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Labor Relations Newsletter

This informational bulletin is designed to keep California cities informed of current developments and recent trends in the field of public employer-employee relations. The effectiveness of this informational effort is dependant upon cooperation and support from every city. Information concerning recent labor relations developments should be forwarded to the Sacramento office of the League. Additional information concerning any item discussed in this newsletter may be obtained from the Sacramento office.

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II. SICK LEAVE INCENTIVE PLANS

(William J. Woska, Supervisory Personnel Analyst, City of Sacramento)

This article is written in response to an article regarding the Sunnyvale sick leave program which was contained in the October, 1972 Labor Relations Newsletter.

Purpose of Sick Leave:

The original purpose of sick leave was twofold: (1) To preserve an employee's income during periods of illness, thereby providing a measure of financial security for him and his family, and (2) to protect the health of the employee and his co-workers.

As time has passed, the reasons for paid sick leave have been expanded to include illness and death in the family, doctor appointments, maternity and paternity leave, etc. Subsequently, sick leave which was intended to be a privilege to be used for certain purposes, is now regarded as a right by many employees. It is not unusual for employees to analogize sick leave and health insurance inasmuch as there is no refund or reward if not used.

Types of Incentive Programs:

There are many different methods in which an employee may be rewarded for unused sick leave. Some incentive programs require cost from the agency whereby additional budgeted funds are necessary. Other incentive programs are designed so that indirect cost is the only requirement (e.g. substitution of unused sick leave for vacation or compensatory time off credits). Either approach has the same purpose-to provide an incentive to employees for not abusing sick leave.

Sacramento's most recent statewide research project on incentive plans was performed in 1969. At that time there were five California cities converting unused sick leave to vacation, two cities converting sick leave to vacation and payment upon separation, ten cities providing annual payment for unused sick leave, and twenty-nine cities paying for a percentage of sick leave credits upon retirement, resignation, or death. Other types of incentives include conversion of unused sick leave credits to paid group insurance, substitution of sick leave credits for service time, and continuing employees on the payroll as they "ride out" sick leave credits immediately subsequent to retirement.

Advantages & Disadvantages of Incentive Programs:

There are various advantages and disadvantages to sick leave incentive plans. The positive sick leave incentive factors include:

1. Provide employees with an incentive to save their sick leave, using it only when the real need arises.
2. Serve as a deterrent to sick leave misuse.
3. Modify the inequity between the careless and careful user of sick leave.
4. Eliminate the prevalent feeling among employees that sick leave not used is lost.
5. Make employees more conscientious of their sick leave benefits.

Many administrators are convinced that there is absolutely no value to sick leave incentive plans. "Why pay an employee for not using a benefit which requires a certain responsibility from him?" is a frequently used argument. Listed below are other negative aspects which should also be considered:

1. Cash payment to all employees for unused sick leave would involve additional costs with no assurance that the cost would be offset by a reduction in sick leave usage.
2. Paying the employee for unused leave could conceivably create the problem whereby the individual may tend to endanger his own health and that of his fellow workers by continuing to work when he should be using his sick leave privilege but wishes to save it in order to receive extra pay.
3. By substituting unused sick leave for another type of compensation, an employee may trade away leave that he may someday need.

Sacramento's Program:

After considering all available information, the Sacramento Civil Service Board and City Council approved and adopted a sick leave incentive program in 1969. The program adopted provides for the following:

1. Annual payment to employees with sixty or more sick leave days on January 1st for 25 per cent of the unused accrued sick leave credits from the preceding calendar year. (Employees earn one sick leave day per month).
2. Upon termination for reason of retirement, resignation, or death, after service for a period of not less than two years, payment for one-third of all accumulated sick leave credits. (Employees have unlimited accumulation).
3. Eligible employees have the option of receiving cash payment or accumulating sick leave credits.

The effect of Sacramento's incentive program is readily apparent as illustrated in the following chart:

<u>Fiscal Year</u>	<u>Sick Leave Usage</u>		
	<u>No. of Empls. Eligible to Use S/L Credits</u>	<u>Days Used</u>	<u>Yearly Average Per Employee</u>
1966-67	2245	14,396	6.41
1967-68	2272	14,673	6.46
1968-69	2341	15,391	6.57
1969-70*	2394	13,987	5.84
1970-71	2402	14,250	5.93

* Implementation of incentive program

More evidence of the effect of the incentive program is found in the comparison of the average usage rate of employees eligible for incentive payment with those not eligible (eligible employees are those with at least 60 days accumulated sick leave):

<u>Calendar Year</u>	<u>Eligible Employees</u>	<u>Average Days Per Employee</u>	<u>Non-Eligible Employees</u>	<u>Average Days Per Employee</u>
1969	1074	4.05	1327	7.67
1970	920	2.27	1491	8.45
1971	961	3.48	1483	8.09

As indicated, there is a marked difference between the average number of days used by the two groups of employees. After a complete analysis of our experience, age group averages, and related factors, it is felt that the difference cannot be attributed to random chance.

The total monetary sick leave cost to the City of Sacramento is slightly greater under the incentive program than before; however, there are substantial auxiliary benefits from the incentive program such as enhanced employee morale, less work scheduling problems because of less absenteeism, etc.