 2002). In addition, jurisdictions regarded as especially high performing recognize the importance of regular workforce planning and ongoing efforts to attract new talent. (Selden, 2001).

The Legislative Analyst’s survey shows that comparable jurisdictions have faced similar constraints and pursued many of the reforms we recommend, including:

- Online applications: San Jose now accepts applications for most positions online, which saves data entry time and provides instant access to applicant data.

Civil Service systems are complex, and the expertise to tackle technical reform issues resides not at the legislative or policy level but with operational staff.

- Decentralized hiring: Milwaukee County no longer tests applicants for positions that require outside licensure, and Baltimore uses extensive continuous postings for jobs with few employees. These measures reduce the testing workload and hiring time.
- Mandatory training for supervisors: Philadelphia, Oakland, Denver, San Diego and San Jose all require either supervisory training or competency tests.
- Performance-based wage increases: with centralized oversight of performance evaluations, Denver has linked wage increases to performance reviews.
- Restricted bumping: Denver contains bumping within a department, and Baltimore does the same for all but one of its eight employee unions.

[See Appendix L: Survey of Comparable Jurisdictions].

Additional important lessons we learned from other jurisdictions include:

- Balance the competing values of flexibility and responsiveness with efficiency and equity (Hayes, 2004). Some aspects of human resources, such as classification and information systems, are best centralized; while others, such as hiring, should be decentralized. And while we advocate decentralization, we are aware that smaller departments in particular may lack personnel expertise and resources and will need to be supported with user-friendly tools, training, and consultation (Walters, 2002).
- Be aware of the interdependencies that exist among regulations and processes, highlighting the need for good design and stakeholder input (Naff, 2002).
- Civil Service systems are complex, and the expertise to tackle technical reform issues resides not at the legislative or policy level but with operational staff (Naff, 2002).
- Policy champions are vital. As one source put it, “The single most important lesson that emerges from all the...searches for [human resources management] best practices is that, in every instance, a reform’s success depended on leadership” (Hayes, 2004).

We began our stakeholder process with an assumption informed by years of experience: that while many people can identify aspects of the current system they believe work well, everyone can identify aspects that drive them crazy, and have opinions on how to improve them. Our assumption proved correct. [See Appendices P, Q, R, and S: Stakeholder Input].

In general, respondents to our web survey disagreed that the City is meeting its human resources goals:

- Over 60% disagreed that the City is hiring the most qualified candidates in a timely manner.
- Approximately 60% of respondents disagreed that the City promotes high levels of employee performance.
- Nearly 40% disagreed that the City minimizes the disruption caused by separations.
- Nearly 50% disagreed that the City’s human resources rules and regulations form a navigable, effective and fair personnel system.

[See Appendix S: Stakeholder Input: Web Survey Results].

Some broad areas of agreement among stakeholders surfaced through the meetings and survey, including:

- There are too many provisional appointments. Permanent exams for provisional employees duplicate work for personnel staff. At times they seem to be “rigged” in favor of incumbents, while at other times they can lead to awkward situations where provisional incumbents do not qualify for permanent positions in which they are performing well.
- There is a strong desire for decisions about promotions, compensation, and termination to be based on demonstrated job performance; and there is a desire for supervisors and managers to conduct regular goal setting and performance evaluations with all of their employees.
- There is an urgent need for basic supervisory and managerial training, including performance management skills.

There are also areas in which stakeholders hold conflicting opinions:

- Some employees felt giving managers more control over hiring would lead to patronage and abuse, and did not want to move away from the centralized exam program or toward broader certification rules. Others felt managers need to be more involved in hiring to improve quality and speed of recruitment and selection, and that restrictive rules and exams only provide barriers to entry of the best qualified candidates.
- Though all agreed that merit should serve as the basis for compensation and promotion, there was disagreement with the extent to which the term “merit” should be defined, largely in terms of seniority or in terms of performance.

- Current employees advocate promoting internal candidates, while others felt very strongly that all positions must be open to external candidates as well in order to maintain equal opportunity and to refresh the talent and skills pool for hiring.
- Some stakeholders believed our personnel rules are inconsistent and confusing, while others felt inconsistent application of our rules most directly impede effective administration.

Our recommendations are grounded in this research and build upon some small changes made at DHR over the last few months intended to make our personnel system more user-friendly. DHR now:

- Utilizes a client service model in which departments contact one cross-trained staff member for all of their human resources needs instead of multiple functional area specialists.
- Posts numerous reports and notices online which were previously distributed via mail or email. Online applications for provisional and exempt positions are being piloted.
- Offers one-stop appointment processing, allows new employees to process health, retirement and employment forms at DHR, rather than three separate locations.
- Provides electronic approval of provisional hiring through better-designed forms and electronic processing.
- Has developed and is preparing to implement a Telecommute Program, in partnership with IFPTE Local 21, in an effort to infuse the City's workplace and workplace culture with technological efficiencies. This effort was made in order to address the need for alternative work locations and to explore the possibilities of achieving maximum productivity while staff works virtually, including providing for continuity of business practices in the event of a disaster.

[See Appendix N: Review of Internal Documents].

1.5 CORE GOALS OF RECOMMENDATIONS

The recommendations we have developed are the product of the input received and best practices studied. They can be grouped into six fundamental themes which we hope will guide the City in its reform efforts. They are:

- 1. Respond to a changing workforce.** With 43% of our employees 50 years or older, this City must fulfill its

responsibility to engage in succession planning, knowledge management and the recruitment of new employees to do San Francisco's work. To ease this transition, we recommend providing some incentive to keep employees working longer. We must also give serious consideration to modernizing our classification plan (i.e. the specific jobs we do) to create broader and more dynamic definitions of work which better reflect technology's influence on our jobs and the changing service needs of our City.

- 2. Engineer more efficient civil service hiring processes.** At present, it can take 12 months or more to fill a permanent vacancy. With approximately 1200 separate job classes and limited resources, the City is unable to keep up with its cumbersome hiring processes. As a result, employees are often hired on a provisional or temporary basis. We must change the way we hire permanent employees through better use of technology and new methodologies.
- 3. Focus on performance.** Healthy personnel systems require a commitment to performance. We must reinvigorate the use of probationary periods because ultimately performance is the best indicator of success in any hiring decision. The City must conduct regular performance evaluations, simplify processes for managing poor performing employees and provide adequate motivation – through our compensation plan and through non-financial recognition – to inspire excellence.
- 4. Open doors to career development.** City employees are provided inadequate training and professional development. Indeed, we invest in a fraction of recommended training expenditures. Employees complain of poor supervision and a lack of opportunity to learn and develop. We recommend greater investment in the training and professional development of our staff. Employees selected for supervisory and managerial positions should be required to complete supervisory and management training programs. All employees should be guaranteed training and educational opportunities to develop their careers and we must create more flexible opportunities to promote.
- 5. Rationalize separation procedures.** Separations are extremely disruptive to individual employees, the organizational mission, and morale. At present, it can take well over a year to remove an employee from our system, creating a perverse incentive to simply ignore instances of poor performance or misconduct. Through “interdepartmental bumping” layoffs can result in the sudden displacement of highly specialized, trained and high performing employees. We recommend modifications to these procedures that

recognize not all employee's work functions are interchangeable and that fairly quickens the process for resolving necessary terminations.

- 6. Modernize and simplify the governance of our personnel system.** Because of divided and overlapping authority between numerous departments responsible for personnel administration; a patchwork of rules and regulations; and inefficient budget controls, our personnel system is perceived as confusing, unresponsive and lacking accountability. We recommend simplifying our system by clarifying the roles and responsibilities of DHR and the Civil Service Commission; consolidating Civil Service rules; reducing the number of separate labor contracts; standardizing common pay practices and simplifying the requisition process.

1.6 RECOMMENDATIONS

Our detailed recommendations follow, beginning in Section 2: Detailed Recommendations. We list them here according to the four areas we used to structure our review – Hiring, Employee Investment and Performance Management, Separation, and Governance.

1. Hiring

- 1a. Create broader classifications.
- 1b. Create flexible, position-specific qualifications.
- 1c. Establish flexible job families and series, and expand the use of the Flexible Staffing Program.
- 1d. Establish an aggressive recruitment program to meet future needs.
- 1e. Create opportunities for on-the-spot hiring.
- 1f. Establish and implement a faster merit-based permanent selection program process with simplified appeals rights.
- 1g. Phase out provisional appointments.
- 1h. Request status grants from the Civil Service Commission for provisional employees already selected through verified, merit-based processes.
- 1i. Reduce examination needs by capitalizing on apprenticeships, licensing, certificated, and educational programs to fill permanent positions.
- 1j. Test core competencies for multiple classes at one time.
- 1k. Develop, fully fund, and implement online application, screening, selection, and referral processes by July 1, 2007.
- 1l. Set certification rules based on operational and business needs.
- 1m. Establish uniform probationary period for permanent employees.

2. Employee Investment/Performance Management

- 2a. Require annual performance evaluations for all employees.
- 2b. Make supervisory and management training mandatory.
- 2c. Guarantee all employees 40 hours of job-related professional development each year.
- 2d. Include performance-based pay provisions in all labor contracts.
- 2e. Allow department heads limited discretion to award monetary recognition for individual outstanding performance.
- 2f. Use flexible staffing to increase promotive opportunities.
- 2g. Create a stronger link between promotive points and performance.
- 2h. Authorize limited paid leaves of absence to investigate serious allegations of misconduct.
- 2i. Introduce the use of paper suspensions for attendance problems.
- 2j. Use work plans, not discipline, to correct poor performance.
- 2k. Expedite the disciplinary process by eliminating intermediate grievance steps, creating a citywide panel of standing arbitrators, and imposing arbitration time limits.
- 2l. Standardize timelines and conditions under which disciplinary actions are taken out of the personnel file.
- 2m. Set and enforce attendance standards.
- 2n. Consolidate paid leave types into general paid time off.
- 2o. Develop a citywide return to work program to return injured employees to work more quickly.

3. Separation

- 3a. Establish a citywide task force to aid in succession planning and make recommendations to the Mayor and Board of Supervisors.
- 3b. Provide an incentive for employees to remain with the City longer by offering an improved retirement benefit at a later age.
- 3c. Effective July 1, 2006, base seniority for layoff purposes on citywide time worked in class for all employees and utilize citywide seniority to determine the layoff order within a department.
- 3d. Eliminate interdepartmental bumping for managers.
- 3e. Effective July 1, 2006, protect employees with more than five years of citywide seniority in a classification from displacement.
- 3f. Audit and verify special conditions.
- 3g. Limit holdover rosters to two years.
- 3h. Negotiate severance packages.

- 3i. Expedite the termination process by eliminating intermediate grievance steps, creating a citywide panel of standing arbitrators, and imposing arbitration time limits.

4. Governance

- 4a. Realign roles and responsibilities of the Civil Service Commission and Department of Human Resources.
- 4b. Simplify and consolidate Civil Service Rules.
- 4c. Place all centralized human resource functions in one physical location.
- 4d. Reduce the number of individual labor contracts with a master agreement format.
- 4e. Standardize language in citywide pay provisions.
- 4f. Simplify the requisition approval process.
- 4g. Grant personnel budget authority by program area rather than by position.
- 4h. Consider adding position control to the City's suite of personnel management applications.

Appendix A, Table of Recommendations, provides a more detailed list of recommendations that includes the topic area and change mechanism (i.e. Charter, Ordinance, MOU, Civil Service Rule, policies and procedures) needed to implement each recommendation.

2 Detailed Recommendations

The common complaint from all quarters over time has been that hiring takes too long...

For organizational purposes, we have grouped personnel processes into four broad areas. The first three—hiring, employee investment and performance management, and separation—cover the lifecycle of an employee as they enter, serve, and leave City employment. The fourth area—governance—encompasses the structure of rules and regulations within which the lifecycle occurs. We are aware that, to some extent, the divisions seem arbitrary because all of the activities are linked to one another. For example, the structure of the classification plan affects promotional opportunities, compensation, and layoffs; compensation and training opportunities affect recruitment. In the model system we wish to build, strategic workforce planning and performance-based promotion and compensation components that would drive hiring, training, and separation. These interdependencies are critical to understand and will become evident through the narrative below.

2.1 HIRING

Goal: To hire the most qualified candidates in a timely manner.

Problem Statement: Over the years, the hiring process has responded not only to a growing workforce, but also an increase in the types and complexities of services provided and the corresponding complexities in the job types, skills, and knowledge needed to provide these services. The City has created new job classes and has engineered various programs to address these changing needs (e.g., registries, flexible staffing, broadbanding for managers). However, there is a longstanding sentiment that hiring processes have never kept up with hiring needs. The common complaint from all quarters over time has been that hiring takes too long (San Francisco Chronicle, 1969). Highly qualified job candidates for critical positions are often unwilling to wait for a City job offer if other opportunities arise. The quality of our workforce also suffers because of inadequate recruitment, rigid job classifications and minimum qualifications, and uneven use of probationary periods as a tool to evaluate employees.

2.1.1 Classification

Current System

Most jurisdictions use a classification system comprised of job families (e.g., Semi-Skilled and General Labor) to define specific

job classes (e.g., classification 7514 General Laborer). The purpose of a classification system is to organize the work assigned to employees and define the different knowledge and skills required. Equally important, the system helps determine appropriate salaries and ensures that employees performing similar duties in different departments receive comparable compensation. Each job class is linked to a pay grade, most of which have five steps that are 5% apart. The link between job classes and compensation also effectively determines promotional opportunities for employees, as discussed in Section 2.2.3: Compensation.

Not unlike other jurisdictions, the City has experienced a great deal of job class proliferation in its classification system. Two primary factors drive job class proliferation. First, jobs have become more technical and specialized. Fifty years ago there was no need for a Senior Information Systems Engineer, Asbestos Abatement Worker, or Forensic Toxicologist. Second, departments often prefer to have department-specific classifications that they can tailor to meet specialized duties and qualifications for their particular business needs. Positions in department-specific classifications are also insulated from citywide bumping caused by layoffs in general classes in other departments. [See Appendix E: Top 100 Job Classes].

At one point the City had approximately 2,000 distinct job classifications; in recent years, the City has sought to reduce its job classifications through consolidation and elimination, down to the current number of approximately 1,200 classifications. San Francisco is not unique in this regard. As reported in the Legislative Analyst's survey in Appendix L, Los Angeles, Philadelphia, and Milwaukee County have made similar attempts to reduce the number of job classifications in their respective organizations. It is a common civil service reform goal to reduce the number of classifications, which many jurisdictions have done, to the level recommended by the Winter Commission of no more than a few dozen (Winter Commission, 1991).

Each job classification has a "specification" which describes the duties and essential qualifications. All job specifications include job-related and essential qualifications necessary to perform the duties assigned to the class. These serve as a primary guide to establish the minimum qualifications (or "MQs") a candidate needs to be considered for the position. MQs describe the minimum knowledge, skills, and abilities needed to perform the job duties. They often include requirements for certain levels and fields of training, education, licensure or certification in combination with

years of experience performing a certain function. For example, to be considered for a 5620 Regulatory Specialist position, candidates must have a bachelor's degree with major coursework in natural sciences, engineering, environmental or resource planning or a related field; four years of work experience in environmental planning or permitting regulations, environmental investigations, environmental or other regulatory compliance, environmental project management or utility regulatory analysis; and a valid California driver's license. A master's or law degree may be substituted for one year of work experience, and a PhD in certain fields may substitute for two years. Some MQs focus less on formal requirements and more on knowledge and abilities. For example, most classes in the Information Systems (IS) series focus on knowledge of general types of applications and the ability to work with and communicate about data.

Impacts

The difficulty of effectively administering a classification plan grows exponentially with the number of classifications. More than half of the City's classifications have four or fewer incumbents, meaning that many of our examinations yield very few employees. Analysis of the City's approximately 1,200 job classifications shows that 51% of employees fall into one of 40 job classifications and 51% of the City's job classifications have four or fewer employees. Appendix E lists the City's 100 most populated job classifications.

In a system where the goal is to maintain active hiring lists for all classifications in order to quickly fill vacancies, the number of classifications has a direct impact on the number of examinations required to develop hiring lists. Current data indicate active hiring lists are available for only 38% of the City's classifications. This state of affairs is not new. As described by one stakeholder, "We used to have six exam teams and that's all they did and everything was rule of three...even then they couldn't keep up."

A lack of active hiring lists is common in civil service systems, and like many other jurisdictions, San Francisco uses provisional hiring to fill the gap. The percent of the workforce that is provisional has fallen from 15% in 1998 to under 4% today, however it is still many times higher than in other California jurisdictions (Van de Water, February 2005). Provisional hiring creates a considerable administrative burden, as discussed in Section 2.1.3: Assessment and Selection.

“Most state Civil Service systems have long since gone to more flexible procedures for testing and scoring, and in those states, labor has found that the rank and file actually likes and benefits from the flexibility.”

– *Walters, 1998.*

One way to reduce the number of examinations and ease promotions through the class plan is to have flexible staffing. Flexible staffing links classifications together within a series for the purposes of promotions. Typically an entry-level or trainee classification is linked to the next higher classification. Individuals are tested at the entry-level or trainee classification. Once hired, these employees are provided with training, education, and work experience which qualifies them to “flex up” to a higher class. For example, Junior Engineers (job code 5201) can flex up to Assistant Engineer (job code 5203) and Real Property Appraiser Trainees (job code 4260) can flex up to Real Property Appraiser (job code 4261) upon completing a one year probationary period, without having to take another test. Flexible staffing systems can either move employees into the higher class automatically or through action of the appointing officer.

The rigidity of minimum qualifications can also complicate hiring. The application of strict quantitative minimum qualifications, while appropriate in certain circumstances, may be a deterrent to recruiting the best qualified individuals. Highly qualified candidates may not apply for a job because their training and experience do not exactly match or exceed the minimum qualifications. Managers become frustrated when they discover that highly-qualified candidates did not meet the exact letter of the minimum qualifications. This is because minimum qualifications are designed to screen out unqualified candidates who do not have a threshold level of skills and experience rather than screen in candidates who might be effective in the position.

Recommendations

Recommendation 1a. Create broader classifications.

The classification plan must balance the demands for unique requirements to meet business needs with the benefits of broad classification flexibility. As one incremental reform action, we recommend the creation of selected series of broad classifications through consolidation of existing classifications in a service area.

Recommendation 1b. Create flexible, position-specific qualifications.

To balance the effects of broader classifications and maintain responsiveness to department needs, we should create flexible, position-specific minimum qualifications. This would not lower or minimize the importance of requisite knowledge and skills. On the contrary, it would improve the quality of the candidate pool by capitalizing on the expertise of professionals in the field to provide the guidelines for determining the best-qualified candidates rather

than defining the minimally qualified. It would ensure uniformity with the qualifications specified for a class while allowing flexibility for departments to consider candidates with non-traditional backgrounds who may be uniquely qualified for the specific job requirements for their positions.

“If you want to bring the best and brightest into the system, you want to be able to extend an offer on the spot... Telling them to wait for the exam, take the exam, get on the list, etc., they will not wait.”

– *department personnel officer, DPO meeting, March 4, 2005*

Recommendation 1c. Establish flexible job families and series, and expand the use of the Flexible Staffing Program.

The City should expand opportunities to “flex” into related class families and series. For example, the City currently has different classification series for Clerk, Personnel Clerk, and Payroll Clerk. This recommendation would permit an employee who is competently and effectively working as a Clerk to “flex up” to a Personnel Clerk, or Payroll Clerk. An expanded flexible staffing program could increase opportunities to promote current employees to a higher job class in a merit-based way that does not require additional testing.

2.1.2 Recruitment

Current System

Outreach and advertising efforts are currently decentralized and targeted to those positions that are difficult to fill. The intensity of departmental recruiting has been driven by job demands, funding availability, and paucity of qualified candidates. In most jurisdictions, personnel professionals assigned to an examination are also tasked with outreach to recruit qualified candidates, except for entry level jobs with low minimum qualifications and few vacancies. Due to decreasing staffing levels and increased exam requirements to keep pace with expiring provisional appointments, DHR has focused almost entirely on conducting examinations. Centralized recruitment efforts generally consist of internet postings, adding jobs to a pre-recorded phone information line, and distributing printed job announcements. DHR may assist and advise department representatives, but recruitment beyond basic posting takes place primarily at the department level.

Impacts

Discussing enhanced recruitment in a time of budget constraints may seem counterintuitive. But there is always a need to fill highly technical or managerial positions where the targeted candidate pool is very small or the job market is very tight. Competition for such employees will intensify in the coming years due to the demographic changes discussed in Section 2.3.1: Succession Planning. Without a coordinated, targeted, and aggressive

recruitment program, the City will be unprepared to compete for these workers.

There is likely duplication in existing department-based recruitment efforts. Many departments simultaneously recruit for information technology professionals and administrative analysts. These efforts should be combined and coordinated. Another impact of limited recruitment observed by DHR staff is the repeat, though not highly qualified, candidate. A good recruitment program should constantly refresh the pool of people interested in City employment.

Finally, beyond finding qualified employees, recruitment is a “branding” opportunity for the City. Some candidates may know little about San Francisco until they pick up a recruiting brochure. Current recruitment efforts do a poor job of promoting San Francisco as a place to live and work to such candidates. Internet postings, phone hotlines, and formal job announcements are often not compelling as recruitment tools.

Recommendations

Recommendation 1d. Establish an aggressive recruitment program to meet future needs.

An aggressive recruitment program, staffed with professionals, is essential for meeting the staffing challenges we face. This recommendation includes the addition of a centralized Recruitment Manager at DHR. This individual would initially serve as a coordinator for decentralized recruitment activities and would eventually supervise a unit of professional recruiters as the budget allows and demand for qualified workers grows. The preliminary focus of the recruitment team would be: to analyze existing recruitment efforts in different departments to identify duplication; coordinate recruitment efforts among departments; develop a database of recruitment resources (e.g., professional web sites, journals, advertising media); and establish partnerships with internal and external resources to develop more creative and effective recruitment tools.

Recommendation 1e. Create opportunities for on-the-spot hiring.

As a key component to a focused recruitment program, the City needs to capitalize on opportunities to hire highly qualified candidates on-the-spot at job fairs sponsored by colleges, universities, trade and professional organizations and community organizations. The City currently fails to take advantage of these opportunities because its merit system provides little or no opportunities for offering permanent appointments on the spot. The

best qualified candidates will often accept offers from other employers who can make them faster and with guarantees.

Therefore, we recommend implementation of a pilot on-the-spot hiring program for licensed classes or classes where degrees are required. Targeted classifications could include: Junior Administrative Analyst (1820), Administrative Analyst (1822), and Registered Nurse (2320).

The “intolerable” delays from application to examination to appointment should be eliminated.”

– “S.F. Civil Service Assailed”
article about a League of Women Voters report on the Civil Service System. San Francisco Chronicle, February 14, 1969.

2.1.3 Assessment and Selection

Current System

A permanent civil service appointment is made by hiring an individual from a hiring list (eligible list) created through a civil service permanent examination process. The administration of these exams is governed by federal, state and local laws, federal guidelines, professional standards and practices, and Civil Service Rules, policies and procedures. In San Francisco, the permanent examination program is the responsibility of DHR. Permanent examinations are conducted by DHR staff and the staff of decentralized examination units in large departments, authorized to perform examinations through a delegation agreement with DHR.

The goal of an examination program is to predict job performance. The term validity is used to describe how well an examination, or series of examinations, meets this goal. Good employment examinations are expensive and time consuming. Currently, it takes, on average, 16 weeks to complete a permanent examination that contains just one exam component.

Of the approximate 1,200 classes, there are about 1,000 classifications for which the City conducts examinations. Through the combined efforts of decentralized and DHR examination staff, approximately 300 permanent hiring lists are established each year, approximately 38% of the classes.

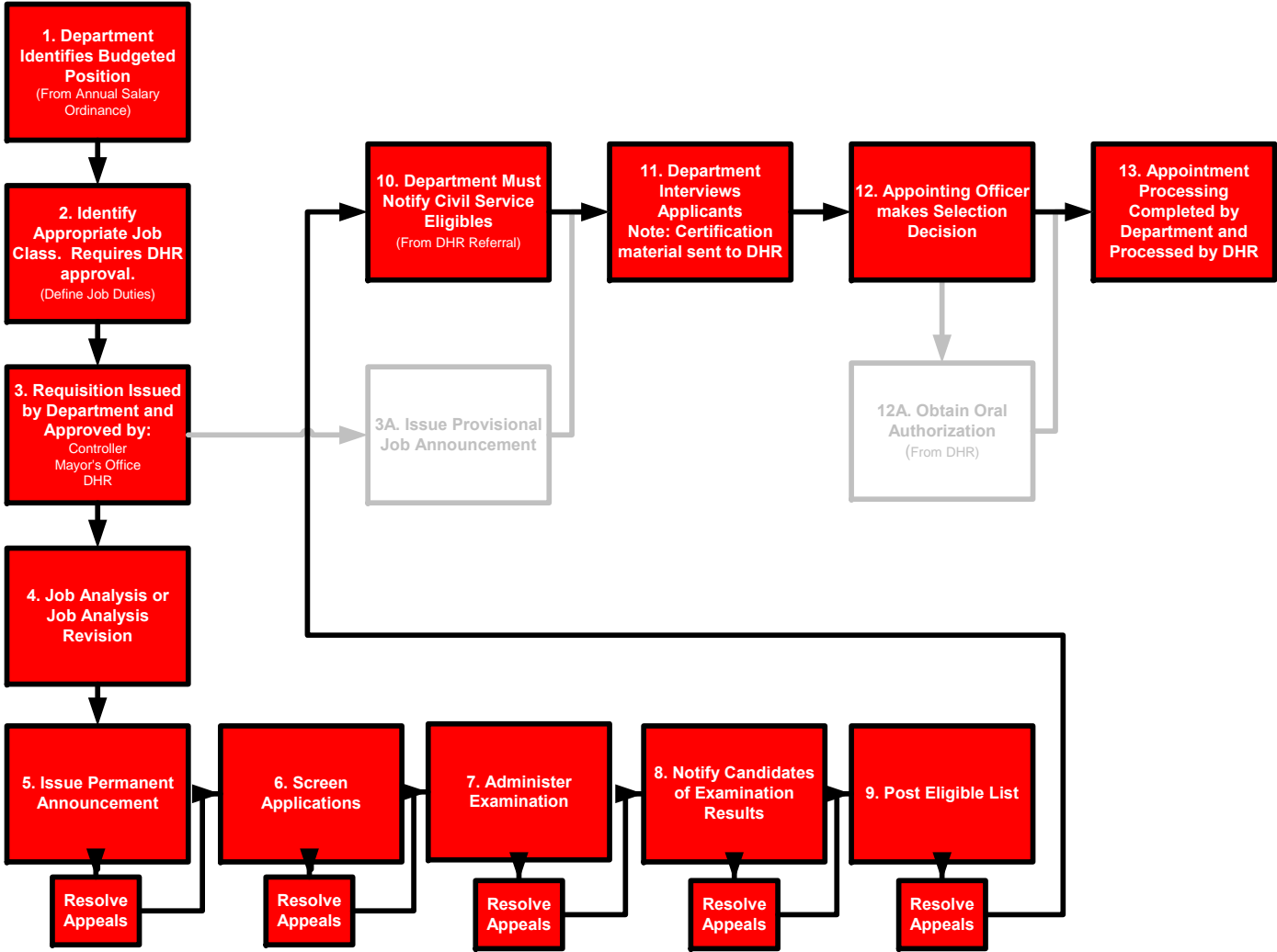
The current permanent examination process is based on a number of complex, staff intensive, and time consuming steps that have been developed over time to ensure content-valid, job-related selection procedures are used to select candidates for permanent positions. A comprehensive review of the examination process confirms that in many instances, the complex requirements, numerous rules, and policy directives that guide the development and implementation of permanent examinations have become a triumph of process over purpose.

As identified in Figure 1 on the following page, there are 13 steps in the permanent examination process, including the points where protests or appeals may be heard. The shaded areas depict the steps in the provisional selection process discussed later in this section. A detailed list of hiring appeal provisions in the Civil Service Rules appears in Appendix F. It is important to note that the analysis and response to the resolution of appeals received throughout the process may significantly impact the time frame for completing the process. Typically, the examination professional involved in the actual development of the process being appealed is also required to develop the response to address the appeal. Given this, an average examination process can take longer than 16 weeks to establish a hiring list if the process is delayed by protests and appeals.

The following is a brief discussion of the key steps in the typical permanent hiring process:

- **Steps 1-3:** The hiring department obtains budget approval from the Board of Supervisors for a specific position, identifies the appropriate classification and prepares a requisition.
- **Step 4:** A job analysis is conducted or revised to identify essential job tasks and the knowledge, skills, and abilities required to perform the job. The job analysis forms the foundation for the examination process and establishes the validity of the examination.
- **Step 5:** An announcement of the examination is completed and posted on the City's Official Posting Board and website. Recruitment efforts may be conducted prior to or concurrent with the posting of the announcement. The examination announcement includes: a description of the essential duties, salary information, minimum qualifications for the job, application-filing instructions, a brief explanation of the examination plan, the certification rule describing how successful candidates will be listed and referred from the permanent hiring list, and other required or relevant information. Pursuant to current Civil Service rules, the terms and conditions of the announcement are open to protest and/or appeal.
- **Step 6:** As employment applications are received, they are screened to determine if the candidates meet the minimum qualifications for the job. Typically, all candidates who

Figure 1. Permanent Hiring Process



meet the minimum qualifications are invited to continue in the examination and selection process. Pursuant to current Civil Service rules, the determination that a candidate does not meet the minimum qualifications for the class is open to protest and/or appeal.

- **Step 7:** Examinations are administered. Pursuant to current Civil Service rules, all of the following are subject to protest and/or appeal: the “adequacy” of the examination, the answer key to certain objective written tests (e.g. multiple-choice exams), the conduct of raters during interviews, the competency of a rater to rate without bias, and any inconsistency in examination administration.
- **Step 8:** After the examination is conducted and scored, candidates are notified of their results. Pursuant to current Civil Service rules the accuracy of the calculation of the test scores is open to protest and/or appeal.
- **Step 9:** A tentative hiring list is developed and posted for public review. Pursuant to Civil Service rules, a candidate may challenge the qualifications of other persons whose names appear on the permanent hiring list, and the decision of the Human Resources Director regarding the challenge is subject to appeal.
- **Step 10:** The names of candidates from the permanent hiring list, typically in rank order, are sent (or “referred”) to the hiring department based on the certification rule specified for the list. For example, a certification rule of three scores means that the names of candidates who are ranked in the top three scores on the eligible list will be sent to the department.
- **Step 11:** The department conducts its own selection process to determine which candidate is best qualified for the job. This process may involve a paper review of qualifications or a secondary selection process including oral and/or performance tests.
- **Step 12:** The department makes its final selection and a candidate is offered a position.
- **Step 13:** The selected candidate is appointed as a permanent employee.

Steps 1-3 are the budgeting and position approval components of the overall hiring process. For newly budgeted positions, steps 1-3 may take 11 months or longer to complete. Steps 4 through 9 represent the recruitment and assessment components of the overall hiring process. These steps are completed by DHR or by a decentralized examination unit, and take an average of 16 weeks to complete. Steps 11-13 are the referral and appointment

components of the overall hiring process. The time required for these steps varies widely depending on when a department wants to fill a position.

In an effort to improve our responsiveness to the constant demand for new qualified candidates, the City has developed and implemented variations to the permanent examination process described above. One variation is the continuous eligible list. As new candidates are examined, their names may be added to a continuous eligible list. Using a continuous list keeps the eligible list refreshed with new qualified candidates and allows the exam staff to examine candidates in smaller, more manageable groups. Use of a continuous list requires that all candidates are examined by the same or equivalent examination instrument. Continuous lists are currently used for a number of accounting, nursing, and engineering classifications.

Another variation to the permanent examination process currently in place is the registry. A registry stores the names of qualified candidates who have passed an examination or application screening process. Hiring departments evaluate the candidates in the registry for those who best meet the requirements for the vacant position in the department. The hiring department conducts a selection process and informs DHR of its selection. Registries are currently used for all of the IS (information systems) and some clerical classifications.

The City maintains two primary human resources management information systems to manage hiring and personnel administration: SIGMA (the candidate tracking, examination, and referral management system) and PeopleSoft (the system of record for all employees, employee history, and position requisition management). These systems and their related interfaces provide the infrastructure for the human resources operation.

Impacts

Approximately 61% of those who responded to the DHR website survey opined that the City is not meeting its goal to hire the most qualified in a timely manner. Feedback from stakeholder meetings and forums are consistent with the survey results. Of the 23% of survey respondents who agreed that the City is meeting its hiring goal many expressed concern or dissatisfaction with various aspects of the City's hiring programs. One common complaint among stakeholders is the length of time required to hire. This sentiment is not new.

Due to the length of the permanent selection process, the current examination backlog, and the lack of an eligible list for a majority of classifications, City departments are permitted, pursuant to Civil Service rules, to hire new employees into vacant positions through a decentralized, position-based provisional process.

Provisional Process Overview:

The selection process for provisional employees is position-specific and typically conducted by departmental human resources staff. Figure 2 on the next page highlights the steps in the current provisional selection process. In comparison to the average 16 week time frame for the permanent process, it is not uncommon for the entire provisional selection process to take only six weeks. On a citywide basis, provisional selection processes can produce an average of 300 new provisional employees per year in approximately 250 different job classes. At this time, there are approximately 26,300 permanent and 1,100 provisional employees.

“We need to model the permanent civil service (PCS) process in a way that mirrors the provisional (PV) process, where departments can get a person on relatively quick and that person has an avenue of becoming permanent. If a person is there (as PV) and you give an exam and that person is down the list and not reachable, you’re about to lose someone that is already trained. It’s ridiculous.”

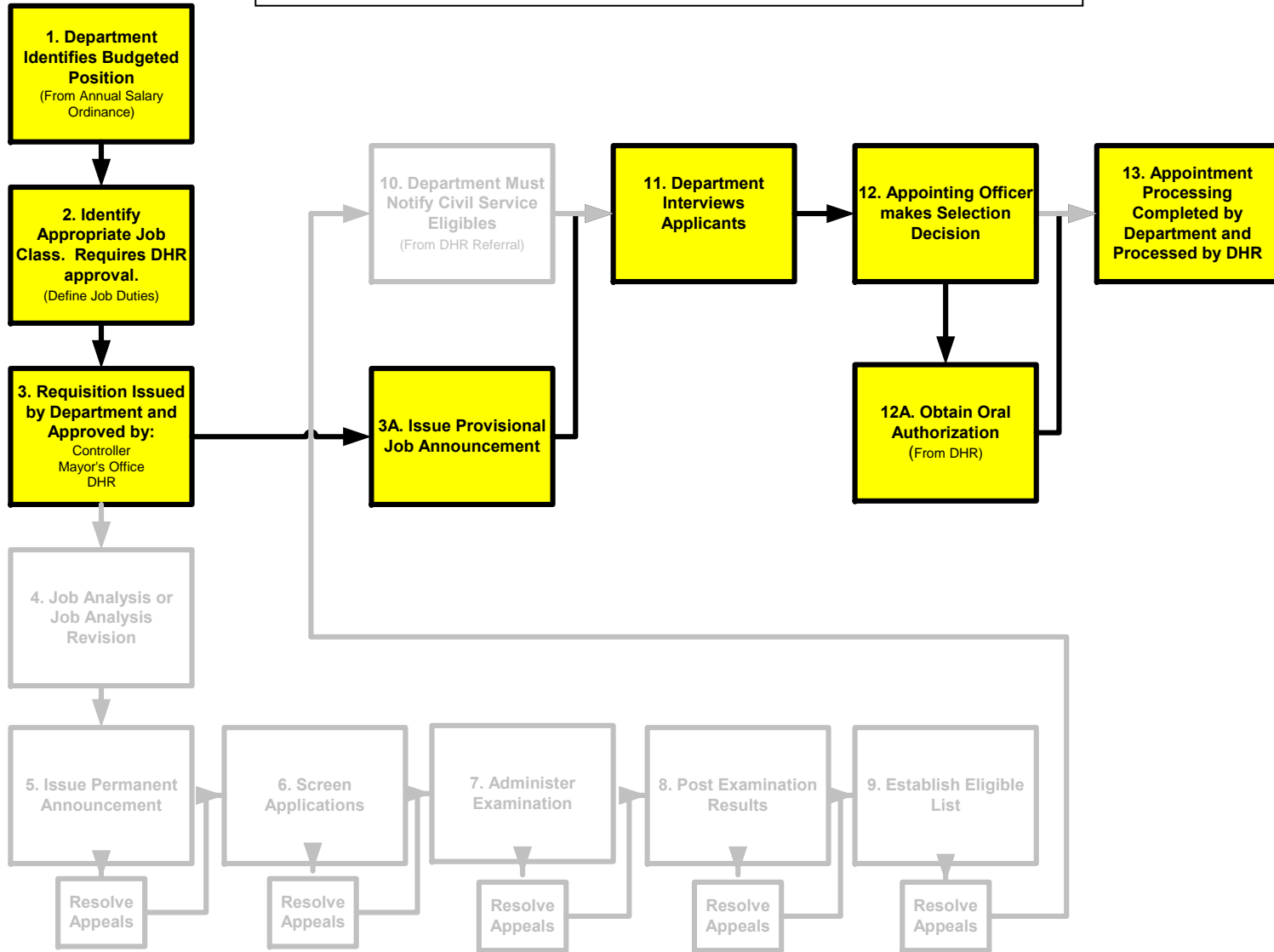
– exam analyst, Decentralized Exam Unit mtg., March 24, 2005

Provisional appointments are limited to 3-year terms by the City Charter. The provisional employee must be terminated at the end of the 3-year term unless the Board of Supervisors takes an action to extend the appointment. In order to allow provisional employees the opportunity to compete in a permanent examination process before their provisional terms expire, DHR has placed a priority on conducting examinations in classes where provisional appointments will expire within the current year. Given this, the City’s examination staff can do little more than keep pace with the expiring provisional appointments. Therefore, provisional appointments have become the routine means of hiring new employees, especially in jobs with few incumbents.

The major contributors to the time differentials for completion of the permanent examination process and the provisional process are:

- Permanent examinations are generally conducted on a classification basis; that is, for all vacant or provisionally-filled positions that exist in a classification in all City departments. The provisional process, by contrast, is conducted for the vacant position(s) in one department.
- Development of the permanent examination process requires consultation and/or input from all of the departments that use the classification to ensure that the examination will adequately test the required knowledge and skills that are common to positions in the classification throughout the City. This process is referred to as the “job

Figure 2. Provisional Hiring Process



analysis.” A new or updated job analysis is required prior to all permanent examinations and can take from two to six weeks depending on how widely the examined classification is used throughout the City. However, the provisional selection process rarely involves a full, new job analysis; rather it relies on the job analysis that was conducted for the last permanent examination for the classification.

- Civil Service rules govern the permanent examination process and the rules provide for protest and appeal rights throughout the process. An appeal to the Civil Service Commission sets in motion formal processes for fact-finding, report writing and presentation of the issues in a public hearing. A detailed list of hiring appeal provisions in the Civil Service Rules appears in Appendix F. Absent in provisional process are the repeated opportunities to appeal to the Civil Service Commission. The provisional process is governed, instead, by DHR policy for open, fair, and job-related selections. DHR policy related to provisional selection processes reflects the standards established by Civil Service rules for permanent examinations. In general, “protests” of the provisional process are resolved by the hiring department or by the DHR Director. DHR also reviews the provisional selection process before the provisional appointment is made to ensure compliance with its policy for provisional selection processes.

City managers often lament that the permanent hiring process is too slow and consequently does not allow them to compete effectively for the best-qualified candidates. The City’s civil service system has attempted to balance the mandate for permanent appointments with the business necessity for fast and effective hiring by allowing both permanent and provisional selection processes to co-exist. Provisional hiring has provided significant flexibility for departments to quickly fill vacant positions, yet the unintended consequences of the well-intentioned permanent-provisional balancing act have resulted in overwhelming dissatisfaction from all stakeholders and a never-ending cycle of frenetic testing activity that results in minimal net gain.

Each time a provisional appointment is made, a duplicative permanent examination process must be subsequently conducted to give the provisional employee a fair opportunity to compete for a permanent appointment – unless the City is willing to forfeit the investment it has made in the provisional employee. The

additional expenditure of time and money to duplicate the selection processes is ill-afforded.

When the City follows up with permanent examinations for classifications that contain provisional employees, the permanent examination processes becomes criticized as nothing more than mechanisms to “grandfather in” the provisional employees. Yet, significant disruption occurs to the continuity of City services if the provisional employees fail the examination or are not ranked high enough, or “reachable,” on the permanent hiring list to be eligible for permanent civil service employment. Regardless of the outcome, the examination often becomes subject to more protests and complaints from the various stakeholders than it would without the presence of provisional employees in the process.

The sheer volume of permanent examinations that must be conducted each year to keep pace with expiring provisional appointments has, in effect, created a re-active examination program. Instead of focusing on new hiring needs, the City’s permanent examination program focuses primarily on provisional hires that have already been made. As a result, the permanent examination program consistently lacks the ability to address future hiring needs and departments continue to rely on provisional appointments. Thus, the cycle of frenetic testing activity continues.

Recommendations

Recommendation 1f. Establish and implement a faster merit-based permanent selection program process with simplified appeal rights.

This broad recommendation is intended to address the need to establish a faster permanent selection program that incorporates more than one process to meet specific hiring needs. Based on an analysis of the number of active classifications, the number of positions within each class, the number of departments using a class, and the availability of eligible lists and/or provisional hires in each class, it is clear that the permanent selection process, depicted in Figure 1, has not adequately addressed the city’s hiring needs.

To that end, our recommendation is focused on developing and implementing a responsive merit-based permanent selection program that includes enhanced selection process options -- Position Based Testing System (PBTS), enhanced use of continuous lists, and expanded use of registries.

Perhaps the most significant examination reform, the PBTS program combines the efficiencies of the provisional hiring process

with the merit safeguards of the permanent hiring process. The provisional hiring process can place a highly-qualified employee on the job within six to eight weeks, while the permanent process takes, on average, three times longer just to produce an eligible list.

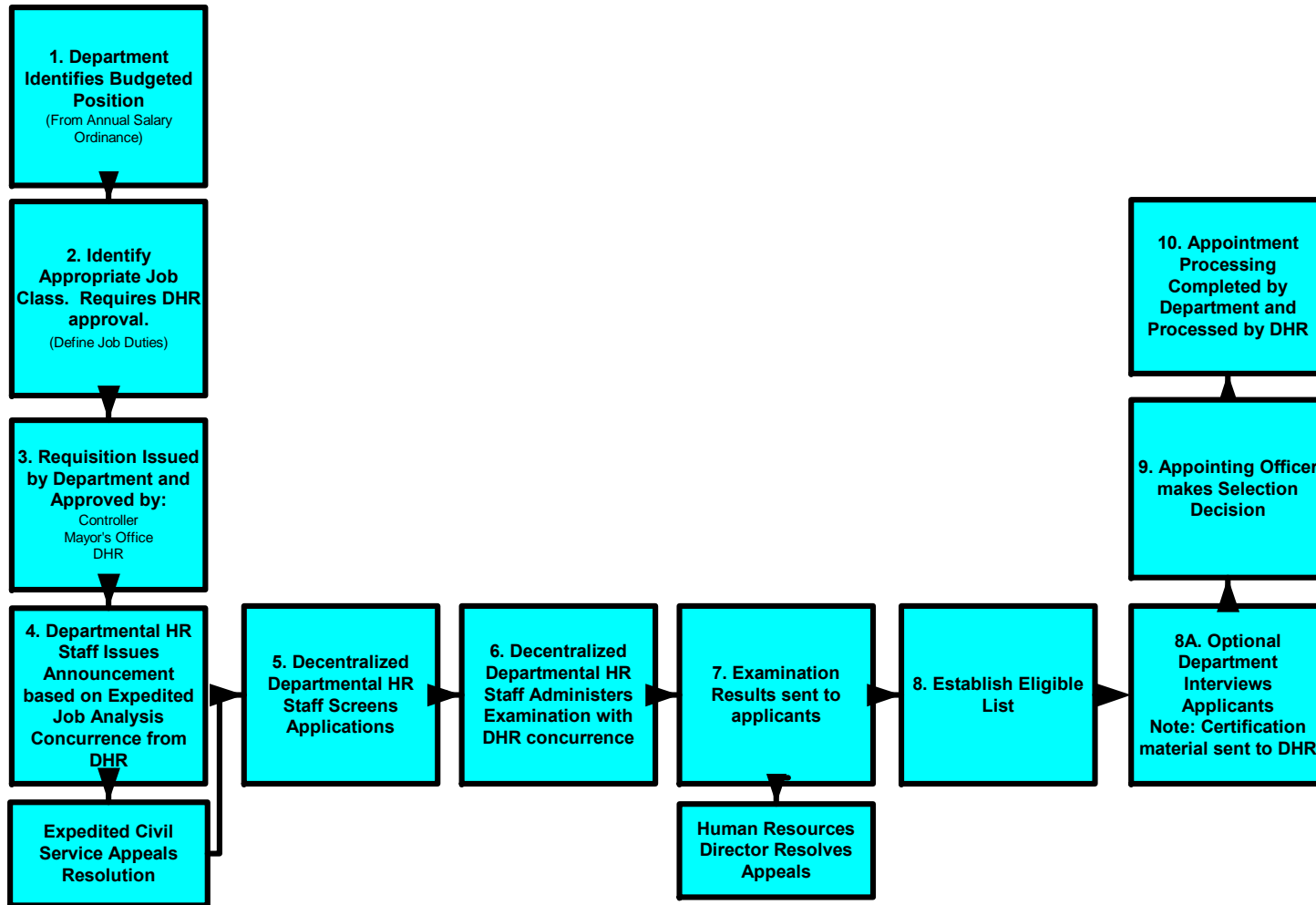
Position Based Testing System Overview:

We propose targeting single-position classes and sparsely populated classes (those with positions in single or few departments) for a pilot implementation of the PBTS. Upon completion of all required training, departments will be responsible for administering the PBTS with consultation and concurrence from DHR.

Figure 3 on the next page identifies the basic steps in the proposed PBTS permanent examination process. The following is a brief discussion of the key steps in the process:

- **Steps 1-3:** The hiring department obtains budget approval from the Board of Supervisors for a specific position, identifies the appropriate classification and prepares a requisition. These are existing budget, classification and requisitioning steps within the overall hiring process. Steps 1-3 will not be amended under this recommendation, but efficiencies may be gained if recommendations are implemented as detailed under Section 2.4: Governance.
- **Step 4:** An announcement of the examination and selection process is completed by the hiring department with consultation and concurrence with DHR. The announcement includes a description of the essential duties, salary information, minimum qualifications as well as “best” or desirable qualifications for the job, application-filing instructions, a brief explanation of the examination plan, how successful candidates will be listed and referred from the eligible list, and other required or relevant information as needed. Efficiency is gained, in that the announcement information is obtained from the existing job analysis for the position when the position was approved in Steps 1-3. If the analysis is older than 5 years or if the department determines that the job tasks and the knowledge, skills, and abilities required to perform the job have changed, the analysis should be updated. Pursuant to Civil Service rules, the terms and conditions of the announcement will be open to appeal to the Commission.

Figure 3. Position Based Testing System (PBTS)



- **Step 5:** As employment applications are received, they are screened by the hiring department to determine the best-qualified applicant pool of sufficient competitive test size as determined or approved by DHR.
- **Step 6:** Examinations are administered by the hiring department with consultation and concurrence with DHR. Issues related to the “adequacy” of the examination, the conduct of raters during interviews, the competency of raters to rate without bias, and any inconsistency in examination administration is open to protest to the Human Resources Director for final resolution.
- **Step 7 and 8:** After the examination(s) are conducted and scored, candidates are notified of their examination results and an Eligible List (i.e. list of people who have passed the exam) is established. Issues related to accuracy of scores or qualifications of other candidates are open to protest to DHR for final resolution.
- **Step 8A:** This is an optional step at the discretion of the hiring department. The department may conduct an additional selection process to determine which candidate is best qualified for the specific position within the class.
- **Step 9:** The department makes its final selection and a candidate is offered a position.
- **Step 10:** The selected candidate is appointed as a permanent employee.

This 10-step PBTS program is expected to significantly reduce the time frame for a permanent appointment. Hiring departments will have direct control over the time lines used to complete the process. Similar to the provisional hiring process, the PBTS can be completed within 6 weeks.

Recommendation 1g. Phase out provisional appointments.

This recommendation, to discontinue the current provisional selection process, is contingent upon successful reform of the existing permanent hiring process.

Recommendation 1h. Request status grants from the Civil Service Commission for provisional employees already selected through verified, merit-based processes.

The Civil Service Commission could grant permanent status to all current provisional employees who have served in the position for a minimum of one year, have met or exceeded performance standards, have not been subject to disciplinary action, and for whom departments can verify compliance with merit-based provisional hiring procedures.

Recommendation 1i. Reduce examination needs by capitalizing on apprenticeships, licensing, certificated, and educational programs to fill permanent positions.

These approaches increase efficiency in hiring by eliminating duplicate examinations. Where the only qualification for a job is the possession of a degree, professional license or specific certification recognized by an institution, there may be little utility in examining candidates beyond confirming such certification. If a candidate has graduated from a state-recognized apprentice program for a particular craft or trade, there is little utility in examining the candidate again prior to placement on the eligible list. Apprentice programs also offer an entrée to City employment for those currently lacking qualifications, and could be targeted to help San Franciscans acquire the skills needed to compete for positions. Expanding apprenticeship programs will provide the dual advantage of exam efficiency and increasing employability of San Franciscans.

Recommendation 1j. Test core competencies for multiple classes at one time.

Under the City's current permanent hiring process, the majority of examinations are conducted for a single classification. A more efficient process is to test multiple classes with one examination, as we currently do for some clerical classes. Exam development time is reduced and the quality of each exam can be improved. This recommendation requires the development of core competencies for a group of classifications. Examining the core competencies for multiple classes will involve significant job analysis research and review to determine the classes that have a majority of their required knowledge, skills or abilities in common. An upgraded, web-enabled version of PeopleSoft would allow data to be tracked and reported more easily and simplify administration of such a program.

Recommendation 1k. Develop, fully fund, and implement online application, screening, selection, and referral processes by July 1, 2007.

The implementation of an on-line application and screening system would provide tremendous operational and service value. Use of

electronic job posting and an online application that is user-friendly and easily accessible is quickly becoming an industry standard. Many states and localities are now listing all job opening on websites, even allowing individuals the chance to apply for jobs and even pay exam fees online (Walters, 2000).

Online applications aid recruitment by providing immediate opportunities to apply for positions. Interested individuals will no longer need to obtain a printed application form to type or write in information to apply for a position. Electronic application formats are also easy to update and/or enhance as needs arise. Online applications would make more information about candidates available to hiring managers.

The automation of the current certification and referral process is the logical next step. This process is currently paper and labor intensive. Access to and use of electronic data to complete these processes would streamline the time frame and complexity of this function. Overall, the introduction of technology would significantly reduce reliance on printed communications and paper files and provide greater access to hiring information to decision makers.

2.1.4 Certification and Referral

Current System

In civil service systems, an examination process results in the creation of an eligible list, which is a list of names of people who passed the examination, typically ranked in order of test results. As vacancies occur in the classification, a certain number of names from the eligible list for that classification are sent (or referred) to the hiring department for final consideration. Certification rules prescribe how many of those names can be sent. Pursuant to the Charter, the minimum rule for certification of candidates from the eligible list is the rule of three scores. This means that the names of the candidates with the three highest scores on the eligible list are sent to the hiring department for consideration. The date on which the names are sent (i.e. certification date) is very important in San Francisco because it serves as the seniority date. The terms certification and referral are used interchangeably. [Refer to Section 2.3.2 below further discusses the issue of seniority calculations].

Originally, the main focus of most civil service systems was testing and hiring employees, and certification rules were a key part of the process, because they restricted hiring to candidates

who had scored well on a test. Jurisdictions have historically used a variety of certification rules, including rule of three, five, nine, ten, and rule of the list. Rule of the list means that all the names on the eligible list are sent to the hiring department. San Francisco typically uses the rule of three, rule of five (for public safety promotional exams), and rule of the list. The current Civil Service rule on certification authorizes the Human Resources Director to meet and confer with affected unions over changes in certification rules. If the parties cannot reach an agreement, the rule of three must be used.

Impacts

The goal of a successful assessment and selection program is to predict individuals' likelihood of success in performing on the job. Well-constructed examinations have high predictive validity, that is, they can accurately identify the most qualified candidates for a job. However, the exams that most accurately predict future job performance, such as work samples and performance tests, are generally the most expensive and time consuming (Partnership for Public Service, 2004). Therefore, in most public sector organizations it is not simply the precision of an exam but its utility that is important. Utility is simply the ratio between how well an exam predicts job performance versus its cost and time to administer.

Problems arise when certification rules are not appropriately linked to the predictive power of the exam. If an exam is more broadly designed, for example, an evaluation of training and experience, then a broader certification rule is more appropriate because small differences in scores are not meaningful. For example, given the City's 1000-point exam scale and rule of three, four candidates might have exam scores of 997, 995, 993, and 991, and only the first three candidates would be referred. If the test is not precise enough to ensure that a two-point difference is meaningful, qualified candidates may not be referred to the department and the exam process suffers a lack of credibility.

Expansion and/or elimination of certification rules have been one of the primary civil service reform activities in many jurisdictions (Hayes, 2004). The Controller's 1993 audit of the Civil Service Department (now DHR) cited the Rule of Three as a major impediment to efficiency and effectiveness, because it increased the number of job classes, exam development time, the examination backlog, and hiring timelines.

The underlying tension in applying certification rules is balancing the use of appointing officers' judgment to select the most appropriate candidate and the use of tests to determine the best candidate. The rule of three scores provides limited discretion for an appointing officer to select and appoint candidates who are not in the top three scores but may best meet the specific needs of the department. An examination process which measures broad skills may result in candidates at the top of the list who do not necessarily possess specialized skills required by some positions.

"Lengthen the probationary period. By the time they learn what we do and how to do it, that takes at least a month."

"Probation should start the day they pass training. We should have lengthy induction periods."
– *department personnel officers, DPO mtg., March 4, 2005*

"No hiring system will ever be perfect, and there will inevitably be bad hires. The federal probationary period offers an opportunity for an additional screening to make sure that the right hiring decision has been made. Managers need to place greater emphasis on talent assessment during this period to help correct poor hiring decisions."
– *Partnership for Public Service, "Asking the Wrong Questions" 2004.*

Recommendations

Recommendation 11. Set certification rules based on operational and business needs.

Given specific position and or departmental service needs, and after any required meet and confer, the certification rule for all classifications should be set by the Human Resources Director based on defensible operational and business needs. Disputes over certification rules should be appealable to the Civil Service Commission.

2.1.5 Probation

Current System

The probationary period is designed to be the final and most important test in the selection process, because on-the-job performance at the beginning of a job is a strong indicator of job performance thereafter. Before the end of the probationary period employees can be separated if they are not working effectively in the position. When the probationary period ends, employees appointed to a permanent civil service position gain full rights and can only be separated for cause. There is no affirmative action required by a department to pass an employee from probation; it occurs automatically when the period has expired. Some departments remind managers of their employees' pending probationary period end dates and encourage them to review performance and confirm that the employee should remain in the position. In practice, many managers are unaware of the upcoming end date, and procedures to review performance are uneven at best, as discussed below in Section 2.2.1: Performance Evaluation.

Civil Service Commission rules, policies and procedures govern probationary status and the administration of probationary periods, except duration, which is set forth in the City's labor contracts (i.e. Memoranda of Understanding, or MOUs). There are many variations in probationary period duration. The period can be six months, 12 months, 18 months, 125 regular work days, or in the

case of seven MOUs, not specified at all. Some MOUs provide additional probationary period durations depending on whether the employee is transferred, promoted, or returned to duty, that are 30 days, 90 days, three months, six months, or 1040 hours in length. Not all members covered by the same MOU have the same period length. Over half the MOUs have different probationary periods depending on the job class, and duration may depend on whether an employee changes position within the same department or moves to another department. [See Appendix K: Probationary Period Provisions].

Table 1 on the next page shows the number and percentage of permanent civil service employees released from probation between FY 1999-00 and FY 2003-04. The percent released has increased steadily over the years, not because more employees are being released but because the number of new permanent civil service hires has decreased 65 percent since FY 2000-01. In the past six years, an average of 2.3% of employees has been released from probation. Anecdotal experience of DHR staff indicates that in layoff years departments tend to release employees who have bumped in and are serving a new probationary period. This is related to the practice many departments have of using layoffs and bumping to separate underperforming employees (i.e. “dumping, not bumping”), and speaks to the need for a dramatically improved system of goal setting and performance evaluation so that departments can address performance issues early on, and if there is no improvement, separate underperforming employees in a more appropriate way.

Departments vary widely in their use of probation. Fourteen departments released no employees from probation. Some of those departments have a large number of exempt employees with no probationary periods, such as the City Attorney’s Office and Public Defender’s Office; however, Adult Probation, the Assessor’s Office, and the Library also had no releases from probation. There were four departments that released someone from probation in every year for which we have data.

Table 1: Percent of Permanent Civil Service Employees Released From Probation, by Fiscal Year

	1999-00	2000-01	2001-02	2002-03	2003-04
Released From Probation					
Disciplinary	21	28	37	11	4
Non Disciplinary	73	88	88	70	75
Total	94	116	125	81	79
Subject to Probationary Period (1)					
	4,774	4,765	3,151	2,128	1,685
Subject to a Probationary Period Released From Probation					
	2.0%	2.4%	4.0%	3.8%	4.7%
(1) Hired, rehired, promoted, or demoted. Source: PeopleSoft.					

Impacts

As a participant in one of our human resources staff stakeholder meetings told us, “The best testing process we have now is doing exams at the department level and using the probationary process.” Another commented that “We, as the City, do a horrible job really using probationary periods as the final step in the selection process—evaluating employees and separating for poor performance.” A respondent to our web survey agreed, “Sometimes hires demonstrate inadequate qualifications in the probationary period but are kept on anyway.” HR staff report many last-minute calls from departments wanting to release an employee before their probation ends. While we do not yet know what, if any, is an “optimal” percent of releases from probation, the data do confirm that probationary periods are often not used consistently and appropriately by departments as the final stage in the selection process. This is due to a number of factors, including:

- Wildly inconsistent probationary period durations in the MOUs.
- Managers who do not want to release underperformers during probation because they fear delays and obstacles in refilling the position.
- Poor training of and coordination among department staff regarding probationary periods.
- Periods that some HR stakeholders described as too short, because by the time the employee learns what their responsibilities are and how to perform the work, the probationary period is over.

Recommendations

Recommendation 1m. Establish uniform probationary period for permanent employees.

Having a uniform probationary period duration would dramatically simplify its administration. Training managers and supervisors on the appropriate use of the probationary period is discussed in Section 2.2.2, in which we recommend that supervisors and managers be required to attend training on supervisory and management skills as a condition of passing their own probationary period.

2 Detailed Recommendations

2.2 EMPLOYEE INVESTMENT/ PERFORMANCE MANAGEMENT

Goal: To motivate and inspire high levels of employee performance through career development, performance assessment, effective management, accountability, and flexible compensation.

"I've worked for the city for 8 years and have had one performance evaluation. I was promoted after one year without a performance evaluation. Change must start at the top. Employees don't get valid feedback..."

– *employee, Town Hall mtg.,
March 14, 2005*

Problem statement: Managers in the City face several obstacles to effective performance management. There is limited ability to reward or be rewarded for excellent performance with compensation and promotional opportunities. There are not enough opportunities to pursue professional development through training. Although some departments have training and performance evaluation programs, many neglect them and there are often neither the incentives nor the funds to do otherwise. Finally, our lengthy discipline process is used inconsistently, resulting in a broad, negative effect on other employees and services. The result is a system that fails to motivate employees and frustrates managers in their attempt to deliver services.

2.2.1 Performance Evaluation

Current System

Performance management is an area of intense interest in government. According to a comprehensive review of HR practices in the public sector, "Fair and meaningful performance assessment strategies are one of (if not the) most enduring and difficult challenges of human resource management. Often called the 'missing link'...accurate and reliable measures of performance are the pillar on which merit pay, broadbanding, delegation of staffing authority, and most other components of the reform agenda rests." This review cites expert opinion that evaluations ought to be based on objective criteria and involve mutual goal setting, and notes the unusual success and employee satisfaction the State of Washington has had with its system, which takes a non-punitive, collaborative approach to set objectives. (Hayes, 2004). The highest rated evaluation programs include opportunities for employees to evaluate managers (Walters, 2000), and link evaluation to overall organizational mission and goals (Washington State, 2002).

Among the duties of the Human Resources Director stated in the Charter is the mandate to "...promote effective and efficient management through personnel programs that encourage

productivity, job satisfaction and exemplary performance.” Over the years, DHR has developed performance evaluation tools and training on performance management toward this end.

In the mid-1970s the Civil Service Commission, in compliance with the Charter, established a Management and Employment Development Unit (MED) to oversee the performance appraisal system including citywide training on the appraisal form and process (prior to 1996 the functions of DHR were performed by the Civil Service Commission). MED also provided supervisory and management development training. Prior to 1979, the Civil Service Commission directly administered the performance appraisal system through its MED and required all departments to submit their appraisal reports to it for review. After 1979, the Commission decentralized the performance appraisal system and made Department Personnel Officers (DPO) responsible for administering the system. MED was responsible for monitoring departments and conducting periodic audits. There were staff reductions in 1985 and thereafter the MED no longer performed audits but rather served in an advisory role providing training and advice to departments and managers (Controller, 1993).

Over the past decade, performance management best practices have shifted away from the annual performance appraisal model to a model of performance planning and goal setting. In this model, employee and supervisor discuss performance expectations and set goals, review progress two or three times over the year, and then conclude with an annual appraisal. In 2001 DHR developed a “new form” that was intended to capture the best of the myriad forms in use by departments. Many departments adopted the new form, and with training from DHR, implemented the new planning and appraisal model. Funding for DHR training services has moved from a mandatory to an optional budget item for departments, and many departments have elected to forgo DHR training on performance evaluation forms and processes, although they may be purchasing it from other sources.

Today, DHR offers a minimal number of training classes in performance evaluation. There is no centralized monitoring of performance evaluation practices. Departmental practices vary widely and completion rates are unknown. An informal phone survey of eight City departments in March 2005 revealed a wide variety of appraisal and appraisal tracking approaches. On average, the departments that did not have current records for all employees estimated that just over 50% of their employees have had a performance evaluation in the past year. Those that do have current

“Employee performance ought to be evaluated periodically and promotional and pay rewards given to those who perform outstandingly.”

– “Overhaul S.F. Civil Service, Employees Say.” *San Francisco Examiner*, December 16, 1969 on a report by the League of Women Voters

“Managers don't do employee appraisals. Individuals do not know where they stand.”

“The performance evaluations, coaching and grievances processes are difficult to follow, manage and very time consuming.”

“I've had about 3 performance evaluations in the 12 years I've worked here, and that was in the first 3 when I had a manager who thought such things were important.”

– Web survey

records indicated that 74% of their employees had current evaluations. This is similar to jurisdictions reporting in an annual performance measurement survey, who indicated that 73% of their performance reviews were completed on schedule. It is important to note that only 35% of the jurisdictions of similar size to San Francisco even reported a figure (ICMA 2003).

While best practice research recommends developing employees through performance evaluation and linking promotion and compensation to performance, the City currently lacks the infrastructure to do so. DHR staff are currently developing a tracking module in PeopleSoft that could be used citywide, but it is unclear whether departments would voluntarily adopt it given their investment in and/or preference for alternative systems. One barrier to implementation is the broadness of security levels in DHR's current version of PeopleSoft. More recent versions of the software allow access to be tailored to individual and field levels needed to make PeopleSoft a more useful performance management tool.

Employees expressed a universally strong desire for goal setting and performance evaluations in all of our stakeholder meetings. So why aren't they being done? Among other things, managers note that the currently available form is long and cumbersome, and that there is no consequence for not completing them. This situation is not new. According to the Controller's 1993 audit, "Neglect and misuse has (sic) weakened the City's employee performance appraisal system," with many evaluations done late or not at all, and often of questionable quality or used only to document poor performance. The audit recommended providing DHR sufficient resources to monitor the rate of performance appraisal completion and encouraging managers to do them by offering a short form and making appraisals part of the performance evaluation of managers (Controller 1993). Personnel staff note that managers may be afraid to give bad reviews, and that whether they are done well or at all is heavily reliant upon the individual manager's skills and mindset.

Impacts

The lack of an effective performance evaluation system leaves us with a culture and procedures that ignore individual differences in performance. Instead, it defaults to seniority and other easily-measured qualifications to reward employees. Our stakeholder meetings showed disagreement over what exactly the term "merit" means, but to a large number of participants it included demonstrated performance. This confirmed our belief that

One interesting insight into the interpersonal aspects of performance evaluations: Performance appraisal in a work organization involves some of the most important aspects of people's sense of who they are and what they can be, since it deals with their competence and effectiveness. In addition, it is the point where the sometimes conflicting goals of organizations and individuals are dealt with. It is also an activity that important legal implications and can lead to the courtroom. Most of all, perhaps, it is an interaction between two human beings, who are often nervous, tense, defensive to some degree, poorly prepared to talk about such important issues, and full of their own misperceptions, biases, hopes, and values. (Mohrman, 1989)

meaningful goal setting and performance evaluations are the cornerstone of a system that values quality and gives employees the direction and feedback they need to do their jobs well and develop professionally. Some systems to promote or compensate employees based on performance would also require an effective and efficient way of monitoring performance evaluation results.

Recommendations

Recommendation 2a. Require annual performance evaluations for all employees.

We recommend requiring departments to self-certify the percent of employees who have received a performance evaluation in the past year as part of their budget submission. Alternatively, DHR could monitor completion rates centrally if departments recorded basic information in a PeopleSoft module currently under development, although we question whether all departments would voluntarily adopt the system. Upgrading to a version of PeopleSoft with more detailed security access would make this a more attractive option to departments.

To facilitate implementation, we recommend establishing a short version of the current performance appraisal form for employees who have a rating of competent and effective on their most recent evaluation, and encouraging departments to include performance evaluation completion as a rating for their managers. Training for managers and supervisors on how to do goal setting and performance evaluation with their employees is discussed in recommendation 2c. Finally, we suggest the City consider ways to implement a voluntary program for employees to provide feedback to supervisors and managers.

2.2.2 Training

Current System

As with implementation of probationary periods and performance evaluations, training is largely decentralized to the departments and there is little or no citywide coordination. The history of training programs in the City illustrates the central and enduring issue with training efforts in many organizations: they are generally underfunded, especially in tight budget times. The City used to have a strong centralized training program located in DHR charged with management and employee development and training. During the mid-1990s the funding for this training program changed from a required budgeted item to a voluntary fee-for-service system based on interdepartmental work orders. Many

departments decided not to establish a work order due to their fiscal constraints and their need for specialized training.

We need to focus on training managers. Many people are promoted to managers because they can do the work but don't get training at being managers. I know employees who were promoted to managers and became different people.

-- employee, Town Hall mtg.,
March 17, 2005

The City's current centralized training program at DHR is staffed with two employees who provide training upon request. Training efforts throughout the City are primarily decentralized and inconsistent. Excluding the Fire, Sheriff and Police departments, of the City's approximately 50 departments, only 14 are known by DHR staff to have extensive and coordinated training programs. There is no central database with information on training opportunities or classes in other departments.

Given the decentralized nature of training efforts and inconsistent budgeting practices, it is somewhat difficult to determine the City's overall training budget. In FY 2003-04 the total budgeted amount in line items clearly identifiable as training-related totaled \$11.1 million, and actual expenditures totaled \$5.3 million. This translates to a budget of approximately 0.5% of actual salaries paid, and actual expenditures of 0.3% of salaries paid. Our research indicates that 3-6% is recommended (Winter Commission, 1991; ASTD 2004). The most aggressive private sector organizations allocate up to \$4,000 per employee per year and view training as an important recruitment and investment tool (Stolz, 2005). In FY 2004-05, \$1.3 million was budgeted for employee reimbursement of training-related costs pursuant to MOUs. The Human Resources Task Force Final Report noted that four of nine comparable jurisdictions surveyed for the report had supervisory and management academies or curricula (Stroope, 2000).

Nonetheless, San Francisco is not alone. While training is recognized as critical for maintaining a workforce that can deliver services, it has not received as much attention in reform efforts as other issues. In a survey of all the states five years ago, 22 were unable to estimate total or per employee spending on training, and of those who could, estimates ranged from \$30 in New Mexico to \$1,000 in Minnesota for all employees, and from \$67 in Iowa to \$1,650 in Virginia for managers (Selden, 2001).

Impacts

"Time and again, research has shown that poor supervision is a primary source of worker dissatisfaction, attrition, and the failure of merit pay plans. Public agencies are notoriously guilty of ignoring management development (as well as training generally), and for deleting such programs at the first sign of budget shortfalls. Here the problem is not defining a solution but developing the will—and devoting the needed resources—to rectify the dilemma."

(Hayes, 2004). Stated more positively, the availability of training opportunities can serve as an important recruitment and retention tool.

As noted in Section 2.2.2, effective training will be essential to develop the next generation of managers as part of succession planning. Training is not seen or used as an effective recruiting or retention tool. The lack of supervisory and management training in particular has a profound impact on the quality of HR management. We promote employees with excellent technical skills, and then fail to ground them in basic management skills such as how to administer personnel rules, conduct performance appraisals, and resolve interpersonal conflicts.

Recommendations

Recommendation 2b. Make supervisory and management training mandatory.

We recommend requiring all new supervisors and managers to attend 40 hours of training in key skills for supervisory and management as a condition of passing probation. The training would cover coaching for performance, performance planning and appraisal, basic interpersonal and task management skills, as well as training in specific HR processes such as probationary periods, workers' compensation, leaves, discipline, and termination. As discussed above, the major implementation obstacle in this area is adequate funding. Additional training in performance planning and appraisal in particular will be needed if other processes are reformed to require certain performance ratings. We also recognize that ongoing training on these topics should be made available.

One note of caution is in order. Our stakeholders, especially those at the Employee Town Hall Meetings, attributed many management failures to the lack of training. While we strongly agree that training for managers and supervisors offers significant payoffs and should be dramatically improved, we caution against hoping that training will be an instant panacea for all management deficiencies. Employees at all levels and Advisory Panel members agree that many government organizations, including San Francisco's, tend to hire and promote technically competent people who lack interpersonal, leadership, and communication skills. This suggests placing a greater emphasis on those skills when hiring managers and supervisors, in addition to training managers and supervisors once they are on board (Partnership for Public Service, 2004).

Recommendation 2c. Guarantee all employees 40 hours of job-related professional development each year.

The content of additional training should be job-related and linked to workforce planning, so that future needs are addressed proactively. Possible programs could include allocating additional training funds via the MOUs, establishing a competitive management or leadership academy, or allocating funds by department. There is broad consensus among all parties that increased training opportunities are needed. Again, the major obstacle in this area is adequate funding.

“We need merit based raises. I consistently get ‘exceeds standards’ on my evaluations but get the same raise (or no raise) as people who get ‘met standards’ or ‘does not meet standards.’”

“My perception is that employees are retained and well compensated even when they are inefficient and lacking enthusiasm for the job. I don't think the City really has a pay for performance culture.”

“The City promotes high levels of mediocrity by only rewarding longevity of service rather than excellent job performance. The civil service rules don't allow managers to reward their high-performing employees.”

– *Web survey*

2.2.3 Compensation

Current System

Government organizations are moving away from traditional pay step and grade systems that base increases on seniority and longevity and toward performance-related compensation, slowly adopting practices that have been common in the private sector. One goal of these practices is to address labor market shortages. There are a number of compensation systems in use:

- Graded system – a traditional system of pay grades with fixed pay rates used by many state and local jurisdictions. San Francisco has over 1,200 pay grades, typically with five steps per grade.
- Broadband systems – pay schedules with between 10 and 30 salary bands that provide flexibility in level of work and compensation. A number of states use broadbanding, including Virginia, Colorado, Montana, Florida, and Oklahoma, which average 14 pay bands.
- Market-based pay – compensation is determined by benchmark jobs in labor market.
- Pay for performance – common in the private sector, such a system links base salary to performance in a number of ways, such as ratings or achievement of specific outcomes or goals. Pay can be awarded to individuals or teams. Over a dozen states have pay for performance programs.
- Skill or competency based pay – rewards employees for obtaining skills and knowledge that are immediately useful to the organization. Rarely used in the public sector, where competencies are used more for selection and training planning.
- Variable pay – lump sum payments based on performance, such as bonuses, incentives, and gainsharing. (Washington State, 2002).

There needs to be an awards program in the City because people in the same job class get paid the same regardless of their effort so there's no incentive to perform. We need to be able to reward good performing employees with the same strength to deal with those who don't.

– employee, Town Hall mtg.,
March 14, 2005

San Francisco uses a graded system for most of its employees, with broadbanding and pay for performance for managers, market-based pay for nurses and transit operators, and a new gainsharing program for professional and technical employees. The graded system is tied to the classification plan. Most job classes have five pay steps of five percent increments. Employees move from the first to the second after six months on the job, and up one step every year thereafter, so that within three and a half years their salary has increased 20% and they have reached the maximum salary. In addition, unions negotiate cost of living allowances intended to keep wages in line with inflation. There are a small number of “deep” classes with more steps and thus a larger salary range, allowing greater compensation flexibility, including Deputy Probation Officers, who have 11 steps, and a salary range of \$46,202 - \$74,880 annually, and Trial Attorneys, with 16 steps and a range of \$69,160 - \$140,322 annually.

Step progression is automatic for all classes, including the deep classes. Managers have some discretion to appoint employees within the range, depending on MOU provisions, but no input on step increases thereafter.

As discussed in Section 2.1.1, our research emphasizes broadbanding job titles and salary ranges to allow flexibility in job tasks and compensation. The City is implementing the Management Classification and Compensation Plan (MCCP) for members of the Municipal Executives' Association (MEA), a new flexible broad classification and compensation plan consolidating all managerial positions into 18 classifications with three pay ranges. Range A is a 30% open range, and appointing officers may make an appointment at any rate in range A. Ranges B and C are 7.5% open ranges. Subject to approval by the Mayor, the Controller and DHR, appointing officers may place new employees anywhere in the B and C ranges.

Under the Pay for Performance Program, management employees received lump sum payments based on base salary for their performance evaluation rating during the previous fiscal year: 3% for “Outstanding,” 2% for “Superior,” 1% for “Exceeds Standards,” and -1% if the employee received a “Needs Improvement” rating. Total spending is not to exceed 2% of a department's aggregate salary for MEA employees, which tended to result in uniform ratings among employees in a department. The program is currently suspended.

There are some performance-based compensation programs in the City. Proposition E, passed by the voters in November 1999, required the Municipal Transportation Agency (MTA) to establish transit service standards and provide incentive bonuses to both “service critical” employees and managers based on the achievement of those standards. It gave the MTA the ability to provide additional incentives to improve attendance. “Service critical” employees can earn up to \$150 quarterly for achieving group goals and \$225 quarterly for mode/division goals, such as workplace safety and on time performance.

More recently, Local 21 and the City have formed a Union/City Partnership to implement a gainsharing program. The program is a collaborative effort to develop initiatives that will reduce costs, improve efficiency, increase service quality, and enhance employee job satisfaction. Employees would then be eligible to share in the gains, that is, receive bonuses based on a measurable effect, especially cost savings. At this stage, participants are studying process and other changes in five City departments. Gainsharing is held up as a model concept in compensation in much of the reform literature (Hayes, 2004). We are hopeful that it will be successful and be expanded to more departments.

Some departments have employee recognition programs that provide a small (\$50-\$100) cash reward or gift to employees for special accomplishments. Other jurisdictions offer larger bonuses for exemplary performance, awarded at the discretion of the manager or department head. Finally, several years ago the City negotiated a Pilot Wellness Program into its contracts to encourage employees to reduce sick leave usage by allowing them to cash out a portion of unused sick pay credits at retirement.

Impacts

The effectiveness of the City’s compensation initiatives has never been fully evaluated. The MEA Pay for Performance program is currently suspended. By most accounts, the relatively small amount of compensation at stake provided only modest motivation to perform. This appears to be a common experience with pay for performance programs in other jurisdictions. A more successful program in South Carolina awarded raises of 1-12% for an “exceeds standards” rating only. Only 7% of employees received such raises, and the program did not increase overall costs because managers were allowed to reallocate money in their budgets to pay for the program (Hayes, 2004).

*"Employees who excel
are not and cannot
be paid more than
average performers.
This condition does
not help motivate
employees to strive for
excellence on the job."
Controller's Office Audit,
1993*

Staff at MTA note that while it is difficult to attribute improved performance directly to incentives, they have noticed the following positive trends since their implementation in FY 2000-01:

- Through the third quarter of FY 2004-05, unscheduled absences for Transit Operators have fallen 2.1%, and have fallen 6.4% for other operations personnel.
- Through the third quarter of FY 2004-05, average system wide on time performance has improved 4.7%.
- Through FY 2003-04, workers compensation claims dropped an average of 16%, and the number of work days lost dropped an average of 19%.
- Since the July 2004 implementation of a "Pilot Safe Driver Incentive Program" through February 2005, Transit Operator vehicle accidents have dropped an average of 18%.

Compensation for the vast majority of City employees is still tied to job class using a graded system which rewards longevity over performance. People value many things about a job besides financial gain, including opportunities to learn and promote, stability, and pleasant working conditions (Winter Commission, 1991). However, the disconnect between performance and compensation in the City is real and demotivating, and should be addressed.

A 1993 Controller's audit recommended linking appraisals to incentives to make them meaningful and address the fact that "Employees who excel are not and cannot be paid more than average performers. This condition does not help motivate employees to strive for excellence on the job." The audit offered several options to address this, including awarding promotive points for documented excellence (rather than simply documented competence) and requiring satisfactory performance before granting step increases, following the practices of four out of five large California jurisdictions surveyed. It also recommended using appraisal completion rates to measure performance and set pay for managers.

The Winter Commission, a blue ribbon panel convened to improve government at the state and local level, noted in a 1991 report that public sector pay-for-performance programs have not had the hoped-for effect, and "states and localities should be exceedingly cautious about overselling what are likely to be small performance bonuses allocated through a cumbersome and potentially political process." The Commission noted that team-based pay for

performance and gainsharing should be considered as alternatives (Winter Commission, 1991).

Recommendations

Recommendation 2d. Include performance-based pay provisions in all labor contracts.

As noted above, the City already has implemented a number of performance-based compensation programs in a limited context. The effectiveness of these programs in achieving their intended outcomes needs to be evaluated. Ineffective programs should be terminated and effective programs should be expanded to other employee groups. Performance metrics, like those measured by the Municipal Transportation Agency for its service standards or by SFStat (the City's service data review program) for other departments, could be used in such a program.

Recommendation 2e. Allow department heads limited discretion to award monetary recognition for individual outstanding performance.

We recommend allowing departments limited budget flexibility to allocate funds for discretionary monetary rewards for outstanding performance, outside the confines of the MOUs. For example, a department might set aside a small portion of its budget to give bonuses through a peer nomination system, or a department head might give awards for exceptional performance.

2.2.4 Promotion

Current System

In the current system, any increase in salary is considered a promotion. Salary is determined by job class, so promoting generally means moving through a series of progressive job classes—for example Clerk, Senior Clerk, Principal Clerk, and Chief Clerk. The common sense definition is a broader one that encompasses professional growth and career advancement that may or may not follow strict functional lines. The classification plan sets the structure in which employees and managers must seek promotional opportunities.

A manager's ability to promote a promising employee is limited. To describe the constraints is to essentially describe the hiring process: there must be a budgeted vacancy, and the employee must score high enough on the test for the class where the vacancy exists. If the class has a holdover roster of employees waiting to return to duty from a layoff, the manager must hire the first person on the roster. Assuming the desired employee is reachable and there is no

holdover roster, the manager's department must then get permission to fill the position from both the Controller and Mayor's Office. To deal with these constraints, managers often reclassify positions, hire provisionally, or appoint exempt employees. From an employees' perspective the constraints are similar. Employees wishing to promote must generally go through a competitive application process. If they are in a job class with no clear promotional path, they must try to acquire skills and experience to meet the qualifications for another class.

The City gives preference to employees by awarding promotive points on exams. A maximum of 60 points can be added; 30 performance points if they have received a performance rating of "competent and effective" within the past 12 months and 30 service points if they have been employed at least six months. One point is deducted for each day of suspension within the four-year period immediately prior to the exam. The maximum deduction for suspension is 30 points even if the suspension was longer. Written reprimands or discipline are not grounds for deduction, and if points are deducted during one exam, they will not be deducted on subsequent exams. Provisional employees are not eligible to receive promotive points.

Impacts

The effect of narrow job classes is described in Section 2.1.1: Classification. In cases where there is no set of job classes to move through, employees often seek additional assignments and acting assignment pay in their current jobs in an attempt to meet the minimum qualifications of another class. Some leave the City and come back after they have gained the experience elsewhere. Appointing authorities seeking to promote an employee must find or create an appropriate job class in their budget and hope the employee makes it through the selection process. As discussed under recommendation 1c. above, flexible staffing could be used to give appointing officers the ability to promote excellent employees into the next class in a series without taking an examination.

There are strong opinions about the effects of open competitive processes. Current employees logically prefer closed promotive exams with less competition. A system with closed promotive exams could help motivate and reward high-performing employees and help the City groom internal candidates for anticipated vacancies in critical positions. On the other hand, they could deter promising outside candidates from applying for City jobs and unnecessarily deny the City applicants with the newest and highest quality skill sets. Many jurisdictions balance these conflicting

goals with some mixture of open and closed exams. For example, the City of San Jose posts job openings internally first, and if there are at least five candidates deemed “highly qualified,” does not post the job externally.

The practical effect of the current promotive point system is to give a considerable advantage to employees with permanent civil service status (60 points on a scale of 700-1,000, or a 20% advantage) for adequate performance, regardless of any discipline in their past. Exam analysts spend considerable time tracking down nonexistent performance appraisals that have minimal value when created just for the exam. Points are very rarely deducted (Stroope, 2000). Provisional employees are not eligible to receive promotive points, even if they have outstanding performance appraisals.

Recommendations

The solution to whether or not to offer more closed promotive exams is a careful balancing act between competing forces, and we do not have a specific recommendation at this time.

Recommendation 2f. Use flexible staffing to increase promotive opportunities.

The structural problems with promotions can be dealt with by modifying the classification system, in part through broader classes as discussed in recommendation 1a, and also through flexible classifications. Increased use of flexible staffing will increase promotive opportunities for current employees by allowing appointing authorities to promote high-performing employees into the next class in a series without going through an examination process.

Recommendation 2g. Create a stronger link between promotive points and performance.

Upon development of a citywide performance evaluation system, the City should grant promotive points based on performance standards.

2.2.5 Discipline

Current System

Discipline and its close cousin, termination, are mentioned less often in best practices reviews, perhaps because most jurisdictions focus heavily on reforming hiring practices. The challenge in this area is to balance managers’ need to act quickly and decisively and employees’ need for protections. One survey of states found a lack of consistency in disciplinary actions because supervisors are not

“Why do we suspend employees? A poorly performing employee does not get any smarter sitting at home.”

-- *Department personnel officer, DPO mtg., March 4, 2005*

trained in procedures, and because no disciplinary policy has been communicated to employees. Solutions include increased training for managers, rewriting disciplinary rules to make them easier to understand, giving appointing authorities more flexibility in determining appropriate levels of discipline, and increased use of mediation. Expedited arbitration is used in a number of states to speed the resolution of related grievances. In the case of Wisconsin, an arbitrator can make a decision within five days. (Selden, 2001).

In San Francisco, appointing officers have the ability to discipline or dismiss permanent employees, for cause, to address performance deficiencies and misconduct. Performance issues arise when employees, due to lack of skills or ability are unable to perform their job, whereas conduct problems like insubordination occur when an employee has the skills and abilities, but refuses to perform. Attendance problems may fall into either category and are sometimes complicated by medical issues.

The types of discipline that may be imposed are generally defined by MOU and may include written warnings, unpaid suspensions and termination. Charter Section A8.342 limits unpaid suspensions to no more than 30 calendar days.

As discussed elsewhere in this paper, many of the City’s managers and supervisors have not adequately managed employee performance. Failing to do periodic performance reviews results in a poor or nonexistent record of performance deficiencies. Employees who do not have any performance evaluations on file may find themselves disciplined for failing to meet standards. In recent years, however, some departments have realized that discipline is ineffective in improving substandard performance, and have increasingly relied on work plans to address specific areas of deficiencies. A typical process involves plans with specific goals and tasks and weekly reviews of performance.

Discipline is a much more useful tool to address misconduct. In situations involving gross misconduct, the Charter grants appointing officers the ability to place an employee on unpaid administrative leave for thirty days while the department investigates the allegations. The alleged offense must be serious enough to warrant the employee’s immediate removal from the work place. San Francisco is the only jurisdiction that places employees on unpaid administrative leave in this manner.

If the investigation concludes there is no basis for a formal charge, the employee is returned to work with full back pay. However, if the investigation concludes that there is basis for a formal charge

and the employee should be disciplined, the department must initiate action within timelines specified in the employee’s MOU.

“The endless cycles of documentation, warnings, re-trainings, and appeals in the disciplinary procedures punish the managers and co-workers of employees who are unable or unwilling to cope with the daily demands of a job.”
 – *Web survey*

Prior to 1991 Charter amendments which strengthened collective bargaining, disciplinary appeals were adjudicated by the Civil Service Commission through the use of a standing panel of hearing officers. Anecdotally, we are told that such appeals were processed quickly. Indeed, Civil Service Rules still reference disciplinary appeal procedures, although they have been superseded by grievance procedures negotiated through collective bargaining. Today, after a final disciplinary action has been imposed, employees and/or their union representative may appeal the action through the grievance arbitration procedure. Some MOUs only allow the union (not the employee) to grieve discipline, and all contracts state that only the union shall have the right to request arbitration.

There are usually four steps to the grievance procedure, with steps 1 and 2 at the department, and step 3 at DHR’s Employee Relations Division. Step 4 is binding arbitration. It often takes months, if not years before an appeal is fully resolved. While the MOUs provide timelines for filing and responding to appeals, there are no provisions requiring cases to be arbitrated within a specific timeframe. Arbitration hearings are often scheduled several months, if not a year, beyond the final disciplinary date.

All documents regarding sustained disciplinary actions are placed in the employee’s personnel file, and virtually all MOUs have provisions addressing how they are handled. Most building trade and crafts MOUs call for the materials to be sealed, provided there have been no subsequent disciplinary actions. However, there are numerous variations of this provision, differing in the number of years a document must remain in the file, whether the employee’s request for removal is permissive or mandatory, and whether the document will be removed entirely or remain “sealed” in the file.

Table 2: Grievances of Disciplinary Suspensions Resolved at DHR

Year	Disciplinary Suspension
2002	38
2003	30
2004	32
Average	33
Excludes grievances resolved at the department level.	

Impacts

The system for administering discipline has proven to be inadequate to both employees and departments. Current processes are perceived to be time and resource consuming, ineffective and demoralizing. These are similar problems to those highlighted in San Jose’s report on civil service improvement (San Jose, 1997).

While disciplinary suspensions can be an appropriate tool to address certain performance deficiencies, using suspensions to correct attendance problems can prove counterproductive.

“Too much protection and coddling of the slackers or as I call them the ‘slickers.’ They know how to get out of work. Our system breeds mediocrity.”
-- employee, Town Hall mtg.,
March 17, 2005

If and when the employee and/or union appeals the disciplinary action, the case must go through several layers of appeal steps before it is heard before an arbitrator. Once it reaches arbitration, the lack of timelines creates situations where employees, who return to the workplace after having served their suspensions, do not know the final disposition of their discipline for months or sometimes years. In 2004, it took an average of 12.75 months to resolve suspension grievances through arbitration, and an average of eight months to settle them.

Departments and employees alike are often confused by the lack of consistency in how long a disciplinary document can remain in an employee’s file and how that document should be handled upon expiration of the time limits. A department may have several employees working side by side, who are covered by different MOUs, and are therefore governed by different standards regarding discipline-related documents in their personnel files. Managers must apply different standards to how long documents remain in the employee’s file, and if they must or may be removed or sealed after a certain time period. Sometimes MOU language that allows misconduct documentation in a personnel file to be removed or sealed makes it difficult to sustain discipline, despite a pattern of substandard or inappropriate workplace conduct.

Recommendations

Recommendation 2h. Authorize limited paid leaves of absence to investigate serious allegations of misconduct.

We believe that employees should not suffer loss in pay during the department’s investigation and departments should have adequate time to conduct a fair and thorough investigation into any allegations of serious wrongdoing requiring immediate removal from the workplace. Therefore, we recommend that the current 30 days of unpaid administrative leave be replaced with a limited paid administrative leave. This will allow departments to quickly remove an employee from the work place in order to conduct its investigation. Keeping the employee on paid status will remove the punitive stigma and provide the department an incentive to quickly conduct its investigation.

Recommendation 2i. Introduce the use of paper suspensions for attendance problems.

Employees with attendance problems should not serve unpaid suspensions, which cause additional time away from work and are counterproductive. Instead, we propose that they serve “paper suspensions” that carry the full weight of an unpaid suspension for the purposes of progressive discipline. A “paper suspension” is a disciplinary document, much like a written reprimand, that would be placed in the employee’s personnel file, stating that the employee has served the equivalent of a suspension of a specified number of days.

Recommendation 2j. Use work plans, not discipline, to correct poor performance.

As one personnel officer has quipped, “You don’t get any smarter sitting at home,” a reference to the City’s tendency to suspend employees for poor performance. Suspending employees does little to correct or improve poor performance. We therefore recommend that managers address performance deficiencies through closely monitored work plans, rather than traditional discipline. Employees should be made aware of performance issues and be provided with an opportunity to improve productivity and master requisite skills. The work plan should set measurable goals and results to address specific areas of deficiencies. If the employee does not demonstrate sustained improvement in performance, the department should be able to separate them. This approach is being used at the Human Services Agency with good results.

Recommendation 2k. Expedite the disciplinary process by eliminating intermediate grievance steps, creating a citywide panel of standing arbitrators, and imposing arbitration time limits.

We propose eliminating the departmental review steps and allowing the suspension and termination grievances to be appealed directly to arbitration or hearing officers. Eliminating these extra layers of review benefits employees, labor organizations, and departments by bringing swifter closure to disciplinary appeals, to the benefit of everyone involved. The system should be structured so that all arbitration hearings take place within sixty days from the date of the final disciplinary notice.

Recommendation 2l. Standardize timelines and conditions under which disciplinary actions are taken out of the personnel file.

We propose a citywide standard for maintaining discipline-related documents in an employee’s personnel file. We recommend that disciplinary actions remain in an employee’s personnel file for

three years. Once three years has lapsed since the date of the most current disciplinary action in the file and the employee has not engaged in similar conduct within that period, that document could then become sealed in the employee’s personnel file and not used in future disciplinary proceedings.

2.2.6 Leaves of Absence

“Indefinite leaves need to be addressed. Person takes leave for an indefinite amount of time and they retain seniority – time periods should be defined. We had an employee that came back after 15 years on leave.”
 – department personnel officer,
 DPO mtg., March 4, 2005

Current System

Employees may be absent from work for just a few days or for longer term leaves, and the leave may be paid or unpaid. Usage of paid leave is tracked in the City’s payroll system, while unpaid leaves longer than three weeks are tracked in the City’s personnel system, PeopleSoft.

The main types of paid leave enjoyed by all employees are legal holidays, floating holidays, vacation and paid sick leave, although there are numerous other types of paid leave. Table 3 below shows that the average City employee earns between 44 and 54 paid days off per year. If all the leave granted were taken, an employee would have between 17% and 21% unproductive time. In FY 2003-04, employees averaged 16.3% unproductive paid time under these leave types.

Table 3. Paid Leave Earned and Used

Paid Leave Type	Typical Earned		Average Used, FY04
	Days	% of Paid Time	
Legal Holiday	11	4.2%	3.8%
Floating Holiday	10	3.8%	2.8%
Vacation	10 to 20	3.8% to 7.7%	5.4%
Paid sick leave	13	5.0%	4.3%
Total	44 to 54	17% to 21%	16.3%

Source: SFStat, November 5, 2004.

These leave types are governed by a host of rules in the Charter, Administrative Code, MOUs, and Civil Service Rules. Legal holidays and floating holidays are generally in the MOU. Vacation accrual is referred to in both the Charter and Administrative Code, however, the Charter vacation provision is outdated, as it still references "days" instead of hours (confusing because employees work “days” of 8, 10, and 24 hours depending on the operation) and an "annual" allotment of vacation. Civil Service rules outline paid sick leave accrual rates and the accrual cap of 1,040 hours, trumped in the case of Local 21, whose MOU has no maximum. Sick leave pay is different from legal holidays,

floating holidays and vacation in that its use is a privilege that should only be requested and granted due to illness, per the Civil Service Rules, Charter and Ordinance. It is generally unplanned, and strongly correlated with overtime (Controller’s Office, 2004).

Managers and supervisors monitor and address attendance problems, such as excessive tardiness and absenteeism. Departments may place employees who abuse paid sick leave on sick leave restrictions, as provided for in the Civil Service Rules. Common patterns of sick leave abuse include recurring absence on Mondays and Fridays, or calling in sick the day before or after a scheduled vacation or long holiday weekend. The City is obligated to pay for hours worked, however, unexcused absences will be unpaid if coded as such in an employee’s timesheets.

There are also numerous types of unpaid leave. Table 4 below shows the main types of unpaid leave. As of March 31, 2005, there were 442 employees on unpaid leaves of absence. The average length of the leaves is twelve months. Some unpaid leaves, such as family care leave, are granted pursuant to federal and state laws and cannot be altered locally. However, the City does have the ability to reduce worker’s compensation-related leaves as much as possible, by returning employees to their jobs as soon as medically allowed. Currently, departments have their own transitional work programs to place injured employees in temporary modified duty positions for a limited time. The duration of the modified duty varies by department, but is often limited to 90 days.

Table 4. Employees Currently on Unpaid Leave

Type	Number	% of Total	Duration in Months
			Average
Sick leave without pay	167	38%	10
Workers’ Compensation Leave	112	25%	20
Family Care Leave	75	17%	7
Personal Leave	60	14%	8
Employee Organization Reps.	9	2%	17
Education	8	2%	11
Unpaid Administrative Leave	5	1%	3
All Other	6	1%	28
Total	442	100%	12
Source: PeopleSoft			

Finally, employees may be granted “promotive” leaves. Table 5 below shows that as of April 5, 2005, 716 employees were on promotive leave, that is, had taken leave from a permanent position to accept an exempt or provisional position with higher pay and responsibility. Departments have typically granted leaves of unlimited duration in order to insulate employees from the risk of taking exempt or provisional promotions. The average length of promotive leaves is 3.6 years. During this period, departments may backfill the vacancy. However, if the original employee abridges their leave, the requisition is reactivated and the replacement worker is displaced.

Table 5. Employees Currently on Promotive Leave

Years of Leave	Number of Employees
<1	224
1-2	120
2-3	104
3-4	94
4-5	23
5-6	16
6-7	16
7-8	22
8-9	10
9-10	6
10+	81
Total Employees	716
Average Years	3.6
Source: PeopleSoft	

Impacts

The City has granted legal holidays, floating holidays, and vacation time to employees and should expect employees to use this time off. Managers are expected to schedule this time off in a way that minimizes operational effects. This is not to say that the 14% nonproductive time due to these types of leaves is not disruptive to operations. On the contrary; although the exact effect is unknown, anecdotal evidence suggests the combination of reduced staffing and increased number of floating holidays negotiated into the MOUs in the past three years has lengthened service delivery timelines.

Sick leave abuse is a concern because it can increase overtime costs, reduce efficiency, and is unfair to those employees who follow the rules and shoulder the increased workload of those who are absent. It is difficult to know the magnitude of this problem.

The fact that nonpublic safety employees in San Francisco have a higher rate of sick pay usage compared to other jurisdictions, 4.2% versus 3.5% for the largest ICMA participating jurisdictions (ICMA, 2003), may or may not indicate inappropriate use of sick pay in San Francisco. At the very least, however, it suggests that departments should have and enforce attendance policies to curb potential abuse.

Unpaid leaves of absence can be disruptive to department operations, especially when the department is unable to backfill an employee on long term unpaid leave. In departments with minimum staffing requirements and round the clock operations, unpaid leaves can increase overtime costs. Health benefits continue over the course of many leaves.

As noted above, the greatest opportunity in this area is to return workers to duty as soon as they are medically able after a workers' compensation injury, for the sake of the employee as well as the employer. The longer employees remain on leave, the more likely they are to become disengaged from the workplace and discouraged from returning at all. The City has approximately 4,500 workers' compensation claims, of which 2,500 involve lost time. Last year, this lost time cost \$10 million in temporary disability to miscellaneous employees, \$17 million for disability pay for public safety personnel, and an unknown amount in related overtime.

Promotive leaves are problematic for departments when they want to backfill the employee on leave and must appeal to the Mayor and Controller for a replacement requisition. They are also problematic in layoff scenarios, when the employee on leave bumps an active employee and the department is left with no one to do the work. Some have called for limiting promotive leaves subject to an agreement between the employee and appointing authority. While we do not have a recommendation at this time, we do believe this issue should be considered further in order to minimize the disruptiveness of promotive leaves of absence.

Recommendations

Recommendation 2m. Set and enforce attendance standards.
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Departments should create and enforce attendance policies to address sick pay abuse and unexcused absenteeism. This should include not paying for hours where an employee is absent without leave. Employees violating attendance policies should be subject to paper suspensions as discussed in recommendation 2i.

Recommendation 2n. Consolidate paid leave types into general paid time off.

The issue of sick pay abuse could also be addressed by combining the main paid leave types into a single category of paid time off, which employees could use according to their own needs and preferences. Paid time off could include any combination of leave types, though it generally includes at least sick and vacation pay. The amount of paid time off could be based on years of service, and some portion of it could be cashed out at separation, with a cap on the total amount an employee can cash out. Any paid time off provision should specify hours of leave rather than days. (ICMA, 2003).

Recommendation 2o. Develop a citywide return to work program to return injured employees to work more quickly.

A citywide temporary transitional work program would allow placement of injured employees in temporary work outside of the employee's department. The inventory of available work increases as there are more departments in the program, increasing the likelihood of finding a temporary placement for an injured employee. The assignments would have to be of a nature that they would not require an extensive learning period. In addition to, or in lieu of, actual work assignments, the City can require injured employees to attend training courses offered by the City or other entities. Management of a citywide program would need to be centralized, with a central list of work and training opportunities, a single time limit for transitional work, and a central facilitator of interdepartmental contacts. Implementation would require a dedicated staff person, as well as cooperating with labor organizations to allow temporary placements across bargaining units.

2 Detailed Recommendations

2.3 SEPARATION

Goal: To minimize the disruption to employees and departments caused by separations.

Problem statement: Employees may separate from City employment either voluntarily, due to retirement or other job opportunities, or involuntarily, through layoffs caused by lack of funds or lack of work or terminations for disciplinary reasons. No matter the reason, disruptions are inherent to separations. However, the City does not have adequate plans to mitigate these disruptions.

Among current employees, 4,043 or approximately 18% of the workforce, have at least 50 years of age and 20 years of service and are likely to retire within the next 10 years.

Over the next several years, the City will face a loss of knowledge and skills as a large number of our employees begin to reach retirement age. We have not yet begun to plan for this. In addition, as our recent layoff experiences have demonstrated, the City's system of layoffs and bumping disrupts departments and employees that were not initially involved in layoffs. Our method of determining seniority aggravates the disruptions to employees caused by bumping.

2.3.1 Succession Planning

Succession planning involves analyzing workforce demographics and trends in attrition, and projecting future attrition, hiring, and promotional patterns. Using these data, organizations then develop strategies for preparing existing employees to fill vacancies, recruiting new workers, and transferring or capturing knowledge from retiring workers.

Current System

The nation is experiencing dramatic changes in workforce demographics. Data from the Bureau of Labor Statistics and other sources (Government Performance Project, 2000) reveal that the so called "Baby Boomers" have aged and are projected to retire in record numbers. The 76 million people born between 1946 and 1964 are now 41 to 59 years of age. It is projected that 54% of workers aged 45 or older will leave their occupation between 1998 and 2008.

Making these demographics a problem is that the replacement workforce is growing at a much slower rate. While the civilian workforce increased by 126% between 1950 and 2000, it is projected to increase by only 36% between 2000 and 2050 (Purcell,

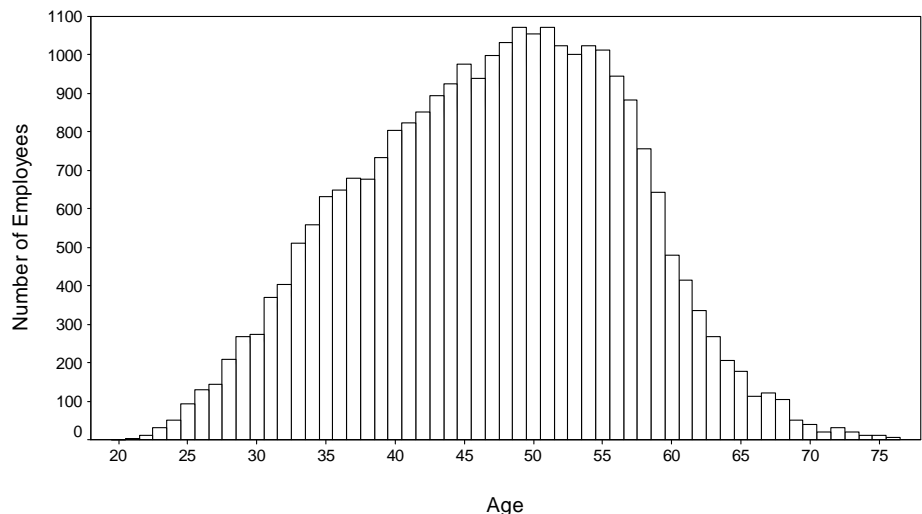
2000). And while there were 76 million baby boomers; there are only 40 million “Generation Xers.”

All public jurisdictions face this challenge of ensuring continuity of service and transfer of knowledge when a large number of the most knowledgeable and experienced employees, especially those in supervisory and management positions, are due to retire (Government Performance Project, 2000). Leadership skills at these and department head levels are generally regarded as the most crucial skill set to develop (Hayes, 2004). While leaders at all levels of government are generally aware of the upcoming challenge, many lack workforce plans. A recent nationwide survey of states, counties, and cities showed the four most common barriers to preparing a workforce plan (in descending order) were preoccupation with short-term activities, insufficient staffing, lack of funding, and lack of executive support (Johnston, 2004).

In 2003, DHR began a comprehensive effort to analyze the risk of impending retirements and identify the areas where the City would need to focus its recruitment, hiring, retention, and training efforts. Staff collected data from departments on the competencies of current managerial staff and future needs. Unfortunately, this project was cut short due to other operational needs.

As of spring 2005, San Francisco’s workforce demographics show that the average age of City employees is 47, and 43% are 50 or older. The average age for a manager or executive is 50, and 59% are 50 or older. Figure 4 shows the age of the City’s workforce graphically.

Figure 4. Age of Current Employees



This trend is further revealed in the average age of new workers. Table 6 shows the average age of employees when appointed to City service (includes sworn personnel who are typically younger).

**Table 6. Age at Hire,
By Decade**

Decade	Age
1960s	23.9
1970s	26.6
1980s	31.2
1990s	35.9
2000+	37.5

Retirement eligibility is a function of age and service. Miscellaneous employees are eligible to retire once they complete at least 20 years of service and reach the age of 50, or complete 10 years of service and reach the age of 60. Since many workers have participated in other defined contribution or defined benefit plans, calculating years of service to accurately project retirement rates is difficult. In FY 2003-04, a total of 845 employees retired. Excluding disability retirements, early retirements, and Police and Fire retirements, 630 employees with an average age of 60.2 years retired. Miscellaneous employees appear to be retiring at the age where they can receive the maximum 2% benefit. [See Appendix I: FY 2003-04 Separations from City Service].

Among current employees, 4,043 or approximately 18% of the workforce, have at least 50 years of age and 20 years of service and are likely to retire within the next 10 years. To fully understand the effect of retirements we need to figure in the influx of new workers into our system, which would be reflected in workforce and succession planning efforts. The risk of high retirement rates varies by department. [See Appendix H: Retirement Risk].

Impacts

Most of the recommendations in this paper relating to recruitment, assessment, classification, training, and compensation support the goal of better succession planning and management.

Demographic changes will have a profound impact on San Francisco. Although not possible to predict, the following outcomes seem likely:

- The departure of our most experienced workers, many in leadership roles, will create a vacuum of organizational knowledge.
- Recruitment of the best applicants will be more competitive, particularly with the private sector which can hire more efficiently and offer more financial incentives.
- Retirement and health care costs will increase and these systems will be sustained by a smaller number of workers.

Recommendations

Recommendation 3a. Establish a citywide task force to aid in succession planning and make recommendations to the Mayor and Board of Supervisors.

DHR embarked on a Workforce and Succession Project two years ago. The project team discussed retirement risk figures with departments and collected data on core management competencies that would need to be developed over the next few years. They developed a tool to assist departments in identifying key issues and creating workforce action plans. However, the team was redirected and the data were not analyzed due to a lack of staff.

Recommendation 3b. Provide an incentive for employees to remain with the City longer by offering an improved retirement benefit at a later age.

A full discussion of benefits is beyond the scope of this paper. In brief, however, while we think an improved retirement benefit could keep City employees working longer, we recognize such a recommendation has profound budgetary implications. In FY 2005–06, the City’s employer contribution to the Retirement Plan, given current benefits, will be 6.58% of a salary budget estimated to be \$1.68 billion. The contribution will be close to \$111 million. The contribution is projected to increase by 2% the following year. In addition to this cost, the City will pay, in FY 2005-06, \$95.2 million for retiree health benefits. Over the past four years, retiree health benefit costs have been increasing by \$10 – 20 million each year. To make a retirement benefit improvement feasible, we recommend that the City and interested labor unions explore ways to offset new benefit costs. Possible offsets could include increasing the years of service needed to qualify for retiree health benefits, lowering City costs for retiree dependents, pre-funding a portion of future retiree health liabilities, and continued employee payment of mandatory retirement contributions.

2.3.2 Seniority

Current System

Seniority is a complex and often misunderstood concept. Seniority determines the order in which employees are laid off and returned to work. It is also used in bidding for shifts and vacation slots and considered in reassignment opportunities.

Before candidates are hired into permanent positions, their names are sent (or referred) through a certification process from an eligible list. In practice, the terms certification and referral are often used interchangeably. In San Francisco, the date on which

the list of names of candidates was created and sent (or referred) by DHR to the department becomes the seniority date of any of those candidates who are hired.

The City then has a series of procedures outlined in Civil Service Rules to determine seniority in the event that employees have the same certification date. The first tie breaker used is the individual's original rank on the eligible list. For example, an employee who ranked third on the list may be hired first. Fifteen days later, a second employee, with the same certification date, who ranked first on the list, is hired. The second employee will always have more seniority than the first because of his or her higher rank on the eligible list. If employees come from two separate eligible lists for the same classification, the earlier list takes precedence.

If individuals have the same score and therefore the same rank on the list, the next tie breaker is permanent continuous time in the classification, which is defined as the original start work date in the classification, regardless of the department.

If there is still a tie, the start work date for the employee in *any* permanent class is used. And if the tie is still not resolved, ten random numbers are drawn and compared to the last digit in the employee's social security number. Based on the random draw, seniority tie-breaking is established.

Seniority is thus a specific date that is not tied to time worked in the class. Leaves of absence are not subtracted from the seniority date. The same is true when an employee is promoted to an exempt or provisional appointment; the employee's seniority date in their original classification does not change while they are on leave to fill the exempt or provisional position. An employee who has worked in multiple classifications during his or her tenure with the City has seniority dates for each permanent job.

San Francisco may be the only jurisdiction that uses date of certification to determine seniority. In a recent informal survey of local jurisdictions, all reported start work date as the means of determining seniority. [See Appendix G: Survey of Seniority and Layoff Provisions].

Impacts

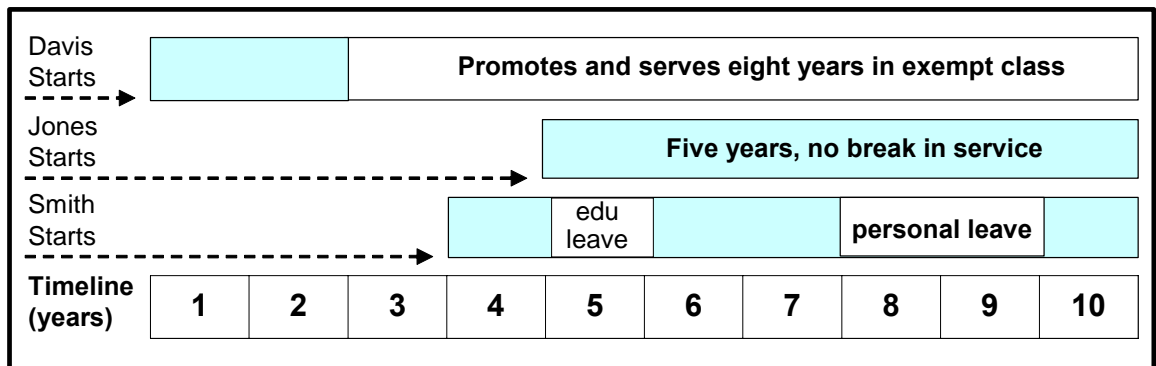
The existing seniority system can lead to outcomes that many consider unfair. For example, an employee working for the City for four years but on personal leave for the last two years has seniority over a coworker with three and one-half years of perfect

attendance. Except in those cases where employees are terminated, there is no relation between job performance and seniority calculations. So an employee with performance problems will displace a stellar employee with one month less seniority.

Consider the seniority calculations of three employees shown in the timeline (Figure 5) below. Each had a permanent appointment as 1824 Principal Administrative Analyst in three different departments:

Davis worked for two years in the class and then promoted to an exempt classification. Jones worked for five years in the class with near perfect attendance. Smith was granted one year educational leave to pursue a graduate degree, returned to work, and then had a two year medical leave. Layoffs occur in year ten and all three employees lose their jobs and are placed on the holdover roster. A month later, a Principal Administrative Analyst vacancy occurs in a fourth department. In the current seniority system, Davis has the earliest certification date in the class and would therefore be the first to return to work, even though he worked in the class for only two years. Smith worked for four years, but since leaves are not subtracted, he has six years of seniority and would return to work next. Jones, the employee with the longest time worked in this class, would be last to return to work.

Figure 5. Sample Seniority Calculation



Recommendations

Recommendation 3c. Effective July 1, 2006, base seniority for layoff purposes on citywide time worked in class for all employees and utilize citywide seniority to determine the layoff order within a department.

Actual time worked in a class should be used to determine seniority. The employee's start work date in his or her current classification should be used to determine the basis of seniority. Except as legally required, unpaid leave should not count toward seniority. If an employee leaves a permanent job appointment to work in an exempt position, the time while in the exempt position should not accrue to their seniority in the permanent job class.

This recommendation is intended to fully recognize an employee's citywide seniority in a classification. Layoffs would continue to be treated separately under each appointing officer, except that determination of the least senior employee in a classification in a department would be based on citywide seniority in that class.

For example, Employee A was hired permanently in the Department of Public Works (DPW) in class 1426 and has a seniority date of January 1, 1995. Employee A transferred from DPW to the Department of Public Health (DPH) on July 1, 2003. Employee A would have a citywide seniority date in class 1426 of January 1, 1995, and a departmental seniority date at DPH of July 1, 2003. If DPH decided to lay off one 1426, it would have to use Employee A's citywide seniority date to determine the least senior employee in the class in the department to be laid off. Ultimately, employee A may be more senior to an employee who was hired in the department after July 1, 2003.

2.3.3 Layoffs and Bumping

Current System

The City's layoff process is regulated by over fifteen Civil Service rules, including the reasons for which an appointing officer may lay off an employee. If there is a lack of funds, a position has been deleted from a department's budget, grant or project funds have been expended, or position funding has been exhausted. There is a lack of work if a project has been completed or the work performed is no longer needed. Finally, there can be retrenchment if a position is eliminated in anticipation of a funding shortage.

The identification of the specific employee to be laid off in a classification within the department is strictly guided by Civil Service Rules. Employees are laid off by inverse seniority in a

classification in a department, in the following order of absolute priority of employment status:

- Provisional employees
- Temporary employees from an eligible list
- Probationary employees
- Permanent employees

Employees who are laid off can receive as much as 60 days notice of their layoff, depending on their union's MOU. Employees who are bumped, however, may receive notice the day before they are displaced...

[Refer to Section 2.3.2 for a discussion of seniority].

Once the least senior employee in the appropriate employee status within a classification in the department is identified for layoff, the current Civil Service rules provide strict return to work processes to ensure that the most senior of those laid off in a classification are provided first opportunities, if any, to return to work.

All permanent and probationary employees who are laid off are placed on a holdover roster in rank order of seniority date. The rules require that holdovers be returned to work to in this order. Individuals remain on the holdover roster five years from the date of the layoff, and have preference for appointments over individuals on eligible lists, employees requesting transfers, reinstatements, and reappointments. During the five year period, all holdovers are eligible to receive health benefit premiums paid by the City.

Described as one of the most disruptive outcomes of the City's layoff process, permanent holdovers in classes with citywide seniority are entitled to displace or "bump" the least senior permanent employee in that class in the City. If the employee who is bumped has permanent rights to another class, they may reinstate to that class, possibly bumping yet another employee who is least senior. If the displaced employee is the most junior permanent employee and has no prior permanent appointment, he/she remains on the holdover roster.

Employees who are laid off can receive as much as 60 days notice of their layoff, depending on their union's MOU. Employees who are bumped, however, may receive notice the day before they are displaced, although it is the practice of DHR to provide as much notice as possible. In situations that result in multiple bumps, short notices may be out of DHR's control.

As shown in Table 7 below, of the 294 layoffs that occurred in fiscal year 2003-2004, 95 of the layoffs resulted in displacements of other employees. Those 95 layoffs ultimately affected a total of

226 employees, forcing many into new jobs with different departments.

Table 7. Number of Employees Affected by Layoffs in FY2003-04

Given 294 Initial Layoffs:	No. of Employees Affected
Layoffs Involving Bumps	
67 layoffs involving one bump	134
21 layoffs involving two bumps	63
6 layoffs involving three bumps	24
1 layoff involving four bumps	5
95 Layoffs Involving Bumps	226
199 Layoffs involving only initial employee	199
294 Total Layoffs	425
Source: DHR FY 2004 Layoff Database	

Citywide bumping has the potential of profound operational effects on departments, particularly where layoffs were not planned. A complex process of Exceptions to the Order of Layoffs (EOLs) has been established to identify position specific special conditions and qualifications required for an employee to perform job duties. These EOLs provide a mechanism for the continued employment for the least senior employee in a class with a special condition or qualification if there are no senior employees who possess the requisite qualification(s).

One way of mitigating the effects of layoffs to employees is to offer severance payments. The MOUs with the Service Employees International Union (SEIU) Locals 250, 535 and 790 and Local 790 Staff Nurses provide severance pay of two weeks' pay for each year of service. Employees who accept severance payments forfeit all holdover rights. The Unrepresented Employees' Ordinance offers laid off employees with ten or more years of continuous service the option of receiving one month's severance pay in exchange for future holdover rights.

Some labor agreements recognize that exempt employees do not have such civil service protections and offer severance pay when these employees are released from employment. For example, the District Attorney Investigators' agreement offers severance to employees who have completed five or more years of service. Employees represented by the Municipal Executives' Association (MEA) offers severance payment to exempt employees with ten or

more years of service if they are involuntarily removed or released from City employment. The most generous severance payment is in the Municipal Attorneys' Association (MAA) agreement, which offers involuntarily removed or released attorneys one week of pay for each of year of service, and two weeks' pay for each year of service in excess of ten years if the attorney has more than twenty years of City service.

Impacts

Budget pressures may require a department to reduce services and lay off employees. However, the citywide effects of a department's decision are problematic.

Interdepartmental bumping negatively affects departments and their staff even if they had no layoffs. When a laid off employee bumps into a department, the department loses a trained and experienced employee and receives an employee who may be unfamiliar with its services and responsibilities. Sometimes, working employees are displaced by employees on leave or otherwise unable to perform the functions of their new job, forcing the department's depleted staff to absorb lost workload. Desperate to avoid losing a highly valued employee, departments will often place special conditions on positions, sometimes misusing the EOL process.

Few employees understand seniority calculations and rights, leading to an appearance of inconsistency and unfairness. Departments and policymakers can take numerous actions that can cause the cascading transactions from one layoff to be cancelled, only to start a chain of events in another area. Often, the anticipated results of a layoff and bumping cause departments to rescind layoffs, cancel an approved requisition to fill a vacant position, create a new requisition to secure a position for a laid off employee, or, ultimately release a recently placed employee from probation.

Recommendations

Recommendation 3d. Eliminate interdepartmental bumping for managers.
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At some level in each organization, the disruption caused by bumping – to affected employees and to organizational mission -- outweighs the benefit. Specifically, managers in the City, most universally possess unique or highly specialized skills and experience specific to their jobs within their respective departments. Often, it is the unique combination of these skills and experiences that makes a manager's background important to a

department's program. Given this, their turnover and transition (due to bumping) is typically most challenging for an organization to absorb.

For example, a Finance Manager IV (Employee A) who has expertise in federal grant programs working in the social services environment, is bumped by a more senior Finance Manager IV (Employee B). Employee B also has experience in federal grants, but her focus has been in transportation programs. While both employees share experiences in federal grants, the specific expertise required for successful grant identification, application, and management within the defined industries are really not interchangeable. Employee A is bumped out of the system and Employee B is working in an unfamiliar industry. Given this, the result of the bumping ultimately impacts both the operations and the employees.

Recommendation 3e. Effective July 1, 2006, protect employees with more than five years of citywide seniority in a classification from displacement.

This recommendation is intended to fully recognize an employee's citywide seniority in a classification. Layoffs would continue to be treated separately under each appointing officer, except that determination of the least senior employee in a classification in a department would be based on citywide seniority in that class.

Permanent employees with a minimum of five years of citywide seniority in a classification would be protected from any displacement resulting from a layoff. Any permanent employee laid off would still displace other probationary or provisional employees in the same class with less than five years of citywide seniority in the class.

Recommendation 3f. Audit and verify special conditions.

Special condition requests from departments are reviewed and approved by the Department of Human Resources. Over the duration of an employee's tenure in the department and class, the need for special conditions and qualification may change. This recommendation would establish an audit program to consistently verify the ongoing need for a special condition or qualification for existing positions. In addition, all future requests for special conditions or qualification will be required to be included on position announcements as position-specific minimum qualifications.

Recommendation 3g. Limit holdover rosters to two years.

Holdover rosters are a type of hiring list (eligible list) used to return a laid off employee back to work. Currently, holdover rosters are active for five years, while typical hiring lists are limited by Civil Service Rules to two years. Given this, holdover rosters have a duration of more than twice as long as the duration of the typical hiring list. No other jurisdiction we researched has such a system.

In addition, during the five year duration, all vacant positions in the class must be filled by individuals, in rank order of seniority on the holdover roster. This process eliminates all discretion of the appointing officer in the hiring decision.

We recommend reducing the amount of time an employee can remain on a holdover list from five to two years. We also recommend removing individuals from a holdover roster once they are offered a placement opportunity. At present, a holdover is permitted to remain on the list for five full years – often collecting full health benefits – even if they refuse an offer of employment. [See Appendix G: Survey of Seniority and Layoff Provisions].

Recommendation 3h. Negotiate severance packages.

We recommend that the City explore greater use of severance as a tool in layoffs and involuntary separations of exempt employees. Separating employees can disrupt the work place and lower the morale of those who remain. By offering severance, separated employees receive some recognition of services rendered and remaining employees witness how the employer treats those who are laid off. In addition, the SEIU model of paying severance in lieu of holdover rights could reduce the administrative burden and costs of maintaining holdover rosters.

Table 8: Termination Grievances Resolved at DHR

Year	Termination
2002	15
2003	19
2004	4
Average	13
Exclude grievances resolved at the department level.	

2.3.4 Termination

Current System

Appointing officers may terminate employees either after exhausting the progressive discipline route or if the offense was so egregious as to warrant immediate termination. Termination is sometimes the final step in the discipline process. See 2.2.5: Discipline, for further details. Depending on the labor agreement, either the terminated employee and/or his union representative may appeal terminations through the grievance arbitration procedure of the respective collective bargaining agreement.

Impacts

Because the discipline process is part and parcel of any termination procedure, common complaints about termination are similar to the complaints about discipline – they take too long and are too cumbersome, with the related problem that they are poorly understood and used inconsistently. When terminations are grieved, a common solution is to use arbitrators who are familiar with local labor agreements to provide expedited arbitrations so decisions can be made immediately (Selden, 2001). Termination cases that are not resolved quickly can seriously disrupt the work environment for employees. Long and uncertain timelines can create an incentive to deal with serious behavioral problems in ineffective ways, such as moving the employee to a different work location or separating them through the layoff process.

“It’s difficult to fire someone even if they’ve done something wrong. You can’t get rid of bad apples because it takes so long. Our inability or lack of action in addressing discipline problems hurts the morale of all the other employees.”

-- department personnel officer,
DPO meeting, March 4, 2005

In San Francisco, as with suspension grievances, there are no specific timelines by which a termination appeal must be arbitrated. Often terminated employees do not have their cases heard until more than a year has lapsed since the date of their termination. In termination cases, the lack of timelines often causes a department’s potential back pay liability to toll in excess of one year, if not two. Of the termination grievances filed with DHR in 2004, one took 8.5 months to settle after the final notice of termination (one was not pursued, and another has yet to arbitrated after 9 months).

Recommendations

Recommendation 3i. Expedite the termination process by eliminating intermediate grievance steps, creating a citywide panel of standing arbitrators, and imposing arbitration time limits.

Similar to the recommendation on expediting discipline appeal procedures for suspensions, we recommend eliminating intermediate grievance steps and requiring that arbitration hearings for termination appeals take place within 90 days of the final termination notice. If the employer is not prepared for the hearing, the termination charge is dismissed. If the employee is not prepared for the hearing, the appeal is waived. As with our recommendation on suspension grievances, arbitrators will be selected from a citywide panel of 9 arbitrators, to be determined by mutual agreement between the City and labor. If the selected arbitrator is not able to hear the case within the 90 calendar day timeframe, the parties will move to the last name stricken from the list and solicit dates from that arbitrator. This process shall continue until the parties are able to schedule an arbitration hearing within the timeframe.

2 Detailed Recommendations

2.4 GOVERNANCE

Goal: To make personnel administration more functional by simplifying and harmonizing overlapping rules, regulations and responsibilities into a more cohesive system.

Problem Statement: The accumulated structures that make up the City’s personnel system create obstacles to effective governance and administration. Divided authority and overlapping jurisdiction between departments responsible for personnel administration; a patchwork of rules and regulations; and challenging budget controls result in a personnel system that is perceived as confusing, unresponsive, and lacking accountability.

In 1900, San Francisco voters created the Civil Service Commission to administer the City’s merit system to hire employees based on “fitness and fairness” rather than political affiliation.

Current System

In 1900, San Francisco voters created the Civil Service Commission to administer the City’s merit system to hire employees based on “fitness and fairness” rather than political affiliation. Over the decades the Commission’s scope of activity expanded beyond testing to include rulemaking and adjudication of all merit system functions, including position classification, appointments, probationary periods, leaves of absence, layoffs, and other topics. [See Appendix C: History of San Francisco’s Civil Service System].

In 1968, the California legislature adopted the Meyers-Milias-Brown Act, giving local government employees the right to unionize and obligating employers to meet and confer with unions over wages, hours and working conditions. During the 1990s, San Francisco voters adopted Charter amendments to permit negotiation of most terms and conditions of employment except retirement and certain matters related to the merit system, referred to as “civil service carve-outs,” which remain enshrined in the Civil Service Rules. Examples of carve-outs include maintenance of the classification plan, status rights, administration of eligible lists and appointment types.

The Civil Service Department managed most human resource functions for decades, until the weight of collective bargaining and the complexity of operations led to a reorganization in 1993. That year, the voters approved Proposition L which consolidated labor negotiations (formerly under the Mayor), administration of the civil service personnel system (formerly under the Civil Service Commission), administration of employee health benefits (formerly under the Health Services Board) and workers’

compensation (formerly under the Retirement Board) under a new Department of Human Resources (DHR). Most of these functions remain within DHR today. However, the voters created the Municipal Transportation Agency in 1999 and gave it largely independent control over all personnel matters within the Municipal Railway and the Department of Parking and Traffic. Also, in 2004 the voters reconstituted the Health Service System as a separate department.

While Proposition L consolidated a number of human resources functions, responsibility for the governance of our human resource system remains diffuse. Authority for personnel matters resides in a number of departments:

Civil Service Commission (CSC): The Charter gives the CSC responsibility to adopt Civil Service rules and all policies and procedures related to those rules. The rules govern “applications; examinations; eligibility; duration of eligibility lists; certification of eligibles; leaves of absence for employees and officers; appointments, promotions, transfers, resignations, lay-offs or reductions in force; the designation and filling of positions, as exempt, temporary, provisional, part-time, seasonal or permanent; status and status rights; probationary status and the administration of probationary periods, except duration; pre-employment and fitness for duty medical examinations; classification; conflict of interest; and such other matters.” The Commission also hears and adjudicates appeals of decisions by the Human Resources Director and has authority to investigate and conduct public hearings about merit system matters. The Commission consists of five members appointed by the Mayor and is staffed by six employees, including an Executive Officer.

Department of Human Resources (DHR): The Charter designates DHR as the personnel department for the City with responsibility for the management and administration of all personnel matters, “including, but not limited to, authority to recruit, select, certify, appoint, train, evaluate, promote career development, classify positions, administer salaries, administer employee discipline, discharge, and other personnel activities in order to maintain an effective and responsive work force.” DHR also conducts collective bargaining negotiations on behalf of the City.

Municipal Transportation Agency (MTA): Under Proposition E, passed by the voters in November 1999, the MTA was granted autonomy to administer personnel matters for its “service critical”

employees, including independent responsibility for classification, compensation, and labor negotiations. Negotiations for non service critical classes are conducted by DHR and codified in separate MOUs.

San Francisco Unified School District (SFUSD) and Community College District (CCD): SFUSD and CCD are independent State agencies. They have autonomous governing bodies, budget authority and missions, and have independent statutory authority to negotiate labor contracts. However, all non-teaching positions in both districts are subject to the City’s merit system. Classification, testing, appointment status, leaves and other merit system matters are regulated and administered by DHR and the CSC, just like most departments. Structurally, MTA has more autonomy over personnel administration than either District.

Retirement System (SFERS): Retirement, disability and death benefits for most City employees, classified employees of SFUSD, CCD, the San Francisco Superior Court, retirees and survivors are administered through SFERS. Employees in miscellaneous safety classifications, including sheriffs, probation officers, and institutional police, are provided retirement benefits through the Public Employees’ Retirement System (PERS), a separate state agency. The Retirement System’s Executive Director reports to a seven-member Retirement Board. Changes in retirement benefits must be approved as a Charter amendment by the voters. Retirement benefits, including the employer’s payment of the employees’ mandatory retirement contribution, are often discussed as part of the City’s overall negotiation process. Negotiated changes to compensation often significantly affect the administration and cost of retirement benefits.

Health Service System (HSS): Health benefits and related insurance and reimbursement programs are administered by HSS which the voters made an independent department effective January 2005. The Director reports to the Health Service Board which is made up of four elected members who are either active or retired City employees, one appointed by the Board of Supervisors and two appointed by the Mayor. The Health Service Board is responsible for managing the Health Service Trust Fund and for designing and administering health plans. Contribution rates for employees, dependents and retirees are determined through a Charter formula and through the collective bargaining process.

Mayor: Under the Charter, the Mayor is responsible for “general administration and oversight of all departments and government

units in the executive branch” and is therefore charged with setting policy priorities for much of the City’s workforce. The Mayor is also responsible for submitting a balanced budget to the Board of Supervisors, which is largely comprised of labor costs. Through the Human Resources Director, the Mayor is also responsible for “meeting and conferring with recognized employee organizations regarding salaries, working conditions, benefits and other terms and conditions of employment.”

Board of Supervisors: The Board of Supervisors has significant authority in personnel administration. The Board approves the budget and the annual salary ordinance and effectively controls position authority and personnel spending. The Board approves rates and benefits for health plans as well as MOUs negotiated between the City and its labor unions.

Controller: The Controller is responsible for the general oversight of all expenditures, including disbursements for personnel. The Controller administers the City’s payroll system requiring close coordination with DHR on all compensation issues. The Controller approves requisitions for personnel and as a practical matter, plays a significant policy role in personnel administration. The Controller also functions as the City Services Auditor and monitors the level and effectiveness of services.

City Attorney: The City Attorney is responsible for advising and representing the City in all legal proceedings related to personnel matters. The City Attorney plays a significant role in drafting personnel rules and legislation, negotiating MOUs, advising departments, prosecuting disciplinary and contract grievances and arbitrations, and handling all employment-related administrative matters and litigation. Many personnel issues are ultimately resolved with City Attorney approval.

City departments: All City departments are engaged in personnel administration. Most departments have their own personnel staff which for larger departments can include in-house resources for all major personnel functions, including classification, examinations, labor relations, training, workers’ compensation and Equal Employment Opportunity (EEO) sections. Departments with their own examination units have a delegation agreement with DHR. There is a blurry division of authority between decentralized personnel officers and DHR regarding responsibilities and there is a structural tension between department personnel needs and citywide personnel administration.

As a result of the evolution of the various agencies and systems over the past 100 years, San Francisco's personnel policies have come to be governed by a large body of rules and regulations:

Example of detailed rule governing exams:

111.14.1 Procedures and Practices [*Examinations*]

111.23.3 Where a number of candidates have competed in two (2) or more examinations in a series and at least one candidate has passed one and failed one of the examinations, the identification sheets of the candidates who have failed one examination may be opened prior to the qualifications appraisal interview but only for the purpose of determining which candidates should participate in the qualifications appraisal interview. Under no circumstance may the score on the examination passed be divulged by the Department of Human Resources prior to the posting of the tentative eligible list.

The **City Charter**, changed at the will of the voters, defines the authority of various agencies, including DHR, the Civil Service Commission, MTA, the Retirement System, the Health Service System, the Board of Supervisors and the Mayor in personnel issues. There are four different Charter sections covering labor negotiations and interest arbitration, with slightly different rules governing each. The Charter also contains provisions on discipline and leave.

Civil Service Rules are adopted by the Civil Service Commission to administer the merit system. The rules include complex provisions with detailed procedures on examinations, hiring, appeals, classification, certification, layoffs and dismissal, which have evolved over the decades. There are four volumes of rules covering miscellaneous employees, police, fire and service critical employees at MTA. Civil Service rules can currently be created or amended only by the Civil Service Commission.

Ordinances passed by the Board of Supervisors also affect human resource management, including the Annual Appropriation Ordinance (budget), Annual Salary Ordinance, and Salary Standardization Ordinance. San Francisco's Administrative Code establishes bargaining units. Employees in classifications assigned to those units select the authorized bargaining representatives (labor union) they wish to represent them.

MOUs: The City currently has 48 labor contracts, called Memoranda of Understanding or MOUs, negotiated by DHR and approved by the Board of Supervisors. MOUs cover salaries, layoff procedures, benefits and a wide range of other issues related to wages, hours and working conditions. Today, over 99% of San Francisco's employees are represented by labor unions and covered by MOUs. [See Appendix J: List of MOUs].

Policies and Procedures: DHR issues policies and procedures interpreting and implementing Civil Service Commission rules, MOU provisions and other matters. Individual departments may also develop rules specific to their own circumstances.

The City's current budget processes can further challenge effective personnel governance. Each year, departments submit to the Mayor budgets that include salary and non-salary requests. The Mayor

balances these budgets, given financial constraints and service demands. The budget is then submitted to the Board of Supervisors, which modifies then adopts spending legislation.

Each year the Board of Supervisors approves the Annual Salary Ordinance, which identifies each department's counts of positions by job code. The enumerated positions become the department's staffing or position authority for the year, and the sum of the salaries for these positions becomes the department's salary budget. When a department has a vacancy, a hiring requisition is usually prepared which cites the reason for the vacancy and the new hire, the funding source, and other details about the position. The Mayor, Controller, and DHR approve most hiring requisitions, using varying criteria. For example, the Mayor often reviews positions with an eye toward saving money to balance the succeeding year's budget. The Controller approves to verify appropriate spending in the current year's budget, while DHR's interests lie with the department using the most appropriate job classification. When a department asks that the budget position on a requisition be swapped for another (a temporary exchange, or "TX"), the Controller focuses on the salary difference between the positions, and DHR ensures that the new classification reflects the duties of the position.

Impacts

With so many parts of our local government responsible for the governance of our personnel system, accountability and authority is tough to pinpoint. Problem solving can be slow and difficult. While Proposition L was intended to place more central responsibility at DHR, it did not complete the job, and the role of DHR remains confusing. Employee benefits are independently governed and managed by two separate departments, and human resource services for employees are physically located in numerous locations.

Overlapping authority reduces the City's ability to respond to issues in a timely fashion. Consider the common occurrence of an employee who feels that she is working beyond the scope of her job and should be compensated for it—or "working out of class." In larger departments, the employee would request the department's personnel unit conduct a classification study of her position. If the study determined her duties are within the scope of her job and the employee disagreed, she could appeal the decision to the appointing authority (i.e. department head). She could also submit an appeal to the Human Resources Director. If the Director's staff also disagreed with the claim, they would normally

One researcher argues that, at the state level, the competing goals of civil service system and collective bargaining can prove a significant roadblock to reform:

“It is clear that any major reform in California’s civil service system will not be within reach in the near future. One reason is the fundamental tension between centralized merit system and collective bargaining process, as personified in the two agencies representing these two interests. Of these two, the SPB [State Personnel Board], protector of the merit system, can better withstand pressure for reform because it is enshrined in the State Constitution. But the majority of the civil service system is subject to bargaining, and SPB has objected to reforms agreed to by management and labor
– Naff, 2002.

contact the department’s personnel unit for a response, and then attach that response to a denial letter to the employee. Either sequentially or concurrently, the employee might also appeal to the Civil Service Commission, which would forward the complaint to the Human Resources Director, whose staff would report back to the Commission. Under some MOUs, the employee might also file an “out of class pay claim” to their Department Head. If denied, she could file a grievance with her union. This would wind through the grievance process and eventually be reviewed by DHR, and either be settled or forwarded to an arbitrator. In this example, seven separate entities are involved in a relatively simple matter that could take months to resolve.

Because of overlapping authority, the current relationship between DHR and the CSC is structurally awkward. Although Article X and XI of the Charter give DHR the responsibility to manage and administer all personnel matters, the Charter gives the Civil Service Commission responsibility to adopt not just core merit-system rules, but policies and procedures related to those rules. DHR’s ability to administer the personnel system is often impeded by operational details which have become codified in the Rules and creates, de facto, overlapping jurisdiction for the administration of personnel functions.

Some examples help illustrate the point: Although the primary responsibility for administering examinations and for conducting labor negotiations both belong to DHR, the CSC is responsible for creating rules governing examinations and for negotiating with labor unions over changes to those rules. As a rule-making, quasi-legislative body that meets twice-monthly and develops policies and strategic objectives through consensus and compromise, the Commission is at a structural disadvantage in the labor negotiations arena. Indeed, the Commission has been negotiating with the firefighters union for several years over certification rules governing promotive examinations. Largely because the Commission has been unable to reach agreement or resolution with the union, permanent promotive examinations have not been given in the Fire Department for several years

Civil Service Rules provide that the Human Resources Director is responsible for reviewing the duties performed and appropriate documentation to make a judgment on an individual’s qualifications for a position. However, these same rules also limit the exercise of that judgment by restricting the Director’s discretion to apply time worked “out-of-class” as qualifying experience unless such record is placed in the employee’s file

“contemporaneous with the assignment.” Even if the Human Resources Director believes an employee has the qualifying experience to compete for a promotive position, such discretion is limited by operational rule.

Having 48 different contracts/MOUs makes governance 48 times more challenging, from a management perspective. It also creates big rifts between employee members of different bargain units -- why do some not have to give back the 7 1/2% when the rest do? Health care contributions, sick leave, wellness, and some other areas should be the same in each collective bargaining agreement.

The union MOUs should be standardized and uniform where possible. The existing set of rules and regulations make it difficult to educate staff on the rules--let alone enforce them. Streamlining the regulations would help with consistency issues.

– *Web survey*

The process used at the Commission to adjudicate appeals of the Human Resources Director is also awkward. Appeals are contested in a public forum with appellants providing detailed written and verbal information to the Commission to support their challenge to the Human Resources Director’s decision. DHR is responsible for a written staff report outlining its position and for recommending a course of action. We find this model undermining to the integrity of the Commission. When considering appeals of merit system matters, the Commission should rely upon its own staff for recommendations, not DHR – a party to the dispute.

The City’s collective bargaining processes, which are layered on top of older merit system rules, have added to the difficulty of administering a personnel system cohesively. Wages, hours and working conditions are delineated in 48 separate labor contracts. Because interest arbitration encompasses not only economic items, but work rules, and because the MOU provisions apply in so many different departments there is great potential for inconsistent policies and application of those rules among departments. “Inconsistent rules” and “inconsistent rule enforcement” are common complaints from line employees and managers alike.

City budget processes further challenge effective personnel administration. Delays in requisition approval frustrate departments, who are eager to hire, promote or replace employees. Delays can lead to increased overtime costs, service reductions and morale problems. Delays may occur if an approving party questions the funding source, budgeted position, or job code. Most often, however, delays occur when approving parties do not review and approve the myriad requisitions in their in-boxes, thus halting the requisition’s movement. The process is cumbersome and confusing, and appointing officers and hiring managers often express frustration with it.

Departments are also constrained by the job-class level position authority imposed by the Board of Supervisors through the Annual Salary Ordinance. They can only hire into the job classes enumerated in the ASO, making it challenging to adjust or respond to mid-year service needs.

Recommendations

Recommendation 4a. Realign roles and responsibilities of the Civil Service Commission and Department of Human Resources.

Whether through an overhaul of the Civil Service Rules or, if necessary, a Charter amendment, we recommend that the City clarify that the Civil Service Commission's jurisdiction with respect to rule making and appellate functions shall be limited to core merit system issues. Greater authority for developing policies and procedures to implement those rules should be placed within DHR.

The Commission's primary responsibility is to ensure the integrity of the merit system through the development of core merit system rules, to adjudicate appeals of core merit system matters, and to investigate allegations of abuse of core merit system functions. Rules, by definition, should be broad, fundamental statements that govern the system based upon core merit principles. The creation and adoption of broad governing rules are best suited for a public forum like Commission's, in which with public comment and open decision-making.

In contrast, polices and procedures must adapt to changing legal, financial, technological and service parameters. The establishment of polices and procedures, in compliance with Civil Service Rules, is most efficiently addressed by the Department of Human Resources.

Recommendation 4b. Simplify and consolidate Civil Service Rules.

The Rules should be simplified and their four different volumes consolidated consistent with the division between core merit system guidelines and policies and procedures which implement those guidelines as addressed above.

Recommendation 4c. Place all centralized human resource functions in one physical location.

Some have suggested the City should consolidate DHR (including Workers' Compensation), the Civil Service Commission, the Health Service System and the Retirement System into a single human resources agency. While the suggestion has some operational and fiscal logic, we do not recommend consolidation. The Retirement System is a well-managed and highly functioning independent department, and the voters just returned the Health Service System to its status as a separate department in 2004. We believe the Civil Service Commission should also remain an

independent entity responsible for ensuring the integrity of the merit system. However, we do recommend locating all of these departments in one place to allow employees, retirees and job applicants true “one-stop shopping” for their HR service needs.

Recommendation 4d. Reduce the number of individual labor contracts with a master agreement format.

Either through amendments to bargaining units codified in the City’s Employee Relations Ordinance, or, preferably, through agreement between labor and management, the City should reduce the number of its labor contracts. We recommend the use of master labor agreements covering more than one union to reduce the overall number of MOUs and the slightly different provisions in each of them. This would simplify administration and provide for more consistent interpretation of the rules. Our largest labor agreement is with SEIU, Locals 790, 250 and 535 covers nearly 12,000 employees. However, we also have 17 separate labor contracts each covering 50 or fewer employees. [See Appendix J: List of MOUs].

Recommendation 4e. Standardize language in citywide pay provisions.

Labor and management should attempt to standardize provisions on pay and working conditions common to all MOUs with only minor differences. Such provisions could become an addendum to all MOUs and provide for more consistent interpretation of the rules. For example, almost all MOUs contain provisions for Acting Assignment Premium, Supervisory Differential Adjustment and Appointment Above the Entrance Rate. An Acting Assignment Premium provides a wage adjustment (approximately 5%) for employees temporarily assigned to perform the full range of normal day-to-day duties and responsibilities of a higher classification. A Supervisory Differential Adjustment addresses salary inequities where an employee earns less (or an insufficient amount more) than the employee whom he/she supervises. Appointment Above the Entrance allows the City to appoint an employee at a rate other than the entrance rate when appropriate (e.g. loss in compensation, special skills, recruitment/retention issues, hire of a former City employee). While the language for these provisions is generally standard in MOUs, there are slight variances which hinder interpretation, administration and oversight.

Recommendation 4f. Simplify the requisition approval process.

Each approving party should review its criteria for approval authority, which have not been updated for some time. Requisition requests may not need approval of all three agencies. In particular,

we recommend reducing or eliminating the Mayor's requisition approval for budgeted positions. The Controller can assure the availability of funds, and DHR the appropriate use of the job classification.

Also, barring a departmental budget deficit, requisitions for budgeted positions should remain active. This will eliminate the need for departments to re-submit requisitions when employees quit or retire, two common employee separations, which force departments to fight for a replacement, even when the job classification is routine and the department is under budget. The Controller would continue to hold requisitions for over-budget departments unless departments could offer non-salary savings to offset any overages. Departments without budgetary issues seeking to fill a vacant budgeted position with no change in duties or compensation should bypass requisition approval.

Recommendation 4g. Grant personnel budget authority by program area rather than by position.
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The City should develop broader personnel budget authority and greater flexibility to staff according to service and performance objectives, in lieu of specific position authority. There are several alternatives for setting the level of authority. One is to grant personnel budget authority at the program level; for example, the Board of Supervisors would appropriate funds for salary costs for a program without specifying the job classes for that program. Another option would be for the Board to grant departments salary-related funds for a certain functions or job class series, such as clerical services, and allow department heads to determine the appropriate classes. Finally, the Board could simply appropriate salaries at the department level. Such authority would give the Board of Supervisors control in setting appropriation levels, while allowing departments to determine how best to run their operations.

An alternative to this recommendation that would increase flexibility without changing appropriation levels would be for the Board to allow the Controller to approve upward temporary exchanges of positions where the cost of the higher position is up to 25% greater than the cost of the lower position, assuming available departmental funds and appropriate job classification. The current level is 15%. This would give departments more flexibility to retain valued employees and attract highly qualified applicants.

Recommendation 4h. Consider adding position control to the City's suite of personnel management applications.

Some participants recommended that the City implement position control across all departments. By assigning each budgeted position a unique identifier, position control systems allow positions to be managed and tracked easily, and can provide for more accurate budgeting. For example, position control would allow the City to track temporary exchanges, which FAMIS (the City's financial system) and the current PeopleSoft applications the City operates do not allow. Implementing position control would not necessarily save the City money, according to a 2003 Legislative Analyst Report (OLA, 2003 File No. 021965), nor would it allow departments to hire faster. However, position control may help departments understand current salary costs and predict future costs by modeling staff configurations. The task of creating a citywide position control is immense and would require the resources of many departments. Upgrading to a web-enabled version of PeopleSoft would allow managers to track positions centrally, rather than through their current parallel systems.

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