

AUDITOR GENERAL

Halifax Regional Municipality

Audit & Finance Standing Committee

Halifax Regional Municipality (HRM) A Performance Review of Employee Absence Leave©

April 2014

➤ Scope

- HRM Business Units
- ABCs, included HPL, HRWC, HRP
- Leave included
 - Sick and medical leave, including emergency leave
 - Earned days off
 - Other discretionary leave
 - Bereavement Leave

➤ Objective

- To examine the trends in use and accumulation of leave time and to understand the overall process, application and effectiveness of attendance management

- Business Segments

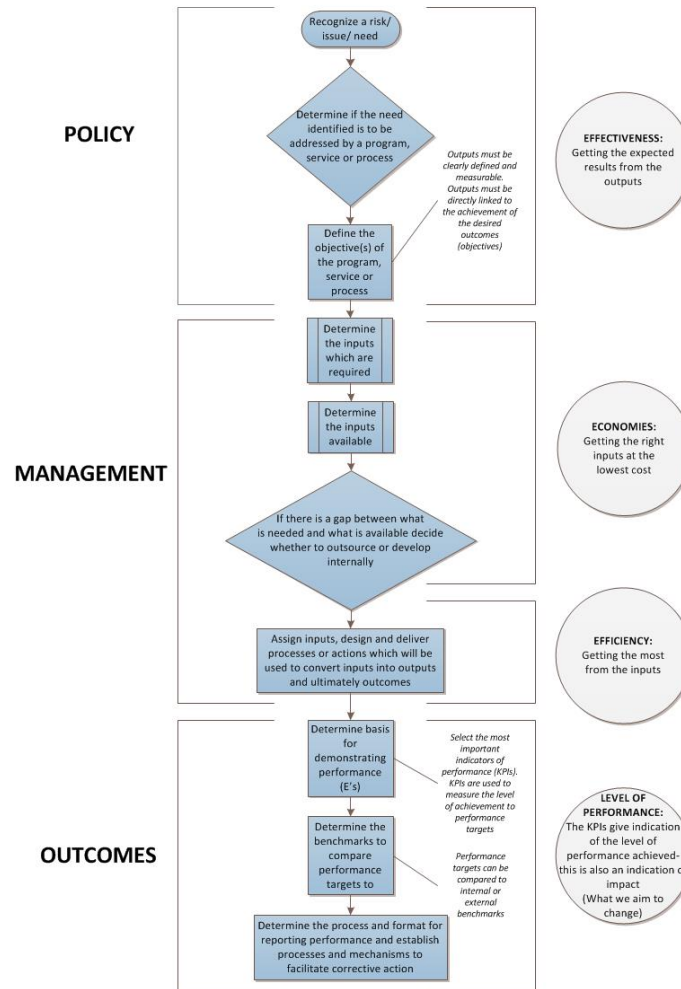
- Sick Leave (follows Statistics Canada methodology)
 - time lost for personal illness (LTD is excluded)
 - absences for family responsibilities (caring for children, relatives)
 - other personal or family responsibilities

- Performance - Value for Money
 - Not the absolute amount (value) of sick leave
 - What a high value-for-money program should look like
 - Describe needs clearly and define objectives for program addressing need
 - Design – allocation of resources, management responsibilities and functions
 - Application – program implementation
 - Performance Targets
 - Results measurement – KPI's as indicators
 - Tied to either internal or external benchmarks

Project Approach

Value For Money

The Public Sector has a responsibility to demonstrate value for money. The following flow chart are suggested steps to ensure the highest value for money is achieved- OAG HRM ©



‘Bottom-up’ approach

- Project benchmarks determined – used to develop lines of enquiry
- Applied benchmarks to HRM as an organization
- Comparison on business segment basis
- Determined possible contributing factors to variations
 - Level of unionization
 - Employee age
 - Occupational Differences

- Found differences in
 - Types of leave available
 - Accumulation of leave available
 - Incentives to promote leave banking

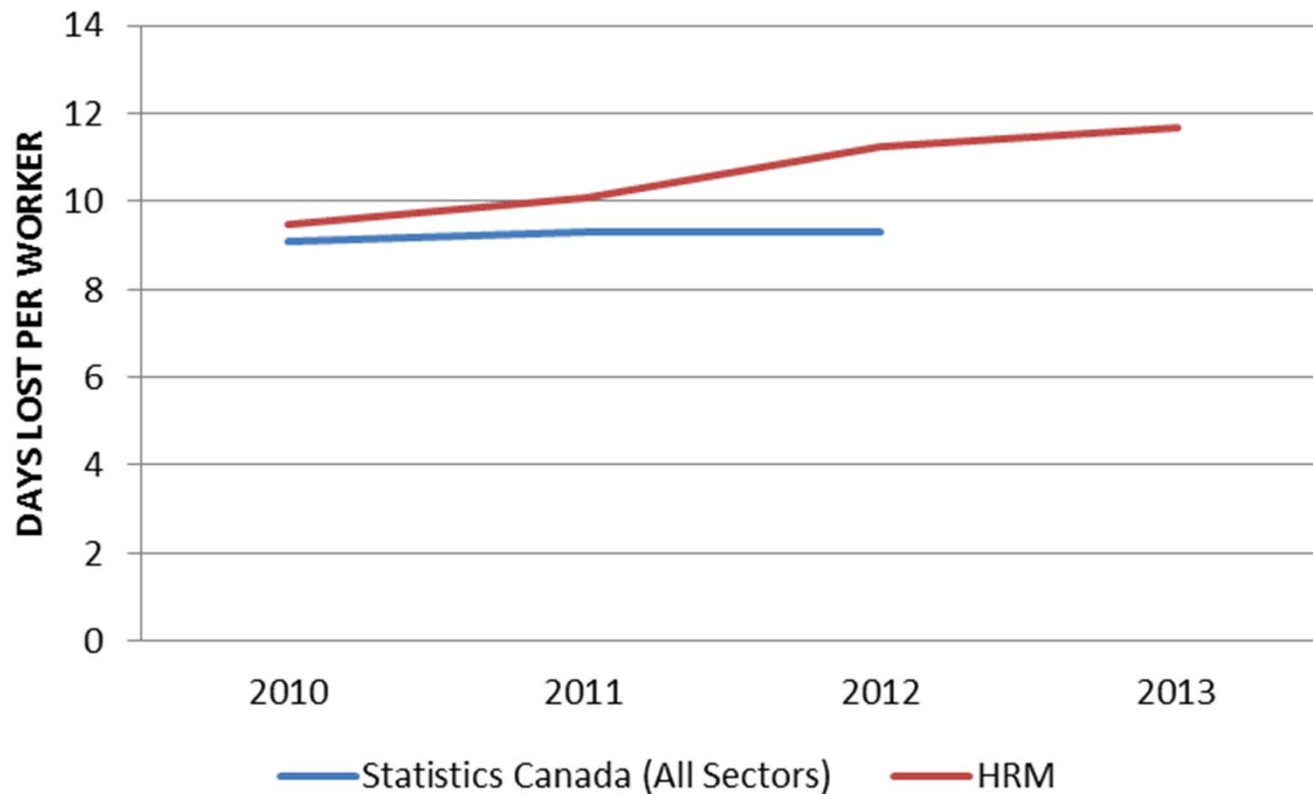
- Given variances found
 - Reviewed management process in place to manage work absences

- It is the view of the OAG
 - Staff do not become any more or less sick because they work for a municipality
 - Therefore the nature of the organization (municipal government versus private industry) is not a driver of illness

Days Lost per Worker

	2010	2011
All Sectors	9.1	9.3
Private sector employees	8.2	8.2
Public sector employees	11.8	12.9
Public sector administration	11.8	12.8
- Federal sector employees	13.3	15.2
- Provincial sector employees	12.0	11.9
- Municipal sector employees	9.6	10.5
HRM	9.5	10.1

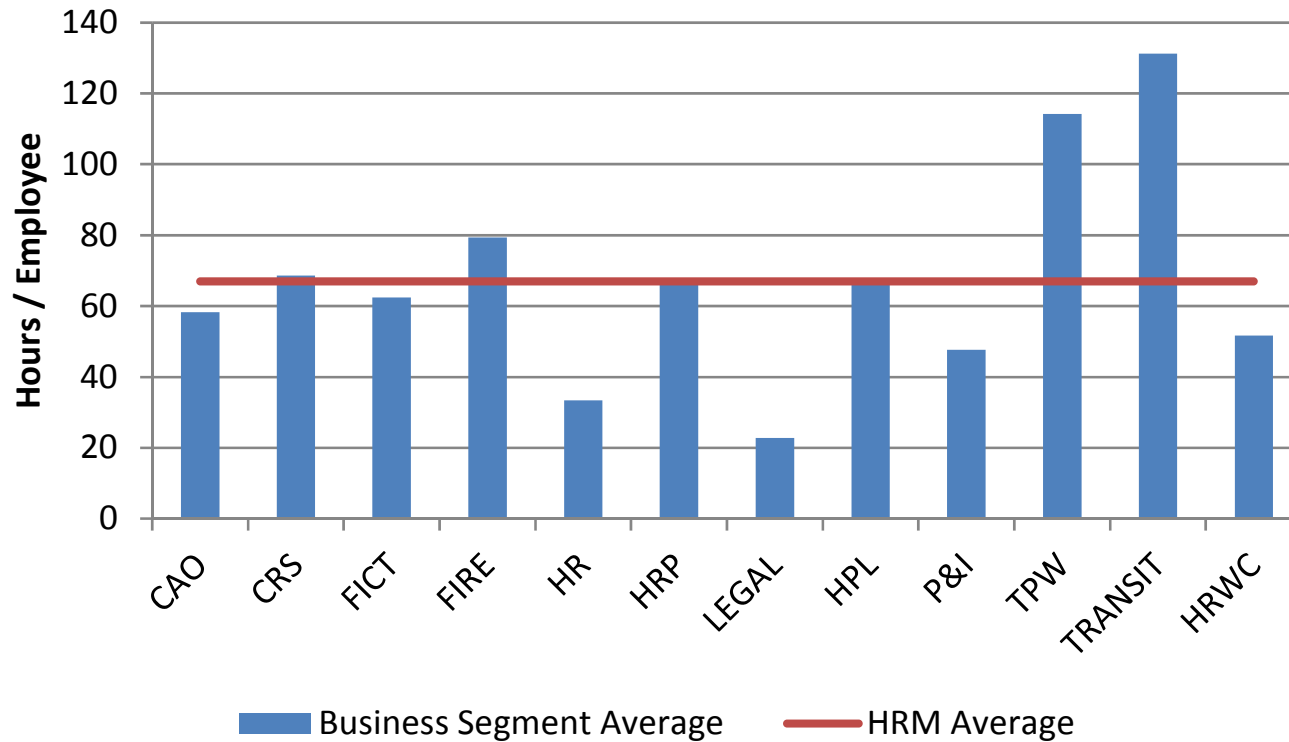
Growth in Days Lost per Worker, 2010-2013*



*2013 data extrapolated – see Methodology section

Business Segment Comparisons

Average Sick Leave, 2010 – 2013*



- Sick leave average \$9.1 million / year
- \$6.2 million to July 2013

Business Segment Comparisons

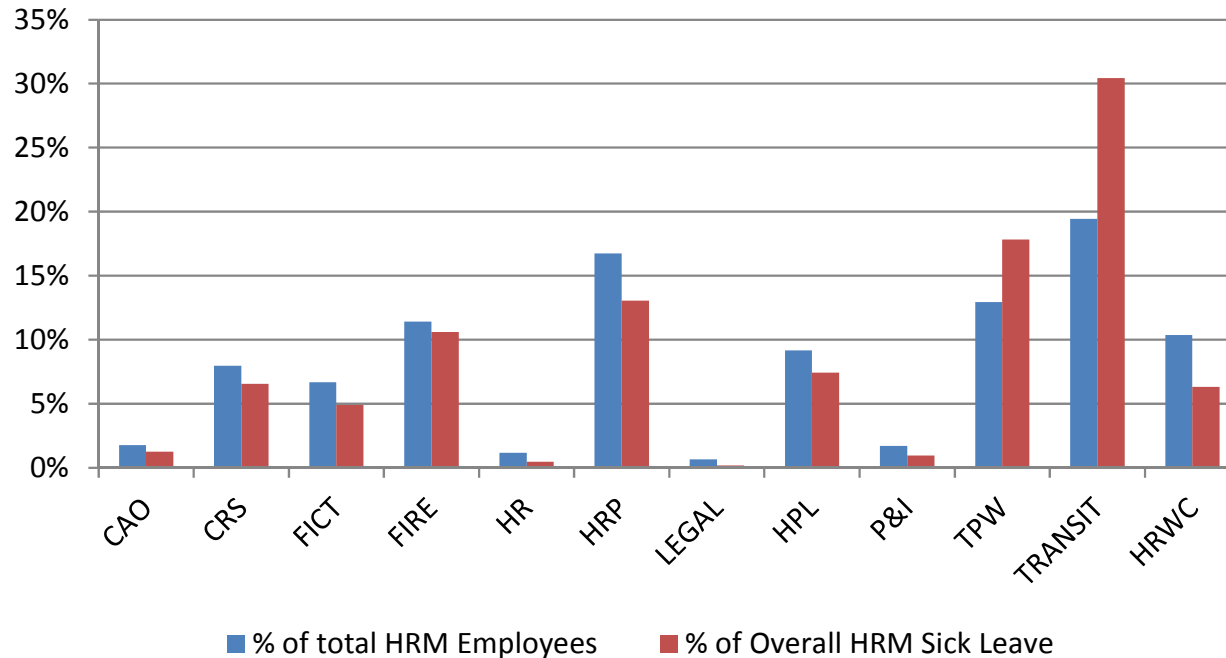
- Overall HRM – 67 hours per employee

- Average for Transit and TPW 131 and 114 hours

- Excluding Transit and TPW – Overall HRM average 8.2 days
 - Near private industry figures for 2011 and 2012

Business Segment Comparisons

Average Sick Leave Compared to Percentage of Total Employees, 2010 – 2013*

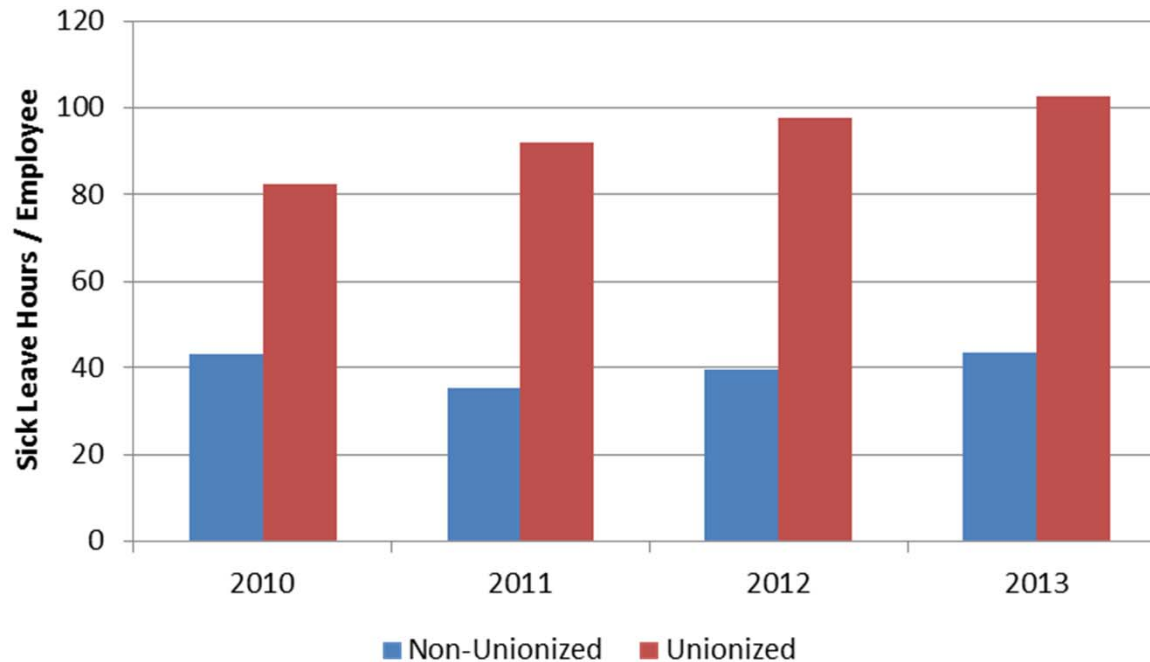


- Transit & TPW combine for
 - 48% of HRM sick leave use
 - 32% of employees

Identified by Statistics Canada

- High percentage of public sector fall under a collective agreements
- Age and gender drive the use of sick leave
- Occupational Differences - Public sector (includes health professions) may be more exposed to illness or prone to injury

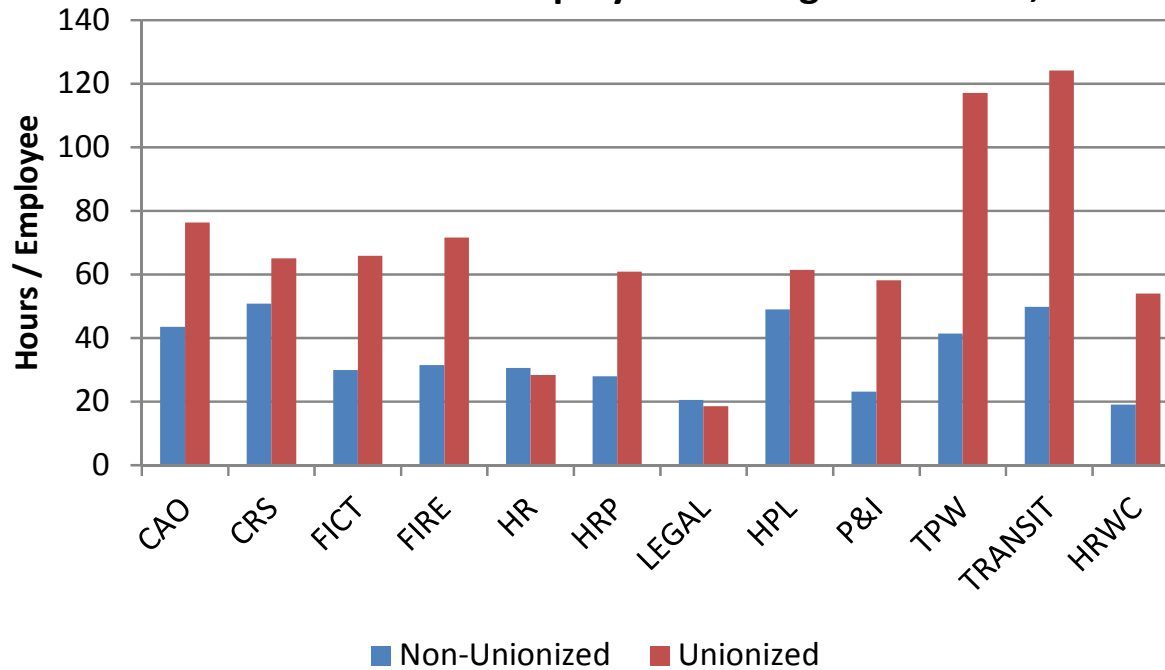
Unionization



- Non-unionized average 40 hrs, unionized average 94 hrs
- Non-unionized sick leave increased 1.2%
- Unionized increased 24.1%

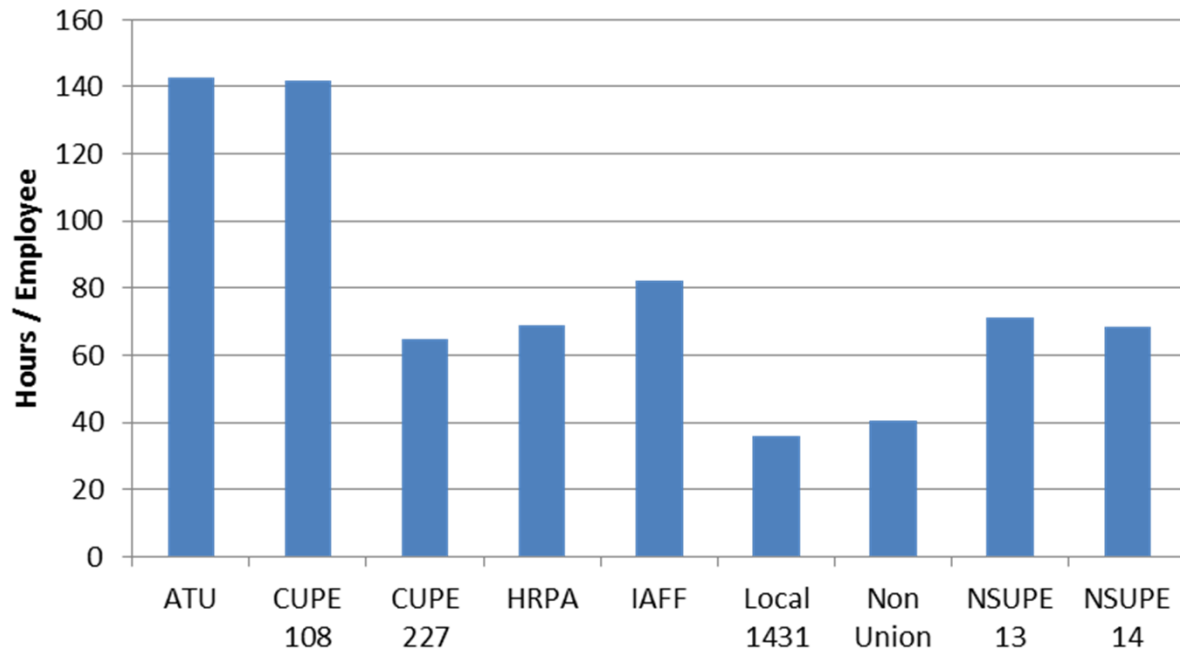
Unionization

Unionized and Non-Unionized Employees Average Sick Leave, 2010 – 2013*



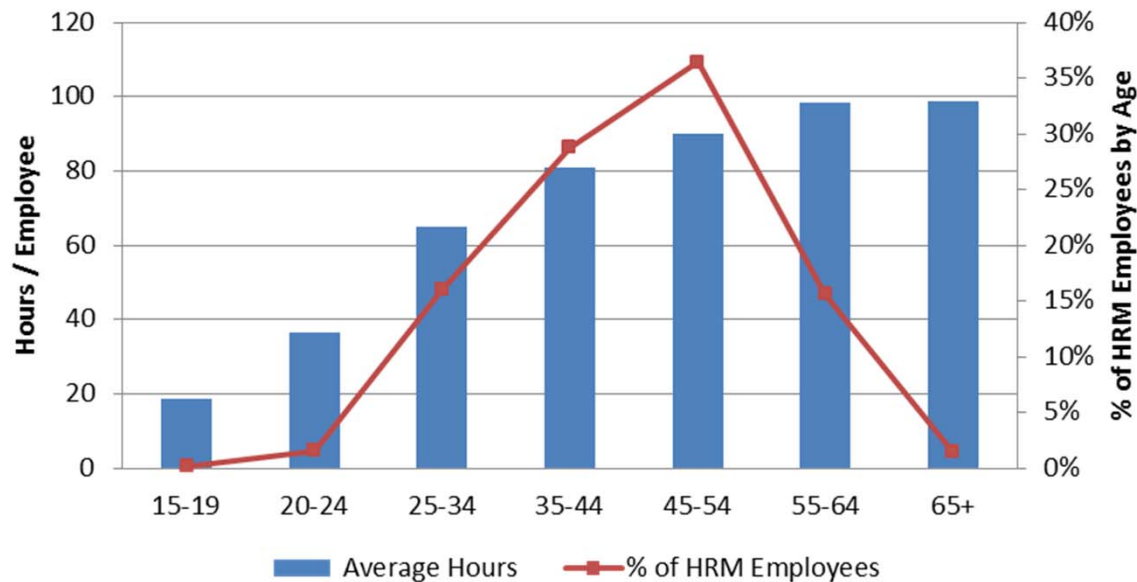
Unionization

Employee Work Group Average Sick Leave 2010 – 2013*



Age

Employee Work Group Average Sick Leave 2010 – 2013*



- Majority of employees between 35-54 years of age, highest sick leave use per employee 55+
- Relatively consistent distribution of employees by age bracket across business segments

Age

- TPW and Transit have similar age distribution to other business segments.
- TPW and Transit show increased sick leave in majority of age categories

Job Tenure (Years of Service)

- Statistics Canada - days lost rise as tenure increases
 - Employees with greater tenure likely older employees
- HRM data indicates employee age shows a strong correlation in sick leave use

Gender

- Statistics Canada indicates differences in use of sick leave by gender
- HRM sick leave data appears relatively equal by gender

Occupational Differences

- TPW & HRWC CUPE (outside employees) work considered more physical in nature
- Shiftwork
- Exposure to public
- OAG acknowledges work of some groups could be considered unique
- OAG would have expected to see comparable averages for similar groups operating in different business segments

Exposure to Illness

- High use of sick leave within Transit due to high exposure to public?
 - Bus operators average 18 days sick leave / year
 - Ferry operations staff - 8 days
 - Transit Bus Maintenance - 16 days
 - Transit Dispatch - 18 days

- Nurses (Statistics Canada) average 16 days sick leave / year

- Value of sick leave for bus operators approximately \$6.9 million over review period

Pre-Retirement Benefits

- Business Segment employees eligible for pre-retirement leave
 - HRM - up to 90 calendar days
 - HRWC – up to 6 months (approximately 180 calendar days)

 - CUPE 108, ATU and IAFF option
 - Pre-retirement leave **or**
 - Lump sum payment of 50% accumulated sick leave bank

 - HRPAs members ‘Lump Sum Payment’ (paid to a medical trust) over and above pre-retirement allowance
 - \$10,000 for full sick leave bank
 - \$785,000 if all eligible left as of July 31, 2013

Incentives

- Like groups – expected similar use of sick leave
 - Sick leave - hours per employee

	2010	2011	2012
CUPE 108 (HRM)	109	142	181
CUPE 227 (HRWC)	52	51	72
NSUPE 13 (HRM)	59	73	73
CUPE 1431 (HRWC)	31	34	37
Non-Union (HRM)	46	37	43
Non-Union (HRWC)	21	22	19

Incentive Programs (HRWC)

➤ HRWC annual bonus for limited use of sick leave

	Annual Entitlement	2012 Payout by HRWC
0 Days	\$500	\$37,000
2 Days or Less	400	31,200
4 Days or Less	300	11,100
Greater than 4 Days	-	-

➤ Just for “fun”

- If applied to HRM employee groups
 - \$650,000 investment (estimated) / \$5.1 million in productivity (potential)

Incentive Programs (HRWC)

- Our assumption active management not successful
- **OAG NOT PROMOTING** application
 - Merely illustrating an innovative approach to “management”
- HRWC pre-retirement entitlement up to 6 months (twice offered by HRM)
- Annual bonus offered for limited use of sick leave

Sick Leave Entitlements

- Sick Leave accumulates (see Exhibit 21 – page 46)
 - From 1.5 – 2.0 days per month
 - To maximum of 150 – 200 days

- One agreement entitlements increase with years of service
 - Troubling to OAG as it might suggest the longer you work at HRM the sicker you may or could become

- Also – OAG believes sick leave no longer a benefit designed to protect employees in case of illness given inequitable access to the entitlements

Sick Leave Bank Accumulation

➤ Sick leave banks approximately \$89 million

	Total Hours	Total Value
CAO	42,872	\$1,710,546
CRS	187,755	6,119,299
FICT	164,732	5,579,261
FIRE	393,571	16,460,547
HR	31,828	1,400,095
HRP	595,075	22,869,160
HRWC	316,364	9,300,145
LEGAL	16,058	773,391
HPL	172,922	4,731,670
P&I	55,332	2,337,767
TPW	301,587	8,490,826
TRANSIT	338,749	9,168,814
Total	2,616,845	\$88,941,521

Other Interesting Facts

- 6% of sick leave coded to medical / dental
 - May represent in the order of \$1.1 million of sick leave use
 - Could effect impact of employee assistance programs

- 24% of ATU and 10% of CUPE 108 sick leave as 'sick leave – no pay'

- Two groups employees average sick leave per month is greater than the hours earned (for sick bank)

Earned Days Off (EDO)

➤ EDOs

- Work extra time – take time off with pay
- Average 3,153 days taken annually
- Additional hours worked to earn days off not recorded in SAP (average 22,000 annually)
- OAG questions controls

- FICT highest # of participants (128) Legal highest % (84%)
- Anecdotally OAG aware of “off books” EDOs

- Current three distinct attendance support programs (ASP)
 - HRM, HPL, HRWC

- Overarching themes:
 - ensure attendance is maintained at an optimal level
 - identify employees with unacceptable levels of absenteeism
 - using appropriate resources - support employees in achieving and maintaining regular attendance

- Looks at thresholds
 - % time missed and # of occurrences

Attendance Support Programs (ASP)

- Current ASPs compare employees to employee group
 - Flagged leave % is greater than group average
 - Flagged occurrences greater than 3 in 6 months or 6 in 12
- Ongoing sick leave would suggest ineffective management to:
 - correct attendance issues
 - reduce the overall absenteeism
- Peer-to-peer comparisons fail to address high use employee groups

- HRM proposing new ASP – Spring 2014
 - Reporting periods shorter, new occurrence threshold average of employee group
 - More employees identified for ASP review with lower occurrence threshold
 - An ATU or CUPE employee > 7% absence (about 18 days) may not be included
 - A non-union employee with 3% absence (about 7 days) would be included
 - A non-union employee with 3 days and 3 occurrences would be included

- Value for money not maximized due to:
 - poor program planning and design
 - lack of clear objectives
 - not using the right 'inputs'
 - not using the right benchmarks

- Access to benefits under sick leave policies not equitable to all

- Effectiveness questionable
 - Impact not tied to pre-defined outcomes or KPIs

- Three broad categories – 21 recommendations
 - Understanding Drivers of Sick Leave
 - Organizational Drivers, Employee Group Drivers (ATU / CUPE 108)
 - Benchmarking
 - Reporting of Leave
 - Appropriate coding, consistent application
 - Management of Leave
 - Incentives, retirement options
 - ASP targeting high use areas

Key Recommendations

- HRM's Administrations work together regarding the use of sick leave within their organizations in order to identify the factors which are the key drivers of sick leave use for the various business segments within HRM. (1.0.1)
- Once the key drivers have been identified, the Administrations determine the appropriate benchmarks against which these drivers can be compared. (1.0.2)
- The Administrations determine and implement a process for ensuring the appropriate data is captured and made available for appropriate reporting on performance. (1.0.3)

Key Recommendations

- HRM Administration immediately undertake a full and comprehensive review of the factors impacting staff within the ATU and CUPE 108 employee work groups in order to identify the drivers of the significant sick leave usage in these areas. (2.0.1)
- HRM Administration review the time tracking codes currently in use and consolidate redundant codes to ensure consistent reporting and improve time management. (3.0.2)
- HRM and HRWC Administration track variations of sick leave, for example medical / dental appointments, family sick leave and other uses to better understand, report on and respond to how sick leave use is consumed.(3.0.5)

Key Recommendations

- HRM, HPL and HRWC Administrations clearly identify the purpose and objective of sick leave provided for and conduct a complete ‘re-think’ of the model used to determine the appropriate amount of sick leave availability.
 - For example, how is the optimal amount of sick leave determined?
 - Management must in all cases be able to demonstrate how it determined the ‘optimal’ amount of sick leave so available inputs are maximized as is taxpayers’ value for money. (4.0.1)

Key Recommendations

- The Administrations review the variety of pre-retirement leaves available with consideration to both how they align with the sick leave benefit program objectives and provide justification for the differences by work group. The overall goal of the review would be to ensure inconsistency only occurs when there is a reasonable and justifiable reason for the inequity and to ensure the benefits offered are consistent with the objectives of the paid sick leave program. (4.2.1)
- HRM Administration review the non-use sick leave incentive currently in place at HRWC and determine if it would be appropriate and beneficial, from an productivity perspective, to implement a similar model within other areas of HRM. (4.3.1)

Key Recommendations

- The Administrations develop a universal approach to attendance management where the goals are improving overall attendance and understanding the unique drivers of increased use of sick leave within individual business segments and employee groups.
- As part of this recommendation, the OAG suggests HRM defer the implementation of the draft program and instead focus on working with HPL and HRWC to determine and articulate what the goals and objectives of the program are and how success will be measured. (5.1.2)

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QUESTIONS