

**REPORT OF THE
DEPARTMENT OF
PERSONNEL AND TRAINING**

on Temporary Employees

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



Senate Document No. 10

**COMMONWEALTH OF VIRGINIA
RICHMOND
1986**



COMMONWEALTH of VIRGINIA

Department of Personnel and Training

RONALD A. BOUCHARD
DIRECTOR

JAMES MONROE BUILDING
101 N. 14th STREET
RICHMOND, VIRGINIA 23219
(804) 225-2131

MEMORANDUM

TO: The Honorable Charles S. Robb
Members of the General Assembly

FROM: Ronald A. Bouchard, Director
Department of Personnel and Training

A handwritten signature in black ink, appearing to read "R. Bouchard", written over the printed name of the sender.

DATE: January 3, 1986

SUBJ: Senate Joint Resolution 128

Attached is a report prepared by the Department of Personnel and Training in response to Senate Joint Resolution 128. It includes a review of concerns related to state agencies' use of wage employees, charts depicting wage employment data, and a recommended Wage Employment Policy.

/tds

Attachment

WAGE EMPLOYEE STUDY - RESPONSE TO SJR 128

PREFACE

Senate Joint Resolution 128, approved by the 1985 session of the General Assembly, directed the Department of Personnel and Training to study state agencies' use of temporary wage employees and to develop a policy governing the conditions of employment for these employees. It further requested that recommendations be made regarding fringe benefits for some of these temporary wage employees.

ISSUES AND DEFINITIONS

Senate Joint Resolution 128 (See Appendix III) resulted primarily from a concern that the Commonwealth employs wage employees on a full-time basis without offering them the benefits attached to full-time classified employment. In SJR 128, full-time employees were identified as those working 35 or more hours in a work week. To explain the issues, clarification of current categories of employment is necessary.

1. Full-time classified employees - Persons employed in executive branch agencies who work in positions which are funded at 100%. These employees are scheduled to work 40 hours each week for a total of 2080 hours per year. They receive health insurance, life insurance, and retirement benefits as well as full sick and annual leave credits and holiday pay.
2. Permanent part-time classified employees - Persons employed to work a minimum of 50% but less than 100%, 20-40 hours per week, in a specific classified position (1040-2080 hours per year). These employees are entitled to prorated holiday pay as well as prorated sick and annual leave credits based on their percentage of employment. For example, a permanent part-time employee hired in a 50% position would earn 50% of the holiday, sick and annual leave credits allowed for a full-time position. Permanent part-time classified employees do not currently receive health insurance, life insurance or retirement benefits.
3. Wage employees (synonymous with hourly or P-14's) - Persons employed on a temporary, short-term basis who do not receive benefits. According to Rule 8.3(d) of the "Rules for the Administration of the Virginia Personnel Act" regarding use of wage employees, it was intended that "no person regularly employed on a continuing basis shall be paid at an hourly or per diem rate for longer than twelve months without being offered a salaried appointment unless the hourly employment is less than full-time or the employee waives, in writing, appointment to a salaried position."

This study has identified two major issues regarding the use of wage employees.

1. There are wage employees who work sufficient hours in a year to be considered full-time, yet they receive no benefits. Even though these wage employees sign the required waiver to the benefits of

classified employment, it can be argued that they are actually due full benefits because they work the requisite hours.

2. There are wage employees who work 20-40 hours per week and receive no benefits, while some permanent part-time employees working the same or fewer hours receive prorated leave benefits. While Rules for the Administration of the Personnel Act do not preclude hiring wage employees to work under the same conditions as permanent part-time employees, having them do so, without receiving the prorated leave and holidays which permanent part-time employees receive, is a questionable employee relations practice.

FINDINGS

In attempts to identify, by agencies, the number of wage employees currently being used and to estimate the cost of offering benefits to them, wage employee information was obtained from the Department of Accounts. (See Chart A, Appendix II.) This data is from central payroll agencies only since non-central payroll agency information is not yet available. This data covered the period from January 1 through June 30, 1985.

It is known that the original data (found in Chart A) represents approximately 50% of those agencies who use wage employees. Thus, it is thought that the extrapolations (see Charts B and C) may represent a valid sample. However, until this information is captured by the proposed automated wage reporting system, all statistics in this report must be considered as estimates only.

To address issue #1, we identified those wage employees who were reported to be working full-time at 35 or more hours in a workweek for six months and assumed that they would work those hours for an entire year. While personnel policy requires that an employee work 40 hours per week per year in a full-time position, with allowed annual leave and holidays, these employees effectively work only 35 hours per week. As found in Chart A, there were 567 wage employees who work 35+ hours. Doubling that amount to account for the non-central payroll agencies, an estimated 1,134 wage employees work 35+ hours/year. If these employees were to be converted to the status of full-time classified employees with the attendant full benefits, the annual cost to the Commonwealth would be an estimated \$4,818,381 (see Chart D for computations).

To address issue #2, we identified those wage employees who were reported to be working the same hours as permanent part-time employees, or from 21 up to 40 hours in a workweek. As indicated on Chart C, an estimated 5,814 employees fit into this category. If these wage employees were to be converted to permanent part-time classified employees and provided the prorated sick, annual and holiday pay, the annual cost to the Commonwealth would be an estimated \$6,432,979 (see Chart E for computations).

To further refine the study, we requested information from agencies on those wage employees who are currently employed and have worked an average of 35 or more hours over the past three years. An estimated 144 employees have been identified. It is estimated that converting these employees to full-time classified employee status would cost the Commonwealth an estimated \$630,828 (see Charts F and G). If this were done, an additional 9 permanent part-time

employees would be eligible to have their status changed to full-time classified and this would cost the Commonwealth an additional estimated \$31,971 annually.

EXECUTIVE BRANCH'S HIRING POLICY

While it may be necessary to provide some form of relief for some of the wage employees, the Department of Personnel and Training does not recommend automatically converting all the above employees into either full-time classified or permanent part-time classified employees.

A primary concern is that current personnel policy requires that full-time and permanent part-time classified positions be filled competitively. Simply to convert wage employees to classified status, without having the employees compete for the positions, would violate existing policy and potentially adversely affect the Commonwealth's affirmative action/equal opportunity commitments.

RECOMMENDATIONS

In order to address concern over the inequity of benefits for the three groups, policies are being revised so as to draw clear distinctions between those who are entitled to benefits and those who are not. The recommended wage employee policy is shown in Appendix I.

With these policy changes, we are proposing that the current three types of state service discussed in this study, "permanent full-time," "permanent part-time," and "wage," be changed to the following: "full-time classified," "part-time classified," and "wage." (The word "permanent" is being dropped since courts have recently ruled that use of this word implies a permanent employment contract with employees.)

As seen below, it is our intent to identify specific bands of time in which employees in the three categories can work. The rationale behind this is to remedy the current problem of employees in one category working the same hours as employees in another category yet receiving dissimilar benefits. The bands of hours concept will prevent this from occurring.

It is recommended that full-time classified employment continue to be defined as employment in positions requiring employees to be scheduled to work 100% or 2080 hours in a fiscal year (40 hours per week). Employees holding these positions will be entitled to full benefits.

It is further recommended that part-time classified be defined as employment in positions that are utilized at 50% to 85% of a full-time position. Employees holding part-time classified positions will be scheduled to work a minimum of 1040 hours up to a maximum of 1768 hours per fiscal year (an average of 20 to 34 hours per week). Employees holding these positions will be entitled to prorated holiday, annual and sick leave pay.

Regular wage employees will be permitted to work an unlimited number of hours for an agency in any one fiscal year except that in all subsequent fiscal years, their hours of work shall be limited to 1,000. This provision of a one-time exception in hours worked will accommodate agencies when they have a specific

project that requires the additional hours. These employees will not be entitled to any benefits.

A new category for student wage employees will be established. These student employees will be limited to working 1,300 hours per fiscal year at the institution in which they are enrolled. As wage employees, they will not be entitled to benefits.

Below is a chart that depicts the above categories and their entitlements:

CATEGORY	HOURS TO BE WORKED	BENEFITS
Full-time Classified	2,080 (100%)	Full benefits
Part-time Classified	1,040 (50%)-1,768 (85%)	Prorated holiday, sick and annual pay
Wage		
Regular	1,000 (less than 50%)	None
Student	1,300 (tenure limited by enrollment)	None

APPENDIX I
WAGE EMPLOYMENT POLICY

D R A F T

APPENDIX I

TYPES OF STATE SERVICE - WAGE EMPLOYMENT

Issue Date: 7/1/86

OBJECTIVE AND INTENT

It is the policy of the Commonwealth to employ qualified persons for wage (hourly) service in order to meet agencies' personnel needs on a temporary, seasonal, casual or student worker basis as outlined below. The objective of this policy is to define wage employment and to outline wage employees' conditions of employment.

PROCEDURES

I. DEFINITIONS

- A. Wage employees are those persons employed on an hourly basis in Executive Branch agency positions. Wage employees may work an unlimited number of hours for an agency in any one fiscal year except that in all subsequent fiscal years, their hours of work shall be limited to 1,000 hours. Wage employment is synonymous with "hourly," "seasonal," "temporary," "casual," and "P-14" employment. Employees in these positions are not covered by the Virginia Personnel Act (Title 2.1, Chapter 10, of the Code of Virginia).
- B. Student wage employees are those persons who attend a state institution of higher education, on at least a half-time basis, and who are also employed by that same institution which they attend. Student wage employees shall have their hours of work limited to 1,300 hours per fiscal year. These employees are not covered by the Virginia Personnel Act.

II. USE OF WAGE EMPLOYEES AND CONDITIONS OF EMPLOYMENT

- A. Wage employees are employed on a temporary basis as deemed necessary by the appointing authority to complete state business.
 - 1. Wage employment is intended to provide additional workers to cover seasonal workloads, interim replacements, temporary excessive workloads, short-term projects, and positions which do not necessitate a classified employee.
 - 2. Regular wage employees (non-student) shall have their hours of work limited as defined in Article I, A "Definitions."

Example: A regular wage employee works for agency ABC for 2,080 hours in 1986. In all subsequent fiscal years in which that employee is employed as an hourly worker for ABC, his employment must be limited to 1,000 hours worked.

- B. Wage employees are not covered by the provisions of the Virginia Personnel Act. They serve at the will and pleasure of the appointing authority and do not have access to the Grievance Procedure for State Employees.
- C. A wage employee may compete for part-time and full-time classified positions; however, when hired into a classified position, service as a wage employee shall not count toward any form of continuous state service.

III. COMPENSATION AND BENEFITS

A. Wages

- 1. Wage employees shall be paid only for those hours worked.
- 2. An employee's compensation is to be fixed at an hourly rate and must fall within the state pay range as established for the classification in which the employee is placed.
- 3. Wage employees may be entitled to wage increases resulting from salary grade structure adjustments granted by the Governor and/or the General Assembly. The Department of Personnel and Training will advise agencies when to make such adjustments.
- 4. Wage employees are not entitled to proficiency increases nor exceptional performance awards.
- 5. Wage employees are covered under the Fair Labor Standards Act and shall be considered non-exempt or exempt as established for classified positions.

B. Benefits

- 1. Wage employees are not eligible to accrue paid leaves or to be awarded paid holidays.
- 2. Wage employees are not eligible for compensatory time.
- 3. Wage employees are not eligible to participate in the State's health insurance, life insurance, retirement or deferred compensation programs.
- 4. Wage employees are covered under the Commonwealth's Workers' Compensation Act. When eligibility is established, compensation is provided by the insurance carrier only and no salary supplement is provided by the state.

5. Wage employees shall be allowed time off without pay for military service in the reserve components. When a wage employee enters active military service, he/she shall be separated from State service and shall be allowed recall guarantees only as set forth in the Veteran's Re-Employment Act.

IV. AUTHORIZATION FOR AND SERVICE OF WAGE EMPLOYEES

- A. Authorization for wage employment must be approved annually through the Department of Personnel and Training for classifications which are not approved by blanket authorization.
- B. Effective July 1, 1986, agencies shall maintain records on their wage employees. Wage employment must be terminated when the maximum allowable hours have been worked.

V. AGENCY RESPONSIBILITY

Agency heads and personnel officers are responsible for the consistent application of this policy within their respective agencies.

VI. COVERAGE OF PERSONNEL

This policy describes conditions of employment for wage employees. They are not covered under the Virginia Personnel Act. This policy is not intended to outline all the conditions which might be applicable to wage employees.

VII. AUTHORITY

This policy is issued by the Department of Personnel and Training pursuant to the authority provided in Title 2.1, Chapter 10 of the Code of Virginia. This policy supersedes Rule 8.3(d) of the "Rules for the Administration of the Virginia Personnel Act."

VIII. INTERPRETATION

The Director of Personnel and Training is responsible for official interpretation of this policy. Questions regarding application should be directed to the Office of Policy Development, Department of Personnel and Training.

APPENDIX II
CHARTS OF COMPUTATIONS

CHART A

Wage employment data for central payroll agencies for the period of January 1, 1985 - June 30, 1985.

<u>Average Work Week</u>	<u>Hours Reported</u>	<u>No. of Employees</u>	<u>Total 6 Mo. Wages Paid</u>	<u>6 Mo. Avg. Wages Paid</u>
Zero Hrs.		3,360	\$ 5,371,495.	\$ 1,598.
1-20 Hrs.	1-455	30,850	45,794,130.	1,484.
21-30 Hrs.	456-682	1,985	8,203,750.	4,132.
31-34 Hrs.	683-773	355	1,706,748.	4,807.
35-38 Hrs.	774-864	250	1,375,495.	5,501.
38+ Hrs.	865+	<u>317</u>	<u>2,201,839.</u>	<u>6,945.</u>
		37,117	\$64,653,457.	\$(1,742.)

CHART B

This chart estimates the cost of all wage employees in both central and non-central agencies for the period January 1, 1985 - June 30, 1985 (it is estimated that the central payroll agencies represent 50% of the wage utilization). The data in Chart A for number of employees and total wages paid have been doubled to reflect estimates for both the central and non-central payroll agencies.

<u>Average Work Week</u>	<u>Estimated Hours Worked</u>	<u>Estimated No. of Employees</u>	<u>Estimated Total 6 Mo. Wages Paid</u>	<u>Estimated 6 Mo. Avg. Wages Paid</u>
Zero Hrs.		6,720	\$ 10,742,990.	\$ 1,598.
1-20 Hrs.	1-455	61,700	91,588,260.	1,484.
21-30 Hrs.	456-682	3,970	16,407,500.	4,132.
31-34 Hrs.	683-773	710	3,413,496.	4,807.
35-38 Hrs.	774-864	500	2,750,990.	5,501.
38+ Hrs.	865+	<u>634</u>	<u>4,403,678.</u>	<u>6,945.</u>
		74,234	\$129,306,914.	\$(1,742.)

CHART C

This chart estimates wage utilization for the year of 1985 for both central and non-central payroll agencies. The data for hours worked and total wages paid have been doubled from the six-month figures found in Chart B.

<u>Average Work Week</u>	<u>Estimated Hours Worked</u>	<u>Estimated No. of Employees</u>	<u>Estimated Total Annual Wages Paid</u>	<u>Estimated Avg. Annual Wages Paid</u>
Zero Hrs.		6,720	\$ 21,485,980.	\$ 3,197.
1-20 Hrs.	1-910	61,700	183,176,520.	2,968.
21-30 Hrs.	911-1364	3,970	32,815,000.	8,265.
31-34 Hrs.	1365-1546	710	6,826,992.	9,615.
35-38 Hrs.	1547-1728	500	5,501,980.	11,003.
38+ Hrs.	1729+	<u>634</u>	<u>8,807,356.</u>	<u>13,891.</u>
		74,234	\$258,613,828.**	\$ (3,483.)

**Records show that for the period of July 1, 1984 through June 30, 1985, \$190,864,835 was spent in wages for faculty and non-faculty wage employees.

CHART D

This chart represents the estimated annual cost to the Commonwealth if those wage employees identified as working 35 or more hours per week were converted to full-time classified employment:

$634 @ 38+ \text{ hrs.} = \$8,807,356.$ $\text{Emp. Only} = \frac{\quad \times 55\%}{\$4,844,045.}$ $\text{Emp. Only} = \frac{\quad \times 31.18\%*}{\$1,510,373.}$	$634 @ 38+ \text{ hrs.} = \$8,807,356.$ $\text{Family} = \frac{\quad \times 45\%}{\$3,963,310.}$ $\text{Family} = \frac{\quad \times 36.72\%*}{\$1,455,327.}$
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TOTAL FOR 38+ HOUR WAGE EMPLOYEES

\$1,510,373.	Employee Only
+1,455,327.	Family
\$2,965,700.	

$500 @ 35-38 \text{ hrs.} = \$ 5,501,980.$ $\text{Emp. Only} = \frac{\quad \times 55\%}{\$ 3,026,089.}$ $\text{Emp. Only} = \frac{\quad \times 31.18\%}{\$ 943,534.}$	$500 @ 35-38 \text{ hrs.} = \$5,501,980.$ $\text{Family} = \frac{\quad \times 45\%}{\$2,475,891.}$ $\text{Family} = \frac{\quad \times 36.72\%}{\$ 909,147.}$
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TOTAL FOR 35-38 HOUR WAGE EMPLOYEES

\$ 943,534.	Employee Only
+ 909,147.	Family
\$1,852,681.	

Combined costs of giving all 1134 wage employees who worked 35 or more hours per week benefits:

\$2,965,700.	= 634 employees working 38+ hrs.
1,852,681.	= 500 employees working 35-38 hrs.
\$4,818,381.	= Total cost for providing benefits to 1134 wage employees working 35 or more hours.

*See next page for how figure computed.

CHART D (Continued)

The chart below represents employee benefits cost breakdown based on an average annual salary of \$12,448:

<u>*Cost for Employee with Employee Only Health Coverage</u>			<u>*Cost for Employee with Family Health Coverage</u>		
Health	-	6.85%	Health	-	12.39%
Life	-	1.26%	Life	-	1.26%
Retirement	-	12.68%	Retirement	-	12.68%
Annual Leave	-	4.62%**	Annual Leave	-	4.62%*
Sick Leave	-	<u>5.77%***</u>	Sick Leave	-	<u>5.77%***</u>
		31.18%			36.72%

*Records show that currently 55% of the state employee population carrying health insurance have "Employee Only" coverage while 45% have "Family" coverage.

**Based on 12 days of annual leave earned per year.

***Based on 15 days of sick leave earned per year.

CHART E

This chart computes the costs of prorated sick leave, annual leave and holiday pay to wage employees identified as working 21 or more hours per week. It assumes those working 21 or more hours would be equivalent to classified permanent part-time status.

PREMISES: 12 days annual leave accrued/year - 4.62% of wages
 15 days sick leave accrued/year - 5.77% of wages
 11 paid holidays/year - 4.23% of wages

3,970 wage employees working 21-30 hours (worst case - 75% of time):

Annual	Sick	Holiday	TOTAL
\$32,815,000.	\$32,815,000.	\$32,815,000.	
x 4.62%	x 5.77%	x 4.23%	
<u>\$ 1,516,053.</u>	<u>\$ 1,893,426.</u>	<u>\$ 1,388,075.</u>	\$1,137,040.
x 75%	x 75%	x 75%	1,420,069.
<u>\$ 1,137,040.</u>	<u>\$ 1,420,069.</u>	<u>\$ 1,041,056.</u>	<u>1,041,056.</u>
			<u>\$3,598,165.</u>

710 wage employees working 31-34 hours (worst case - 85% of time):

Annual	Sick	Holiday	TOTAL
\$ 6,826,992.	\$ 6,826,992.	\$ 6,826,992.	
x 4.62%	x 5.77%	x 4.23%	
<u>\$ 315,407.</u>	<u>\$ 393,917.</u>	<u>\$ 288,782.</u>	\$ 268,096.
x 85%	x 85%	x 85%	333,830.
<u>\$ 268,096.</u>	<u>\$ 334,830.</u>	<u>\$ 245,464.</u>	<u>245,464.</u>
			<u>\$ 847,390.</u>

1,134 wage employees working 35-38 hours (worst case - 95% of time):

Annual	Sick	Holiday	TOTAL
\$14,309,336.	\$14,309,336.	\$14,309,336.	
x 4.62%	x 5.77%	x 4.23%	
<u>\$ 661,091.</u>	<u>\$ 825,649.</u>	<u>\$ 605,285.</u>	\$ 628,037.
x 95%	x 95%	x 95%	784,366.
<u>\$ 628,037.</u>	<u>\$ 784,366.</u>	<u>\$ 575,021.</u>	<u>575,021.</u>
			<u>\$1,987,424.</u>

TOTAL MONIES SPENT ON HOLIDAYS AND SICK AND ANNUAL LEAVE

\$3,598,165.
 847,390.
 1,987,424.
\$6,432,979.

CHART F

ESTIMATED ANNUAL COSTS OF CONVERTING WAGE AND
PERMANENT PART-TIME EMPLOYEES WORKING 35+ HOURS PER
WEEK TO FULL-TIME CLASSIFIED EMPLOYEES

Wage Employees - 144 Who Have Worked 35 or More Hours/Week Over the Last
Three Years:

Employee Only Coverage

$$\begin{array}{r} \$1,615,065. \\ \times \quad 55\% \\ \hline \$ 888,286. \\ \times \quad 36.26\% \\ \hline \$ 322,092. \end{array}$$

Family Coverage

$$\begin{array}{r} \$1,615,065. \\ \times \quad 45\% \\ \hline \$ 726,779. \\ \times \quad 42.48\% \\ \hline \$ 308,736. \end{array}$$

Total for Wage Employees

$$\begin{array}{r} \$ 322,092. \\ +308,736. \\ \hline \$ 630,828. \end{array}$$

Permanent Part-Time Employees - 9 Who Work 35+ Hours/Week

Employee Only Coverage

$$\begin{array}{r} \$ 154,203. \\ \times \quad 55\% \\ \hline \$ 84,812. \\ \times \quad 18.92\% \\ \hline \$ 16,046. \end{array}$$

Family Coverage

$$\begin{array}{r} \$ 154,203. \\ \times \quad 45\% \\ \hline \$ 69,391. \\ \times \quad 22.95\% \\ \hline \$ 15,925. \end{array}$$

Total for Permanent Part-Time Employees

$$\begin{array}{r} \$ 16,046. \\ +15,925. \\ \hline \$ 31,971. \end{array}$$

Total for Permanent Part-Time and Wage Employees Combined

$$\begin{array}{r} \$ 630,828. \\ + 31,971. \\ \hline \$ 662,799. \end{array}$$

APPENDIX III
SENATE JOINT RESOLUTION 128

SENATE JOINT RESOLUTION NO. 128

Requesting the Director of the Department of Personnel and Training to study and develop a policy regarding the employment of temporary employees and to make recommendations to the General Assembly regarding fringe benefits for such temporary employees.

Agreed to by the Senate, February 22, 1985

Agreed to by the House of Delegates, February 20, 1985

WHEREAS, although it is most desirable that the business of the Commonwealth be conducted by full-time career employees, it is sometimes necessary for various agencies and institutions to employ a number of persons to perform vital and important functions on a part-time basis for very short periods of time; and

WHEREAS, in violation of this principle, some of these part-time persons have been employed by some agencies of the Commonwealth for substantial periods of time, some working thirty-five or more hours per week; and

WHEREAS, it seems reasonable that some criteria should be established for determining what services should be conducted by full-time career employees and what services should be conducted by part-time personnel so as to keep the number of the latter group to a minimum; and

WHEREAS, it also seems reasonable that the remaining number of part-time employees deemed necessary ought to be entitled to some fringe benefits; now, therefore, be it

RESOLVED by the Senate, the House of Delegates concurring, That the Director of the Department of Personnel and Training is requested to determine what agencies have habitually been employing part-time employees as a means of keeping the number of full-time employees to a minimum; to develop a policy regarding the employment of temporary employees of the Commonwealth; and to make recommendations to the General Assembly regarding fringe benefits for such employees.

The Director shall submit his report prior to the 1986 Session of the General Assembly.

