

Date of Hearing: April 24, 2018

ASSEMBLY COMMITTEE ON HIGHER EDUCATION

Jose Medina, Chair

AB 2819 (Holden) – As Amended April 16, 2018

**SUBJECT:** University of California: study: high technology companies: employees

**SUMMARY:** Requests the University of California (UC) to conduct a biennial study on the racial and ethnic diversity of the board of directors and employees of California high technology companies, and would request that the study include, among other things, the number of people employed by the high technology industry of each race or ethnicity and of each gender. Specifically, **this bill:**

- 1) Makes the following definitions:
  - a) “California high technology company” means a publicly traded company whose primary trade or business is either software development or computational hardware that has a business location in this state and has more than 1,000 employees in this state.
  - b) “High technology industry” means the top 25 California high technology companies determined by total annual gross revenues.
- 2) Requests UC to conduct a biennial study on the racial and ethnic diversity of the board of directors and employees of California high technology companies, to include the following:
  - a) The number of people employed by the high technology industry:
    - i) Of each race or ethnicity;
    - ii) Of each gender;
    - iii) Employed as executives, senior officials, or managers categorized by race and gender;
    - iv) Categorized by job type, including management, technical, and administration, broken down by racial or ethnic and gender demographics;
  - b) The number of people on all companies’ boards of directors categorized by race and gender;
  - c) Any program or programs implemented by a California high technology company in the high technology industry that are intended to outreach to, recruit, and retain diverse or underrepresented talent along with an investigation into the perceived effectiveness of those programs. The effectiveness may be evaluated by any changes to the company’s employee demographics due to implementation of the program or programs. The investigation may include research into possible reasons as to any discrepancies in effort as compared to the effectiveness of any program for each California high technology company; and,

- d) The graduation data of undergraduate and graduate students from science, technology, engineering, and mathematics fields in this state. The data may include the type of degree, the degree field, geographical regions where the degree is received, and the race and gender of the students;
- 3) The University of California is requested to submit a report to the Legislature and to post a report of the study on its Internet Web site on or before January 1, 2020, and every two years thereafter, until January 1, 2030.
- 4) Establishes the intent of the Legislature to enact legislation that would:
  - a) Increase diversity and inclusion efforts of the technology sector in Silicon Valley through the recruitment and retention of diverse talent in technical roles and corporate boards;
  - b) Address ethnic pay gap, employment and outreach opportunities, board diversification, pipeline creation, upward mobility of diverse technical talent, and retention of that talent through company culture and development; and,
  - c) Work with the technology sector to understand where the current needs are to ensure access to underserved communities.
- 5) Makes findings and declarations, as specified.

**EXISTING LAW:** Establishes the UC, under the administration of the Regents of the UC. The California Constitution provides that the University of California constitutes a public trust administered by the Regents of the University of California, a corporation in the form of a board, with full powers of organization and government, subject to legislative control only for specified purposes. (Article IX Section 9 of the California Constitution)

**FISCAL EFFECT:** Unknown.

**COMMENTS:** *Need for the bill.* According to the author, “AB 2819 requests the University of California to conduct a biannual study on the racial and ethnic diversity of the board of directors and employees of California high technology companies. The study will include programs and best practices that seek to diversify the technology workforce.”

“This bill will serve as a spring board to: address ethnic pay gaps, employment and outreach opportunities, board diversification, pipeline creation, upward mobility of diverse technical talent, and retention of that talent through company culture and development. This bill will also help us to understand where the current needs are to ensure access to underserved communities, and assist in efforts to increase diversity and inclusion efforts of the technology sector in Silicon Valley through the recruitment and retention of diverse talent in technical roles and corporate boards.”

*Background.* Diversity in California’s technology workforce has long been an issue of interest to the Legislature. The Assembly Committee on Jobs, Economic Development, and the Economy (JEDE) prepared a preliminary set of information on diversity within the high technology-based industries, with a focus on the Silicon Valley in June 2016. Some of the data collected by JEDE includes:

- 1) *Sex and Gender Diversity in the Silicon Valley.* According to the Bureau of Labor Statistics, women make up nearly half the total work force in the U.S. Within the tech field, they are about 20% of software developers and about 39% of web developers. In a 2015 study of Silicon Valley executives and tech leaders prepared by The Atlantic, 63% of respondents rated the severity of sexism in the tech industry on a scale of 1 to 10 at 7 or higher. In 2013, 26% of computing jobs in the U.S. were held by women, down from 35% in 1990, according to the study released in 2016 by the American Association of University Women.

At Google, women make up 30% of the company's overall workforce, but hold 17% of the company's tech jobs. At Facebook, women comprise 29% of the overall workforce but hold 15% of tech roles. At Twitter, women comprise 10% of tech jobs, though for non-technical jobs the gender split is 50-50.

- 2) *Racial and Ethnic Diversity in the Silicon Valley.* The Silicon Valley Index, an annual publication of Joint Venture Silicon Valley Institute for Regional Studies, reported in 2012 that the Silicon Valley has a higher percentage of foreign born residents (36.4%) than California (27.1%) and the U.S. (13.0%). Silicon Valley tech companies have a heavy reliance on the H-1B visa program, which allows US firms to import up to 65,000 foreign workers each year to fill jobs that require "specialized knowledge." In 2012, more than 40% of the H-1B workers in the U.S. came from India, China, or South Korea.

In regards to start-ups, black founders are just 1% of venture-invested firms, according to a 2011 survey by CB Insights. According to the Bureau of Labor Statistics, 4% of employed software developers in the U.S. are Black, 5% are Hispanic, and 29% are Asian,. Comparatively, 1% of Google's tech workforce is Black, 2% is Hispanic and 34% is Asian.

The investigative journal *Mother Jones* filed a Freedom of Information Act request and obtained data on the workforce diversity of Silicon Valley's top ten tech firms for 2012. Among those top 10 companies, 70% of the total workforce was male, 63% of the total workforce was White, 25% Asian, 4% Black, and 6% Hispanic. When looking at the executives and top managers of these 10 companies, it was found 83% were white, 83% were male, 13% were Asian, 1% was black, and 3% were Hispanic. For comparison, the California workforce was 55% male, 44% White, 13% Asian, 7% Black, and 34% Hispanic.

In response to growing public pressure, in 2014 top Silicon Valley firms began disclosing their diversity data and taking steps towards remedying their diversity problem. For example, Intel pledged that its workforce would reflect the broader U.S. labor pool by 2020, and it created a \$300 million venture fund designated for minority-led start-ups; Facebook expanded its summer internship program for minority computer science majors and started a new internship for minority business majors; and Google began investing in and hiring from historically black colleges.

In May 2016 the Equal Employment Opportunities Commission (EEOC) released a report on employment patterns in the tech industry titled "Diversity in High Tech." A segment of the report looked specifically at California's Silicon Valley through data collected from 75 of the area's top firms. The report found that, among executives, 57% of employees were white, 36% were Asian American, 1.6% were Hispanic and less than 1% were African American. These firms had a notable contrast in the demographics of professional as compared to management jobs (executives and managers combined). Asian Americans make up 50% of

professional jobs among these firms while comprising 36% of management positions. White employees make up 41% of professional jobs and 57% of management jobs.

The EEOC report also found that, in the high tech sector, especially of Santa Clara County, women were behind men in leadership positions and in technology jobs, as technicians and professionals. Nationwide, Blacks and Hispanics were disproportionately fewer in leadership positions and in technology jobs in the high tech sector. These groups had “negligible employment representation” in high tech industries in the San Francisco Bay Area. Asian Americans were represented in management and executive positions at a markedly lower rate than their representation in Professional occupations in the high tech industry both nationally and in the Silicon Valley. Among the top 75 Silicon Valley Tech firms, Women comprise 30% of total employment. Asians and Whites comprise 88% of total employment.

- 3) *Research on Diversity in the Workforce*. A 2015 study by the McKinsey & Company consulting firm found that the increase in women’s labor force participation in the U.S. over the past 40 years has accounted for about a quarter of current GDP. The report estimated that \$12 trillion could be added to global GDP by 2025 by advancing women's equality. The same study showed that companies with more diversity in leadership were 35% more likely to report financial returns above their national industry median.

A Bloomberg study found that companies where the diversity of their executive boards are in the top quartile enjoy significantly higher earnings and returns on equity than companies where the diversity of the executive boards are in the bottom quartile. Professor Kelli A. Green of the University of Florida wrote in 2015 that workforce diversity can bring an increase in morale, productivity, and competition.

A 2012 primer by the Congressional Research Service found that graduate enrollments in science and engineering grew 35% over the last decade with a growth in enrollment for groups generally under-represented in science and engineering. By demographic group there was a 65% increase among Hispanic students and a 50% increase among Black students.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

None on file.

### **Opposition**

None on file.

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