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**GOVERNOR'S
MANAGEMENT
REVIEW
COMMISSION**

OPERATIONAL REVIEW

OF

SICK LEAVE USAGE

September 14, 1990

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GOVERNOR'S MANAGEMENT REVIEW COMMISSION

SICK LEAVE USAGE CROSSCUT ANALYSIS

OBJECTIVE:

The Governor's Management Review Commission's objective was to determine if there are opportunities to control sick leave usage more effectively throughout the state government.

INTRODUCTION:

Sick leave is paid leave utilized by employees when they are unable to perform their work by reason of personal illness, accident or exposure to contagious disease. It may also be used for short periods in instances such as a death or serious illness of an immediate member of the employee's family. It shall not include any extended period where an employee serves as nurse or housekeeper during this period of family illness.

The Commission looked at the state-wide management practices and employee use of sick leave for the following reasons:

- It affects all agencies' productivity with \$87 million in sick leave usage at Fiscal Year 1990 salary levels;
- There are direct cost correlations between the use of sick leave and the amount of paid overtime. Preliminary analysis indicates that approximately \$12 million of the \$122 million total overtime in Fiscal Year 1990 is attributable to sick leave absence;

- The state provides Supplemental Compensation for unused sick leave up to \$15,000 per employee upon retirement. The cost of this benefit is approximately \$12.3 million in Fiscal Year 1991; and
- Sick leave is one of the components of the state's total compensation package, yet it has not been the subject of negotiations. Rather it has been handled as a specific entitlement set forth in N.J.S.A. 11A.

METHODOLOGY:

The Commission reviewed and analyzed the Department of Personnel (formerly Civil Service) sick leave use surveys for the period 1982-1985. Private sector and other state governmental agencies were consulted as to their policies, practices and employee usage experience. Departments were contacted for information on their monitoring and management systems and the sick leave use patterns of their employees.

The Commission analyzed the effectiveness of the state's policies, procedures, reporting and monitoring systems. Historical employee use patterns were reviewed to determine if there are opportunities to more effectively monitor and control associated costs.

Members of the Review Team included:

John K. I. Walsh, Chair, Office of the Attorney General, Department of Law and Public Safety, member of Governor's Management Review Commission.

John J. Wilson, Office of Management and Budget, Department of the Treasury, member of the Governor's Management Review Commission.

Assistance and guidance was provided by:

Robert A. Preston, Manager, Office of Management and Budget,
Department of the Treasury, member of the Governor's Management
Review Commission.

Information was provided by:

Robert J. Connor, Department of Personnel (Manager)
Pamela Hoyt-Young, Department of Personnel staff
Ronald C. Jones, Department of the Treasury, Division of
Pensions, Deputy Director of Management Information Systems

OBSERVATIONS/FINDINGS:

Authority for Sick Leave

The authority to grant sick leave is found in the New Jersey Statutes. The principal points of the relevant sections of the statutes are:

N.J.S.A. 11A:6-5

Requires that full time state and political subdivision employees shall receive sick leave credit of no less than one working day for each completed month of service during the remainder of the first calendar year of service and 15 working days in every year thereafter. Unused sick leave shall accumulate without limit.

N.J.S.A. 11A:6-16

State employees shall be entitled upon retirement from a state administered retirement system to receive a lump sum payment as Supplemental Compensation for each full day of accumulated sick leave credited on the effective date of retirement.

N.J.S.A. 11A:6-19

Supplemental Compensation shall be computed at the rate of one half of the employees daily rate of pay for each day of accumulated sick leave based on the compensation received during the last year of employment, but this compensation shall not exceed \$15,000.

N.J.S.A. 11A:6-23

The Board shall adopt rules for the implementation of Supplemental Compensation, which shall include but need not be limited to application and eligibility procedures.

Sick Leave Usage - N. J. State Government Experience

The average use for all state employees for 1987 was 8.8 days. However, average sick leave usage varies substantially among departments, ranging from 11.1 to 5.1 days (Chart A). Usage patterns also vary among specific groups of employees, ranging from 6.0 to 11.3 days (Charts B and C).

Since 1981, state-wide usage ranged from a low of 8.8 days in 1987 to a high of 10.1 days in 1982. The average annual usage between 1981 and 1987 was 9.4 days. It should be noted that employees who terminate state service prior to retirement are not eligible to receive Supplemental Compensation. This fosters a "use it or lose it" attitude among certain employees.

The Department of Personnel state-wide sick leave survey was last published in 1985. While state-wide sick leave use was monitored and surveyed in 1987, no report was prepared. Sick leave use is no longer monitored centrally. Rather, it is inconsistently reported and monitored by each individual agency, and in some cases only at the level of an individual facility or institution.

Supplemental Compensation for Unused Sick Leave

Based on information provided by the Division of Pensions, the average number of Executive Branch retirees for Fiscal Years 1988-1990 was 1,339 employees (excluding the NJ State Police pension systems) (Chart D). Data obtained from the Department of Personnel surveys covering the period 1974-1985 indicate that the average number of accumulated sick leave days per retiree amounted to 118 days (Chart E). Based on the Fiscal Years 1988-1990 experience, the estimated cost for Supplemental Compensation for unused sick leave at retirement is estimated at \$12.3 million for Fiscal Year 1991.

The formula for calculating Supplemental Compensation is one half of a retiree's accumulated leave days (one half of 118 sick days equals 59 eligible days) times the average daily salary for the year preceding the effective date of retirement (average of \$155 a day for Fiscal Year 1990) for an average of \$9,145 in Supplemental Compensation per employee upon retirement.

Department of Transportation Management Initiatives

The Department of Transportation (DOT) instituted a "time management monitoring system" in 1984 which resulted in a reduction of employee use of sick leave from 11.6 to 9.5 days after the initial year. Average usage subsequently leveled off at between 9 and 10 days per employee per year.

Because there was no state-wide policy, procedure, data base or monitoring system in place to deal with this issue, DOT's management took a proactive approach to this problem. This demonstrated that there are opportunities to control employee discretionary usage. Unfortunately, there is still no state-wide policy, procedure, system or incentives to encourage either managers or employees to strive for good attendance.

Relationship to Contract Negotiations

In the State of New Jersey, all employer-employee union contracts (except for the State Trooper's Fraternal Association and the Trooper's NCO Association) contain articles on the accrual and use of sick leave consistent with the previously cited statutes.

Leave benefits are not typically the subject of employer-employee negotiations as they are perceived to be granted by statute and there is no advantage for the unions to place this issue on the table. The recently revised (1986) Civil Service Law left the benefits section unchanged.

SICK LEAVE USAGE - OTHER STATE GOVERNMENTS' EXPERIENCE:

Based on information provided by the Council of State Governments in the publication State Personnel Office Roles and Functions (Chart F), the following information on sick leave usage in other states was identified:

- Average sick days provided exceeds 13 days, ranging from a low of 7 days to a high of 21 days.
- Average usage is approximately 8.4 days, ranging from a low of 6.6 to a high of 10.7 days.
- All states provide for year to year accrual. Thirteen states have a limit, ranging from 90 to 225 days. Thirty-seven states having no limit on the amount of accrued days.
- Supplemental Compensation in some form is provided by 41 states. There are a multiplicity of options including cash payment for unused time, applying the value of the time to pay for the employees contribution to health benefits or adding unused time to creditable service for retirement.

SICK LEAVE USAGE - PRIVATE SECTOR EXPERIENCE:

Discussions with local private sector personnel managers and a review of various surveys indicate that on a national basis the private sector employee usage is between 6 and 8 days per year, depending on the nature of the workforce and the industry.

The 1985 "Business and Industry Salary and Wage Survey", conducted by the Department of Civil Service, included responses from 37 New Jersey based firms, indicated an average of 8.2 days were provided as an employee benefit. Unfortunately, this was the last year the survey was conducted and it did not clearly differentiate between benefit and usage.

Generally, the private sector provides sick leave on an as needed basis, i.e., an employee does not receive this leave for discretionary use, but rather has it available to address substantiated illnesses. Private industry rarely allows unused sick leave to carry forward into subsequent years.

The extent of sick days provided varies and is generally linked with the number of years of service. Some firms provide up to a full year of sick leave with pay for long term employees.

RECOMMENDATIONS FOR MANAGING SICK LEAVE:

Establish a State-wide Data Base

In order to control the use of sick leave, one must be aware of usage levels. Therefore, a data base on sick leave usage should be established including information on private sector usage patterns.

Implement a Uniform Attendance Reporting System

A uniform state-wide "time and leave attendance reporting system" should be implemented that insures that periodic reports are provided to both management and employees. This allows the ability to monitor usage patterns (e.g. Mondays and Fridays, before and after holidays or vacations, first day of hunting or fishing season, etc.). Management reports highlighting individual employee usage provide the tools to insure the effective management of sick leave by all state employees.

Improve Managerial Accountability

Supervisors and managers should have their Performance Assessment Review (PAR) modified to reflect their individual responsibility to monitor and control the use of sick leave by their staff. Departmental senior management should monitor sick leave usage and evaluate their management cadre on how effectively they control sick leave.

Develop "Good Attendance" Recognition Program

New Jersey should develop a proactive state-wide program to recognize the effective management by both employees and managers of sick leave. Good attendance on the part of individual employees and work units should be both encouraged and recognized. Among the options for recognition are acknowledgement by the agency, a letter to the employee from their manager, a special certificate, or a luncheon meeting with the Commissioner.

Foster Improvements for Poor Performing Employees

Poor attendance is often a reflection of individual problems confronting employees. Managers should be trained to refer employees to the state's Employee Advisory Service for assistance on personal problems for which excessive absenteeism is symptomatic.

FISCAL IMPACT OF RECOMMENDATIONS:

Reduction in Sick Leave Usage

At current salary levels each day of average state-wide sick leave equates to approximately \$9.3 million in lost productivity. Reducing sick leave by 1 to 3 days to a level consistent with the private sector and other state governments offers a potential productivity savings of between \$9 million and \$28 million.

Relationship of Sick Leave to Overtime Expense

Based on our preliminary review of state-wide overtime, we have concluded that a substantial amount of paid overtime is caused by unanticipated short duration sick leave. This is especially true at those facilities requiring 24 hour patient or inmate care, such as Human Services and Correctional facilities. Fewer single day instances of sick leave use could have a substantial bearing on the amount of overtime required. A GMRC analysis of the state-wide overtime expenditure indicates that 43.3% is incurred by Corrections and 34.2% by Human Services (Charts G and H).

While a significant amount of the overtime at Corrections is attributable to contract provisions, Commission staff, with the assistance of the Department of Corrections staff, identified that overtime in response to sick leave use accounts for approximately \$6.8 million or 13% of the total Corrections overtime expenditures. If the Corrections' overtime experience can be extrapolated for Human Services, there is approximately \$5 million in overtime expenditures. It is estimated that state-wide overtime costs could be reduced by \$4 million. This represents actual cost savings rather than productivity savings with reductions in sick leave usage.

Combined Fiscal Impact

A proactive sick leave management program offers the opportunity to realize approximately \$4 million of the overtime expenditures related to sick leave and between \$9 and \$28 million in increased productivity savings.

Recommendation to Restructure Sick Leave Policy

Should the state consider alternatives to the present annual sick leave benefit and the Supplemental Compensation program, opportunities would then exist to reduce operating cost while continuing and improving the protection provided to state employees against loss of income caused by illness.

It is, thus, recommended that alternatives be explored to the state's present sick leave system of granting 15 sick leave days annually, allowing for the unlimited accumulation of sick days and permitting employees to use sick leave at their sole discretion. Any viable alternatives should still provide the employees with income continuation for absences associated with documented sick leave. Examples might be a combination of sick days for very short term family illnesses coupled with an improved short and long term disability income protection plan. This option should be considered as a component of a negotiated flexible benefits program.

It is our judgment that the proposed modifications will aid in controlling sick leave usage and costs while insuring employees an income protection program.

IMPLEMENTATION STEPS:

Assign state-wide responsibility to Department of Personnel as the agency responsible to:

- Publish a state-wide policy on the use of sick leave;
- Publish procedures dealing with the reporting, monitoring and management of sick leave use;
- Establish a data base to provide information to hold managers accountable for control of sick leave;
- Insure that all supervisors and managers have a responsibility to manage employees use of sick leave by specifically defining it in their Performance Assessment Review; and
- Investigate alternatives to present sick leave policy to reduce costs, curtail abuse and improve incentives for good attendance while maintaining employee protection during periods of illness.

As sick leave is provided for by N.J.S.A. 11A and is a term and condition of employment, any change requires a revision of N.J.S.A. 11A and would be the subject of contract negotiations. The state may also want to offer an alternative/flexible benefits structure as an option for all employees or possibly only non-represented employees.

SICK LEAVE USE BY EEOC JOB CATEGORY

Source: Civil Service Sick Leave Surveys
Average/Days/Employee

EEOC JOB CATEGORY	1981(1)	1982	1983	1985*		1987(2)
				HRS	DAYS	
OFFICIALS - ADMINISTRATORS		6.5	6.5	45.2	6.0	
PROFESSIONAL		8.6	8.5	53.9	7.2	
TECHNICIANS		10.8	10.3	73.8	9.8	
PROTECTIVE SERVICES		9.9	9.9	80.9	10.8	
PARA PROFESSIONAL		11.7	12.2	84.4	11.3	
OFFICE - CLERICAL		11.4	11.3	71.1	9.5	
SKILLED CRAFTS		10.8	10.6	75.8	10.1	
SERVICE MAINTENANCE		10.9	10.8	75.8	10.1	
<u>TOTAL</u>	<u>9.6</u>	<u>10.1</u>	<u>10</u>	<u>66.5</u>	<u>8.9</u>	<u>8.8</u>

* IN 1985 SICK LEAVE WAS ONLY REPORTED IN HOURS.
FOR ANALYSIS PURPOSES CONVERTED TO DAYS @ 7.5 HRS PER DAY
(1) EEOC JOB CATEGORY DETAIL NOT AVAILABLE
(2) EEOC JOB CATEGORY DETAIL NOT AVAILABLE

SICK LEAVE USE BY SALARY 1987

Source: Civil Service 1987 Sick Leave Survey
Average Days/Employee

Use By Agency or EEOC Job Category Not Available

SALARY	SICK LEAVE USE	
	HRS --	DAYS
UNDER - 12,000	49.2	6.56
12,001 - 15,000	69.1	9.21
15,001 - 17,000	71	9.47
17,001 - 19,000	74.2	9.89
19,000 - 21,000	73.7	9.83
21,001 - 23,000	71.6	9.55
23,000 - 27,000	66.9	8.92
27,001 - 31,000	64.2	8.56
31,001 - 38,000	61.4	8.19
38,001 - Above	57	7.60
UNKNOWN	<u>41.9</u>	<u>5.59</u>
TOTAL	<u>65.7</u>	<u>8.76</u>

SUPPLEMENTAL COMPENSATION FOR UNUSED SICK

Supplemental Compensation Fiscal Year 1988-1990
 Source: N. J. Division of Pensions Report July 24, 1990

FISCAL YEAR	ELIGIBLE RETIREES*	AVERAGE SALARY	DAILY RATE**
1988	1,420	\$39,176	\$150.68
1989	1,368	38,954	149.82
1990	1,229	40,395	155.37
average FY 1988-1990	1,339	\$39,508	\$151.96

FISCAL DETAIL	TPAF	PERS	POLICE & FIRE	CONSOLIDATED POL/FIRE	PRISON OFFICERS	JUDICIAL	STATE POLICE	ELIGIBLE EMPLOYEES
FY 1988								
RETIREES	75	1,304	35	1	5	17	57	1,420
AVG SALARY	\$ 44,327	\$ 26,817	\$ 36,813	\$55,167	\$ 32,758	\$ 85,588	\$ 46,018	\$ 39,176
TOTAL SALARY	\$3,324,525	\$34,969,368	\$1,288,455	\$55,167	\$163,790	\$1,454,996	\$2,623,026	\$55,630,488
FY 1989								
RETIREES	81	1,251	32	0	4	14	78	1,368
AVG SALARY	\$ 47,349	\$ 28,863	\$ 36,875	\$ 0	\$ 42,728	\$ 84,500	\$ 48,713	\$ 38,954
TOTAL SALARY	\$3,835,269	\$36,107,613	\$1,180,000	\$ 0	\$170,912	\$1,183,000	\$3,799,614	\$41,293,794
FY 1990								
RETIREES	30	1,175	24	0	0	5	85	1,229
AVG SALARY	\$ 50,690	\$ 30,499	\$ 39,996	\$ 0	\$ 0	\$ 85,600	\$ 55,733	\$ 40,395
TOTAL SALARY	\$1,520,700	\$35,836,325	\$ 959,904	\$ 0	\$ 0	\$ 428,000	\$4,737,305	\$38,316,929

*EXCLUDES JUDICIAL AND NJSP PENSIONS

**RATE UNUSED SICK DAYS PAID

SUPPLEMENTAL COMPENSATION FOR UNUSED SICK LEAVE

Source: Civil Service 1885 Sick Leave Use Survey CY 1974-1985

CALENDAR YEAR	ELIGIBLE RETIRES	ACCUMULATED DAYS/RETIREE	TOTAL PAYMENT	AVERAGE PAYMENT
1974	556	112.4	\$ *	\$ *
1975	591	121.8	\$1,829,682	\$3,091
1976	652	122.5	\$2,196,824	\$3,369
1977	632	119.0	\$1,957,468	\$3,097
1978	640	125.6	\$2,215,468	\$3,462
1979	649	123.9	\$2,216,906	\$3,416
1980	654	114.0	\$2,401,611	\$3,672
1981	696	118.0	\$2,380,088	\$3,420
1982	743	112.0	\$3,025,796	\$4,072
1983	786	115.3	\$3,571,052	\$4,543
1984	*	*	*	*
1985	805	112.2	\$3,699,549	\$4,596
1986	*	*	*	*
1987	*	*	*	*
AVERAGE	673	118.0	\$2,317,677	\$3,340

*INFORMATION IS NOT AVAILABLE

SICK LEAVE USE BY STATE

Source: The Council of State Governments National Association
of State Personnel Executives, June 1988

<u>STATE</u>	<u>USE</u>	<u>BENEFIT</u>	<u>ACCRUAL</u>
Oklahoma	10.7	15	130
Nevada	10.3	15	NL
Massachusetts	10.0	15	NL
Pennsylvania	9.5	13	200
New York	9.4	13	225
Missouri	9.1	15	NL
Connecticut	9.0	15	NL
Texas	9.0	12	NL
New Jersey	8.9	15	NL
Maine	8.4	12	120
Michigan	8.4	13	120
Minnesota	8.4	13	113
California	8.3	12	NL
Illinois	8.3	12	NL
New Hampshire	8.2	15	120
Washington	7.9	12	NL
Wisconsin	7.8	13	NL
Nebraska	7.6	12	180
Tennessee	7.5	12	NL
North Dakota	7.3	12	NL
Idaho	7.0	12	NL
Kentucky	6.6	12	NL
Ohio	6.6	7	NL
Alabama	N/A	13	150
Alaska	N/A	15	NL
Arizona	N/A	12	NL
Arkansas	N/A	12	90
Colorado	N/A	15	NL
Delaware	N/A	15	NL
Florida	N/A	13	NL
Georgia	N/A	15	90
Hawaii	N/A	21	NL
Indiana	N/A	N/A	NL
Iowa	N/A	18	NL
Kansas	N/A	12	NL
Louisiana	N/A	12	NL
Maryland	N/A	15	NL
Mississippi	N/A	12	NL
Montana	N/A	12	NL
New Mexico	N/A	12	NL
North Carolina	N/A	12	NL
Oregon	N/A	12	NL
Rhode Island	N/A	15	125
South Carolina	N/A	15	180
South Dakota	N/A	14	NL
Utah	N/A	13	NL
Vermont	N/A	12	NL
Virginia	N/A	15	NL
West Virginia	N/A	18	NL
Wyoming	N/A	12	NL
Puerto Rico	N/A	18	N/A
AVERAGE	8.4	13.3	NC

N/A - NOT AVAILABLE
NL - NO LIMIT
NC - NOT CALCULATED

7/27/90

PRELIMINARY

OVERVIEW OF TEMPORARY PERSONNEL:

TOP THREE DEPARTMENTS IN EACH CATEGORY

	<u>DEP</u>	<u>DHS</u>	<u>DOC</u>	<u>L&PS</u>	<u>TD</u>	<u>DCA</u>	<u>DOL</u>	<u>DHE</u>	<u>TOTAL</u>
Budgeted Positions (54,571)	4.0%	29.7%	15.3%	14.9%	8.1%	1.2%	1.6%	.3%	75.1%
Overtime (\$121,863,000)		34.2	43.3	9.9					87.4%
Part-Time (1,668)		45.9		18.7			14.6		79.2%
Hourly 860 (intermit.)					46.7		38.6	13.8	99.1%
Temporary Employment Services (\$6,700,000)	18.0			13.7		17.4			49.1%
# of Sick Days used per Employee (ranking) (DOP #1; State #2)		#3	#5				#4		
SLI		#1	#2	#3					
Project Specialist (607)		15.7			31.0	15.0			61.7%

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DETAIL OVERTIME CORRECTIONS

	<u>Total</u> <u>OT Hours</u>	<u>Per</u> <u>Week</u>	<u>Per</u> <u>Position</u>	<u>Percent</u>
Contract Overtime				
Overlap	496,864.00	9,937.28	1.89	27.71%
Holiday	323,622.00	6,472.44	<u>1.23</u>	<u>18.05%</u>
Subtotal			3.12	45.76%
Regular				
Sick/SLI	152,479.00	3,049.58	0.58	8.50%
Vacancies	107,468.00	2,149.36	0.41	5.99%
Training	98,816.00	1,976.32	0.38	5.51%
Supervisors	85,094.00	1,701.88	0.32	4.75%
Construction	80,006.00	1,600.12	0.30	4.46%
WOP (w/out pay)	78,218.00	1,564.36	0.30	4.36%
Unbudgeted Posts	49,351.00	987.02	0.19	2.75%
Outside Hospitals	43,906.00	878.12	0.17	2.45%
Suspension	36,941.00	738.82	0.14	2.06%
Contact Visits	32,007.00	640.14	0.12	1.79%
Medical Trips	23,224.00	464.48	0.09	1.30%
Towers 7-8-9 (Bayside)	19,264.00	385.28	0.07	1.07%
Escape/Disburbance	16,874.00	337.48	0.06	0.94%
Court Trips	16,309.00	326.18	0.06	0.91%
Other	15,724.00	314.48	0.06	0.88%
Patrols (Bayside)	15,232.00	304.64	0.06	0.85%
Law (SS)	13,989.00	279.78	0.05	0.78%
Miscellaneous (Bayside)	11,472.00	229.44	0.04	0.64%
Military Leave	10,914.00	218.28	0.04	0.61%
Lateness	10,145.00	202.90	0.04	0.57%
SOG?	8,652.00	173.04	0.03	0.48%
D/4 Unit	8,468.00	169.36	0.03	0.47%
N.L.	7,674.00	153.48	0.03	0.43%
Admin. (Bayside)	7,261.00	145.22	0.03	0.40%
Trailors 1-4 (Bayside)	7,079.00	141.58	0.03	0.39%
Seven Wing (NJS)	6,256.00	125.12	0.02	0.35%
Report/Hearings	3,103.00	62.06	0.01	0.17%
Mailroom	1,903.00	38.06	0.01	0.11%
Svcs. Other Agency	1,733.00	34.66	0.01	0.10%
Admin. Leave (Bayside)	1,660.00	33.20	0.01	0.09%
Permission Days	1,366.00	27.32	0.01	0.08%
Subtotal	972,588.00	19,451.76	3.69	54.24%
GRAND TOTAL:	<u>1,793,074.00</u>	<u>35,861.48</u>	<u>6.80</u>	<u>100.00%</u>

