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TO: **Senate and House Committees on Government Operations**

FROM: **Maribeth Spellman, Commissioner**

DATE: **January 15, 2015**

SUBJECT: **Sick Leave Benefits for Temporary Employees Report**

The following report on sick leave benefits for temporary employees in calendar year 2014 is submitted in accordance with Act 163 Sec. 1a.

A report on the use of temporary employees in calendar year 2014 is provided which identifies by department and title the hours worked by each temporary employee during calendar year 2014, with estimate of the cost of sick leave based on the parameters outlined below. Data in this report was used to analyze sick leave benefits for temporary employees. 2,023 temporary employees worked at some point in time in calendar 2014.

The cost to the state to provide sick leave benefits to temporary employees is dependent on the structure of the benefit itself. Accrual caps, waiting periods, exclusion periods, and the like complicate the administration of this kind of benefit enormously. In order to avoid complexity, manual intervention, a large administrative resource requirement, and risk of administrative errors, we recommend the following method:

- 1 hour of sick leave for each 40 hours worked. Accrued per hour (1/40 of an hour=.025 hours accrued per hour worked). This equates to 6 ½ days of sick leave per year (based on 2,080 hours in a year)
- No accrual cap
- No waiting period
- No time limit
- Sick leave accrual is zeroed out when the employee is terminated
- The employee cannot transfer sick leave if hired as a permanent employee

Assuming temporary employees came into work when they were sick, then the provision of sick leave costs no more in dollars than paying the individual if they had been at work. However, the absence of the individual means lost productivity. Based on calendar 2014 data, we estimate a productivity loss of slightly over 4,000 days of work if they used all accrued sick leave.

There would be a dollar cost as well. Temporary employees might not use all of their accrued sick leave. We estimate that if they used 80% of their sick leave, and if that 80% needed to be filled in by another worker, paid the same, there would be an actual additional dollar cost to the state of approximately $420,000. In this case, the sick temporary employees are paid what they would have been paid had they come to work, there would be a minimal loss of productivity since replacements would fill in, but there is a cost for the replacements.

This analysis does not take into account the effects of temporary employees coming to work when they are ill, and possibly affecting other employees.

Beginning in 2016, the federal affordable care act (ACA), imposes a penalty on the state as employer, when temporary employees who work more than 1,560 hours in any 12 consecutive months, are not offered affordable health insurance. Sick leave used is counted toward those hours, so providing this benefit might exacerbate the risk of a penalty if it puts the temporary employee over 1,560 hours in a year.

Several departments and agencies have a legitimate need to utilize seasonal and fill in temporary employees. Seasonal employees staff a variety of activities that are not full time/full year activities, such as emergency snow plow drivers, historic site caretakers, and tax season support staff. Fill in temporary positions are essential to maintaining safe and appropriate staffing levels by filling in for classified staff on leave or to cover vacancies until permanent staff are hired. It is particularly important to utilize temporary staffing in 24/7 facilities and operations such as correctional facilities, emergency call centers, and medical facilities.

If a temporary role may be appropriate for conversion to a classified position it is the intent of the Administration to utilize position pilots or transfer and convert from existing vacancies to create the classified position.