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Sick Leave Policies in the Public Sector



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Synonyms

Public pay; Public sector employment benefits;
Paid sick leave practices

Definition

Paid sick leave is a conventionally accepted part of public sector benefits packages, along with health insurance, pension or retirement, vacation time, and other paid time off.

Introduction

The prevalence of family leave benefits began to take shape in the 1990s as employers responded to the changing gender composition in the workforce. As more women sought employment outside the home, a demand for work-life balance increased (Ezra and Deckman 1996). The changes in societal values and demographics made family-friendly policies central to an organization's ability to recruit and retain employees. Improving workplace production was a related goal

(National Performance Review 1993). Congress responded by proposing the Family and Medical Leave Act (FMLA). The law sought to balance the demands of the workplace with the needs of families, promoting economic security and national interests. It was hoped that family integrity could be preserved while still accommodating the interests of an employer in a manner consistent with Equal Protection Clauses in the Fourteenth Amendment (Public Law 103-3 1993). In general, paid sick leave (PSL) is defined as a paid leave of absence measured in hourly increments that reflects personal illness, doctor or dentist visits, or illness of immediate family members (Rhodes and Steers 1990).

Paid Sick Leave Policies in the Public and Private Sectors

In 1993, Congress passed FMLA requiring employers to provide job protection for employees seeking leave for child birth, adoption, poor health, or poor health of a close relative. While the Family and Medical Leave Act guarantees protections for certain types of leave, it does not mandate paid leave.

Without a mandate for paid leave, larger employers began to offer paid sick leave and other benefits to further incentivize organizational performance, recruitment, and retention (Behn 1995). The lack of a unified law on paid leave enables governmental bodies at each level

(federal, state, and local) to pursue their own policies regarding paid leave for their employees. This has resulted in a patchwork of programs and policies.

Although there are no federal or state laws requiring that employers in the United States provide paid sick leave (PSL), nearly all full-time public sector employers in the United States receive some form of sick pay. Looking at paid sick leave specifically, public employee access across all levels of government is high. Led by the federal government, which stipulates that all their employees be provided paid sick leave, 91% of all public employees have access to paid sick leave (US Bureau of Labor Statistics 2018). This significantly outpaces the private sector where approximately 70% employees receive this benefit (US Bureau of Labor Statistics 2018). High level of access to paid sick leave for public employees isn't a new phenomenon. The BLS National Compensation Survey has shown remarkable stability in the last decade as access rates have been hovering around 90% in each of the last 10 years (US Bureau of Labor Statistics 2009a). Private sector policies improved considering their access rates were 61% a decade ago (US Bureau of Labor Statistics 2009b).

Issues Involving Paid Sick Leave Policies in the Public Sector

PSL is a conventionally accepted part of public sector benefit packages, along with health insurance, pension, vacation time, and other paid time off (PTO). Paid sick leave policy in the public sector revolves around choices that affect access, accrual rate, incentives, restrictions, and cost containment measures. Policy measures pertaining to access seek to control which type of employees receive the benefit (i.e., full-time vs. part-time, management vs. office administration). Accrual rates are defined by an equation that calculates the hours of paid sick leave accrued to the number of hours/days worked. Monetary rewards are often used to both encourage and discourage the abuse of sick leave and to reward employees for not misusing the benefit.

To curb the abuse of sick leave use, governments utilize a two-pronged approach to manage the benefit. To incentivize proper – and limited – use of sick leave, governments offer various programs to address the unused paid sick leave days accumulated over time by an employee. Popular governmental incentive programs include carry-over provisions, use of accumulated sick leave toward pension/annuity service time calculations, sharing programs, and vacation conversion. Carry-over provisions allow employees to keep unused paid sick leave days and roll them over into the next employment year. These provisions can either curb total accumulation at a set amount or allow an employee unlimited accumulation. At the end of employment, policy dictates whether an employee will be paid out for their total unused sick leave or if it will be applied to their service time calculations to impact their public pension or annuity computation. Additional incentive programs allow employees to transfer their unused sick leave. Sharing programs permit employees to transfer unused sick leave to another employee, while conversion programs allow employees to transfer unused sick leave to vacation leave.

Other approaches to curb abuse, often used concurrently with incentive programs, are restrictive programs that stipulate and enforce approved use of the benefit. Approved use can apply to both the frequency of usage and the reasons for usage. Many government programs limit the amount of paid sick leave an employee can use in a calendar month as well as the amount of consecutive days an employee can use. Additional restrictive policies limit approved use of sick leave to the employee's health, a family member's health, bereavement, childbirth/adoption, and veteran disabilities. To confirm compliance with the rules, human resource departments are allowed to request a doctor's note or other documentation pertaining to the employees' reason for leave.

The final area of paid sick leave policy is cost containment measures. These measures address lifetime accrual rates, payout amount and timeframes, and paid leave integration. To limit future unfunded liabilities caused by paid sick leave accumulation, governments are limiting the number of days an employee can accrue over

the duration of their employment. Similarly, governments are opting for policies that set a fixed amount of unused sick leave that can be paid out upon termination or retirement, or a policy that pays out unused sick leave annually instead of offering a carry-over provision. Finally, a newer approach has been to integrate all paid leave (sick, personal, vacation). An employee is given a fixed amount of paid leave to which they are allowed to use at their discretion. This approach has gained more popularity in the private sector.

Benefits of Paid Sick Leave

Access to PSL is critical to the economic security of employees and their families. Absenteeism due to employee illness can have a significant effect on productivity, morale, and organizational performance. Workers in the United States without PSL tend to work sick and have lower overall productivity (Heymann et al. 2009). Employers face significant challenges in designing competitive and attractive PSL programs for their employees while managing the related costs, administration, and operation of these programs. For example, a major objective of PSL is to ensure that employees stay at home when they have contagious illnesses so as not to pass them on to other employees or customers. Employees going to work sick can be a major public health issue and one driving force of the spread of contagious diseases.

PSL policies are important to the ability of employees to meet the health needs of their children and other family members. Without PSL, parents, especially lower socioeconomic working families, face challenges in making needed doctors' appointments and caring for their children. When parents lack paid sick leave, they are far more likely to send their children to child care and school, which can spread contagious diseases. Further, PSL can have a substantial impact on the finances of employees and their families as on their health. Without PSL, employees are placed at risk economically, experiencing wage and job loss when they take time off to address their health or to provide for family members.

While employers incur costs for providing PSL, they also accrue financial benefits. There exists ample empirical evidence that both monetary and non-monetary programs reduce absenteeism (Reilly and Thom 2015). Employers that offer PSL tend to have lower job turnover rates; lower recruitment costs, training costs, and unnecessary absenteeism; and a higher level of productivity than employers that do not offer PSL (Levin-Epstein 2007).

Financial Burdens of Sick Leave Policy

While PSL is critical to economic security and health for employees and their families, PSL in many public sector organizations can lead to unexpected costs and potentially significant unfunded liabilities. Employers that offer sick leave must choose whether or not to pay employees for accrued leave upon separation. In many public sector organizations, PSL can be accrued and rolled over from year to year with no limit and either cashed out at termination and/or used in pension calculations. Such calculations are typically performed at the end of the employee's career at their highest rate of pay. In other words, although sick leave may have been earned during years in which the employee had a lower salary, payouts at termination and for pension determinations are calculated at the highest salary levels. For employers that elect to compensate for unused leave time, the cost can be substantial. Many public agencies treat PSL as pay-as-you-go item, which means these expenses are seldom included as fixed items in their budgets. For governments, overly generous sick leave policies can lead to unexpected back-end costs and potentially significant unfunded liabilities. In terms of employer costs, PSL ranks only behind medical and retirement benefits. For state and local governments, the recent recession and the large amounts of unfunded liabilities for pension and other post-employment benefits have placed public sector spending in the spotlight. As many state and local governments struggle to reserve critical services in the face of workforce

reductions, they have been under increasing pressure to reduce operating costs.

While an employer may include incentives to reduce presenteeism and/or to control costs, the end result may have the opposite effect because the employer may institute PSL polices that allow employees to accrue and carry over unlimited PSL hours from year to year to reduce presenteeism and prevent a reduction in productivity. However, the employee may be motivated to not use PSL even if they are sick to accumulate hours that they can eventually either cash out or apply toward their pension calculations at retirement. Accrual and unlimited carry-over policies may have the unintended consequences of increasing costs and presenteeism (Reilly and Thom 2015).

Some public entities have enacted cost containment practices and have sought to reform long-time practices. These include ending the practice of using unused hours to be calculated for retirement, limiting the number of hours employees can accrue per year as well as the number they can carry over, and maintaining sick leave payouts that allow for a nominal or fixed amount to be paid annually instead of accumulating it all until retirement. Other cost containment practices include converting some sick leave costs to wellness expenses and offering programs which give employees a single block of time to accrue various banks of leave for vacation, illness, and bereavement benefits. Work is also occurring in many public agencies to work with employees and their unions to adopt more sustainable, fair, and innovative sick leave policies that incentivize employees to avoid unnecessary absenteeism and benefit both the employee and the employer.

Paid Sick Leave Policies at the Federal, State and Local Level

Federal Government Paid Sick Leave Policy

The federal government has a unified paid sick leave policy for all of its employees. Both full-time and part-time employees have access to paid sick leave. The accrual rates differ by employment status. Full-time employees accrue one (1) day of paid sick leave per month of

employment (1/2 day per 2-week pay period). Part-time employees accrue one (1) hour of paid sick leave per 20 h in a pay status (US Office of Personnel Management 2018).

Incentive programs at the federal level include unlimited paid sick leave accumulation. The federal government does not pay out unused leave, but it does allow an employee to use it toward their service time calculation. After 2013, employees in either the Civil Service Retirement System or the Federal Employees Retirement System can credit 100% of their unused paid sick leave toward their annuity computation (US Office of Personnel Management 2018).

Restrictive programs at the federal level include limitations on approved usage of leave. Approval is granted for employee health, family member health, bereavement, childbirth/adoption, and veteran disabilities. Agency human service departments are permitted to require supporting evidence for the use of sick leave including doctor's notes or documentation of relationship if used for a family member's health.

State Government Paid Sick Leave Policy

Paid sick leave for state employees is nearly universal. Forty-nine out of the 50 states offer paid sick leave to their full-time public employees; the only state without paid sick leave is Alaska – which offers an integrated paid time off policy. Accrual rates vary between programs with states offering rates as low as 5.6 h of paid sick leave per month to as high as 10.4 h per month. Lifetime accumulation totals vary between the states as well, with 70% of states allowing unlimited accumulation and 30% setting a cap. Of the states that cap lifetime accumulations, those limits range between 45 days and 180 days.

The use of incentive programs is prevalent in state policy. All states have at least one incentive program regarding unused sick leave totals. Most states choose to pay employees out in a lump sum at the end of employment (64%). There is a lot of variance inside each state policy in how that is enacted. States employ various cost containment measures like only paying out employees that are eligible for retirement, only paying out a set fraction of unused leave, or setting a maximum lump

sum amount. States use a fraction rate as low as one-fourth and as high as one-half for payouts, and of the states that choose to limit the payout to a set dollar amount, those rates range between \$2,000 and \$15,000. Furthermore, about a third of states allow employees to apply unused sick leave toward service time credits to boost retirement computations (30%). These programs are subject to variance among the state policies with states putting cost containment measures in place that limit either the total amount of service time you can gain or limit the number of unused sick leave days that can be applied.

Sharing and conversion programs aren't as popular in state policy. Only 40% of states offer a sharing program. This number might be low as sharing programs exist inside department policy and not part of state policy. Conversion programs tend to be very rare with only three states offering the opportunity to transfer unused sick leave into vacation leave (6%).

States' use of restrictive programs is universal. All states have set circumstances that define approved use of sick leave as well as the authority to require documentation to substantiate the reason for use. The policy surrounding documentation varies slightly as some states require documentation after three consecutive days of absence, while others require it after five.

Local Government Paid Sick Leave Policy

Local governments, both city and county, have a much less unified approach in the types of paid sick leave policies enacted. The significant factors determining variance in paid sick leave policies at this level of government are collective bargaining status, the type of local government (city vs. county), and if public hearings were allowed for the adoption of benefits (Reilly and Thom 2015).

Similar to federal and state government employees, access rates remain very high for local government employees (91.7%). Conversely, incentive programs are far less likely at the local level than at the federal or state level.

About half (53.9%) of surveyed local governments reported paying out employees for unused sick leave upon termination or retirement; even fewer (39.9%) reported allowing unused sick leave to be counted toward service time for pension/annuity computations (Reilly and Thom 2015). Similarly, less than half (42.1%) of local governments reported the availability of sharing programs, and only a handful (13.1%) have a policy in place that allows employees to convert unused sick leave into vacation leave (Reilly and Thom 2015).

Policies enabling restrictive programs are common in local governments. A majority (70.1%) of surveyed local governments reported the ability to request a doctor's note to confirm appropriate use of sick leave, while a little over a quarter (27.6%) audit the usage of their employees' sick leave (Reilly and Thom 2015).

Conclusion

Absenteeism due to employee illness can have a significant effect on productivity, morale, and organizational performance. Although there are no federal or state laws requiring that employees in the United States provide PSL, nearly all full-time public sector employees receive some form of sick leave pay. PSL policies are an accepted practice in the public sector and are recognized as important in meeting the human resource needs of employees and their families as well as the health of the organization.

Cross-References

- [Human Resources Health Insurance Benefit Systems](#)
- [Performance Audits and Performance Appraisals](#)
- [Work-Life Programs](#)

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