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## **SICK LEAVE INCENTIVE PLANS— A BENEFIT TO CONSIDER**

WILLIAM J. WOSKA

THERE HAVE BEEN numerous attempts in recent years to reduce sick leave usage in both private industry and at all levels of government through a varied assortment of incentive plans. Although the incentive is usually either additional pay or time off, there have been programs where the unused sick leave time was converted to paid up insurance, or, in some cases, service credit added at the time of retirement equivalent to the unused accumulation.

The basic purpose of sick leave is to provide a benefit for employees when an accident or illness occurs. Although the intent is to provide salary when the employee is indisposed, sick leave programs have since been expanded to permit employees to use such credits for family care, funeral attendance, and doctor appointments. Some programs now recognize alcoholism as an illness and permit the employee to use sick leave to seek treatment and rehabilitation.

The most prevalent argument against sick leave incentive plans is the additional cost to provide for what many contend is a benefit on top of a benefit. The cliché so often quoted—"having your cake and eating it too"—certainly has merit. Although it may be presumptuous at this time to predict success or failure for such incentive programs, I believe it would be noteworthy to relate the history of the City of Sacramen-

to's sick leave program prior to the inception of an incentive program in January 1969, and what the experience has been since adoption.

### **History of Program**

The City of Sacramento is a municipality with a Manager-Council government, a population of approximately 275,000, and 2,400 full-time employees. The average salary of the work force is approximately \$826.00 per month, and the average length of service is 9.7 years. Employees earn sick leave credits at the rate of one day per month and accumulation is unlimited.

Statistical data on sick leave usage date back approximately twenty years. During this period the average yearly usage has ranged from six to seven and one-half days. Although this figure is not considered excessive when compared with many agencies where average usage is known to be ten or more days per employee per year, it was felt that an incentive program which would reduce the average usage by one and one-half days per employee per year would offset the cost, and in addition would tend to make employees more conscious of the value of their fringe benefits.

### **Analysis of Sick Leave Figures**

While it is not the intention to deluge the reader with supporting statistics, it is interesting to note that in Sacramento female employees consistently use more sick leave than male employees. Also, we have a significant increase in average sick leave usage in the higher age brackets. Statistical analysis on these two items is outlined in the following charts:

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• William J. Woska is a personnel analyst with the city of Sacramento. He performs classification and salary surveys and special reports as assigned. He is presently pursuing his bachelor's degree at Sacramento City College and the University of California at Davis. He is a graduate of Public Personnel Academy Course in Public Personnel Administration given in Chicago, Illinois, June, 1969.

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AVERAGE YEARLY SICK LEAVE USAGE OF  
MALE AND FEMALE EMPLOYEES

Year	Male	Female
1965	5.31	8.09
1966	6.48	8.37
1967	5.98	8.68
1968	5.84	7.93
1969	5.39	7.46

AVERAGE YEARLY SICK LEAVE USAGE  
ACCORDING TO AGE GROUPINGS

Year	Under 35	35 to 50	Over 50
1965	4.37	5.20	6.67
1966	5.50	6.36	8.20
1967	5.14	6.35	7.40
1968	5.25	6.31	6.68
1969	4.69	5.66	6.65

Notwithstanding the indication that more sick leave is taken as the employee reaches the upper age brackets, records confirm that a substantially greater percentage of employees over 50 use no sick leave from year to year when compared to the other two lower age groups. Although there may be a number of reasons for this, it is likely that the primary reason is an awareness on the part of the employee that as he grows older he becomes more susceptible to the various illnesses, and consequently is more appreciative of this particular benefit. It is also conceivable that the percentage of older employees using no sick leave will increase significantly from year to year due to the new incentive plan which provides for payment of one-third of the total accumulation upon termination of employment under certain conditions.

### Plans Considered

One of the more perplexing problems encountered when considering a sick leave incentive plan is deciding upon the type of program which is likely to be the most beneficial to the particular agency. Any kind of incentive program must, of course, be tailored to the needs and the availability of

funds. In Sacramento, a number of different proposals were presented by representatives of employee organizations. Many of the proposals had merit and, consequently, are worthy of mention.

1. Payment for unused credits to be made only upon retirement with the percentage of payment to begin at 25 percent and graduate upwards to a maximum of 75 percent, depending upon years of service.

2. Percentage of payment for unused credits dependent upon the number of days accumulated. For example, employees having less than 50 days accumulated receive 10 percent of their unused time, 51 to 75 days receive 20 percent, etc.

3. Conversion of accumulated unused sick leave credits to additional vacation time.

4. Unused sick leave converted to service for retirement purposes.

These are only a few of the many plans which were considered. In determining the type of plan to be recommended for adoption, it was the consensus that for any incentive program to have a maximum impact upon sick leave usage it would be necessary to have an incentive that employees could realize within a short time and not just at retirement which might be twenty or more years in the future. Otherwise, it was felt that while the usage of employees nearing retirement, a proportionately small number, might be reduced, the usage by other employees would likely remain static and consequently, the overall reduction would be negligible.

However, it was felt there would have to be a separate plan for employees at retirement to eliminate the prevalent concept that sick leave not used is lost. Although it is difficult to determine the number of employees who abuse their sick leave privilege as retirement approaches, it is conceivable that the philosophy, "use it or lose it," could contribute to the higher average sick leave usage rate of older employees.

### Plan Adopted

The plan finally adopted was devised to

**"Any kind of incentive program must, of course be tailored to the needs and availability of funds."**

fulfill three objectives, namely: (1) to serve as an incentive to the employee to save his sick leave in the event an accident or major illness occurs; (2) to serve as a deterrent to sick leave misuse; and (3) to modify the inequity between the careless and careful user of the benefit. The following sick leave incentive plan was adopted in the City of Sacramento.

*Annual Payment for Accumulated Sick Leave Credit*

Any employee in the active service of the city eligible to accumulate sick leave credits shall receive on January 25, 1970, and on the 25th day of January in each succeeding year, a cash payment for 25 per cent of the unused portion of sick leave credits accumulated during the preceding calendar year from January 1 through December 31, provided the employee shall have to his credit on December 31, immediately preceding the date for payment, a total of at least 60 sick leave days accumulated. The employee shall be paid for such percentage of sick leave accumulation at the rate of pay which the employee was receiving on January 1 of the year in which payment is made. The amount of time for which an employee is paid shall be deducted from the employee's total accumulation.

Notwithstanding the above, an employee, otherwise eligible, may elect not to receive cash payments for accumulated sick leave by notifying the Personnel Department in writing of such election no later than January 1 of each year.

*Sick Leave—Retirement, Resignation, Etc.*

Upon termination of any employee eligible to accumulate sick leave credits for reason of retirement, or resignation after service for a period of not less than two (2) years, or death, such employee (or those entitled by law to the possession of the estate of a deceased employee) shall receive payment for thirty-three and one-third (33%) per cent of the total sick leave credits accumulated to the nearest full day by the

employee on the date of such retirement, resignation, or death. No employee whose services are terminated by reason of discharge for cause or by reason of resignation prior to the completion of two year's service, shall be eligible for payment of any portion of accumulated sick leave credits.

**Arguments For and Against the Plan**

Regardless of the type of program an agency may adopt there will be arguments both for and against the terms and conditions imposed. For example, advantages of the program which we have adopted could be listed as: (1) employees must accumulate 60 days to be eligible for any annual benefits; (2) after the accumulation of 60 days employees will continue to be motivated toward legitimate use of sick time to be eligible for additional pay; and (3) conscientious employees are rewarded for using sick leave only when absolutely necessary. Disadvantages could be listed as: (1) there is no assurance at the beginning that the sick leave usage rate will be effectively reduced; and (2) compensation for unused time may induce the employee to endanger his health.

**Effectiveness of Plan**

The effect which our incentive plan has had on sick leave usage is readily apparent when comparing our experience during the 1969-70 fiscal year with the same period during the three preceding years. (In comparing dollar costs of time lost it should be mentioned that salary increases have averaged 5.6% in 1967, 5.1% in 1968, 7.9% in 1969, and 6.5% in January 1970. These have had a significant effect on sick leave costs when comparing the current fiscal year to previous years.) Comparisons for this period appear at top of next page.

Although employees can qualify for the annual payment after a period of five years, provided they use no sick leave in this period, most individuals require seven or eight years before they have accumulated the necessary time (60 days) to qualify. If

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Fiscal Year	Average No. of Employees	Sick Leave Days Used	Average Days Per Employee		Cost
			Month	Year	
1966-67	2245	14,396	.53	6.41	\$442,702.01
1967-68	2272	14,673	.54	6.46	486,860.99
1968-69	2341	15,391	.55	6.57	528,476.03
1969-70	2394	13,987	.49	5.84	510,793.80

the eligibility for payment was reduced to thirty-six (36) or forty-eight (48) days, our experience in sick leave usage might even be lower. This hypothesis appears to be substantiated when comparing the average usage of employees eligible for annual payment with that of employees not eligible.

As the figures indicate on the following chart, there is a marked difference between the average number of days used by the two groups of employees which cannot be attributed to random chance. Therefore, we believe that in any incentive program it is most important that the employees be able

COMPARISON OF SICK LEAVE USAGE BY EMPLOYEES ELIGIBLE FOR INCENTIVE PAYMENT WITH THOSE NOT ELIGIBLE

	No. of Employees	Sick Leave Days Used 1969	Average Days Per Employee
Employees with 60 days of sick leave credit on January 1, 1971	920	2,095	2.27
Employees with less than 60 days of sick leave credit on January 1, 1971	1491	12,595	8.45

to participate in it within a reasonable period of time and not in the distant future.

As was indicated earlier, it still may be premature to predict success or failure for incentive programs, but there is little question that encouraging results are being obtained where these programs have been implemented. Furthermore, the frequently used argument of administrators of "paying the employee for not using a benefit which requires a certain responsibility from them" is, in my opinion, invalid. The views and policies of personnel people and manage-

ment alike are changing. The inception of employer-employee relations policies throughout the country has also changed the role of the governmental employee. While salaries may still be of primary importance, more and more emphasis is being placed on the various fringe benefits available to the employee. Consequently, it is conceivable that sick leave incentive plans will eventually be considered as a fringe benefit on their own merit and not a benefit on top of a benefit.