

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

**STUDY OF ANNUAL LEAVE
BENEFITS FOR LONG-TERM
STATE EMPLOYEES**

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



HOUSE DOCUMENT NO. 90

**COMMONWEALTH OF VIRGINIA
RICHMOND
2000**



COMMONWEALTH of VIRGINIA

Department of Personnel and Training

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January 27, 2000

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Dear Governor Gilmore and Members of the General Assembly:

House Joint Resolution #557 passed by the 1999 General Assembly required the Department of Personnel and Training, in consultation with the Joint Commission on Management of the Commonwealth's Workforce, to study the feasibility of increasing the annual leave benefits provided to long-term state employees.

Enclosed for your review and consideration is the report that has been prepared pursuant to this study.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sara L. Wilson".

Sara Redding Wilson

Enclosure

cc: The Honorable G. Bryan Slater
Secretary of Administration

The Honorable Senator Richard J. Holland, Chair
Joint Commission on Management
of the Commonwealth's Workforce

PREFACE

House Joint Resolution No. 557 stated the Commonwealth's desire to reward its dedicated employees and to provide incentives for their continued service. One such reward cited by the resolution was annual leave, which provides employees with time to pursue other interests outside the workplace. Accordingly, HJR No. 557 directed the Department of Personnel and Training, in consultation with the Joint Commission on Management of the Commonwealth's Workforce, to study annual leave benefits provided to state employees and make recommendations on the feasibility of increasing those benefits for long-term employees.

Staff of the Department of Personnel and Training reviewed leave benefits provided by other public and private employers and determined that the annual leave provided to long-term state employees, specifically, those with 15, 20 and 25 years of service, lagged behind the leave provided by the surveyed employers. Therefore, a recommendation for increasing the amount of annual leave provided to long-term state employees is outlined herein. The Joint Commission on Management of the Commonwealth's Workforce has been consulted with in the preparation of this report.

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EXECUTIVE SUMMARY

House Joint Resolution No. 557 requested the Department of Personnel and Training, in consultation with the Joint Commission on Management of the Commonwealth's Workforce, to study the annual leave benefits provided to state employees and make recommendations on the feasibility of increasing those benefits for long-term employees.

I. Current Policies on Annual Leave Accrual

Department of Personnel and Training Policy 4.10 provides for an increase in the accrual of annual leave at five, ten, and twenty years of state service, with a corresponding increase in the amount of leave which can be carried forward from one calendar year to the next. There is no incremental increase for either fifteen or twenty-five years of service.

II. Comparison to Benefits Offered by Other States and Employers

Of the twelve other states for which information was available, Virginia ranked last in the amount of annual leave granted to employees with fifteen years of service. Virginia, along with Georgia and Missouri, also ranked near the bottom with regard to granting leave to employees with twenty-five years of service; only Florida granted less.

In addition to its state counterparts, the Commonwealth also lags behind such major local employers as the City of Richmond, CSX, Phillip Morris, Reynolds Metals, and Virginia Power in the annual leave accorded to long-term employees.

III. Impact of Increasing Current Annual Leave Provisions

To reward long-term employees and provide an incentive for continued service, there are several possible alternatives to the current annual leave provisions. However, in order to determine an appropriate recommendation, several factors were considered. Among these factors were 1) the financial impact of such a change, 2) costs associated with changes that might need to be made to leave-related automated system, 3) employee productivity concerns, and 4) the incentive such a change might provide for employees to continue their employment.

A. Financial Impact

Given the Commonwealth's turnover rate, combined with the average amount of annual leave paid to terminating employees, an increase in annual leave accrual could be provided with little or no financial impact.

B. Programming Changes

Changes to State systems resulting from an increase in annual leave would be minimal. Such changes can be made by in-house Information Systems personnel and would not require the expenditure of additional funds.

C. Productivity

The majority of annual leave earned by employees is being taken, as intended, while on the job. Accordingly, there could be concern that an increase in the amount of annual leave might hamper management's ability to plan and execute its workload responsibilities. However, policy grants management discretion in approving annual leave requests in order to control workflow.

D. Incentive for Continued Employment

Providing additional leave accrual could be an incentive for the Commonwealth's most seasoned, knowledgeable, and experienced employees to remain in state service. Loss of these employees could have a detrimental impact on their agencies' ability to provide quality and timely services. An increase in the annual leave accrual rate would demonstrate the Commonwealth's commitment to and appreciation of this valuable resource.

IV. Conclusion

Virginia lags behind other States and local employers in its provision of annual leave to long-term employees. It is possible to provide an increase in such leave without any significant financial impact or loss of productivity. This would not only bring the Commonwealth in line with other states and employers, but also would provide additional incentive for continued service to the large number of experienced, knowledgeable employees on whom the Commonwealth depends.

V. Recommendation

Based on the above, it is recommended that an additional accrual increment of one hour of annual leave per completed pay period (7 hours) be provided to employees with 15 years of state service. Additionally, it is recommended that the current annual leave accrual rate for employees with 20 years of state service be increased by one hour (from 7 hours to 8 hours per completed pay period) and that an additional accrual increment of one hour of annual leave per completed pay period (9 hours) be provided to employees who achieve 25 years of state service.

It is further recommended that the amount of annual leave that can be carried over from one year to the next be increased consistent with current policy. However, to contain any possible cost of such a change, it is recommended that there be no increase in the current maximum payment limit an employee would receive upon separation.

I. INTRODUCTION

House Joint Resolution No. 557 stated the Commonwealth's desire to reward its dedicated employees and to provide incentives for their continued service. One such reward cited by the resolution was annual leave, which provides employees with time to pursue interests outside the workplace. Accordingly, HJR No. 557 directed the Department of Personnel and Training, in consultation with the Joint Commission on Management of the Commonwealth's Workforce, to study annual leave benefits provided to state employees and make recommendations regarding the feasibility of increasing those benefits for long-term employees.

Staff of the Department of Personnel and Training reviewed leave benefits provided by other public and private employers and determined that the annual leave provided to long-term state employees, specifically, those with 15, 20 and 25 years of service, lagged behind the leave provided by the surveyed employers. Therefore, a recommendation for increasing the amount of annual leave provided to long-term state employees, those with 15 or more years of state service, is contained herein. The Joint Commission on Management of the Commonwealth's Workforce has reviewed these findings and concurs with the recommendation.

II. BACKGROUND ON CURRENT ANNUAL LEAVE PROVISIONS

Accrual, Carryover, and Payment Provisions of Annual Leave

Department of Personnel and Training Policy 4.10 governs annual leave accrual, carryover allowance, and payment provisions for Executive Branch employees. Employees are permitted to accumulate annual leave credits and carry forward these credits from one year to the next, up to certain limits, based on their years of state service. Upon separation from state service, employees receive payment for all unused annual leave credits, up to the maximum carryover (payment limit) allowed for their years of service.

Annual leave is used for vacations, as well as all other personal absences. The use of annual leave is encouraged to ensure a workforce that is adequately rested and renewed, but requires management approval in order to control daily staffing levels and workflow.

Currently, increases in annual leave accrual are awarded at five, ten, and twenty years of service. There is no increase at either fifteen or twenty-five years of service.

Table 1
Current Annual Leave (AL) Accrual, Carryover, and Payment Limits

Years of Service	AL Hours Accrued Per Pay Period	AL Hours Accrued Per Year	Maximum AL Carryover And Payment Limit
Up to 5 years	4 hours	96 hours (12 days)	192 hours (24 days)
5 years	5 hours	120 hours (15 days)	240 hours (30 days)
10 years	6 hours	144 hours (18 days)	288 hours (36 days)
15 years	No Increase		
20 years	7 hours	168 hours (21 days)	336 hours (42 days)
25 years	No Increase		

III. COMPARISON TO BENEFITS OFFERED BY OTHER STATES AND EMPLOYERS

Of the twelve other states for which information was available, Virginia ranks last in the amount of annual leave granted to employees with fifteen years of service. Virginia, along with Georgia and Missouri, also ranks near the bottom with regard to employees with twenty-five years of service. (A summary table comparing the information found in Tables 2-5 is located in the Appendices at Appendix B.)

Comparison of States' Annual Leave (AL) Benefits in Descending Order

Table 2
10 Years of Service

State	Days of AL Per Year for 10 Years of Service
Mississippi	24.00
Georgia	21.00
Louisiana	21.00
West VA	21.00
S. Carolina	15-20
N. Carolina	19.75
Alabama	19.50
Florida	19.50
Arkansas	18.00
Kentucky	18.00
Missouri	18.00
Tennessee	18.00
Virginia	18.00

Table 3
15 Years of Service

State	Days of AL Per Year for 15 Years of Service
Mississippi	27.00
S. Carolina	21.25-26.25
Louisiana	24.00
West VA	24.00
Alabama	22.75
N. Carolina	22.75
Arkansas	21.00
Georgia	21.00
Kentucky	21.00
Missouri	21.00
Tennessee	21.00
Florida	19.50
Virginia	18.00

**Comparison of States' Annual Leave (AL) Benefits
in Descending Order**

**Table 4
20 Years of Service**

State	Days of AL Per Year for 20 Years of Service
Mississippi	27.00
S. Carolina	27.00
Alabama	26.00
N. Carolina	25.75
Kentucky	24.00
Louisiana	24.00
Tennessee	24.00
West VA	24.00
Arkansas	22.50
Georgia	21.00
Missouri	21.00
Virginia	21.00
Florida	19.50

**Table 5
25+ Years of Service**

State	Days of AL Per Year for 25 Years of Service
S. Carolina	30.00
Alabama	29.25
Mississippi	27.00
N. Carolina	25.75
Kentucky	24.00
Louisiana	24.00
Tennessee	24.00
West VA	24.00
Arkansas	22.50
Georgia	21.00
Missouri	21.00
Virginia	21.00
Florida	19.50

With regard to state holidays granted to employees, they range from a high of fourteen in West Virginia to a low of ten in Florida. Virginia is comparable to the majority of states noted above in granting eleven holidays.

In addition to its state counterparts, the Commonwealth also lags behind such major local employers as the City of Richmond, CSX, Phillip Morris, Reynolds Metals, and Virginia Power in the leave accorded to long-term employees.

**Comparison of Other Employers' Annual Leave (AL) Benefits
in Descending Order**

**Table 6
15 Years of Service**

Employer	Days of AL Per Year for 15 Years of Service
CSX	20 days
Federal Reserve	20 days
Phillip Morris	20 days
Reynolds	20 days
VA Power	20 days
Chesterfield Co.	18 days
Henrico Co.	18 days
Richmond	18 days
Virginia	18 days

**Table 7
20 Years of Service**

Employer	Days of AL Per Year for 20 Years of Service
Phillip Morris	25 days
Reynolds	25 days
Federal Reserve	22 days
Chesterfield Co	21 days
Henrico Co	21 days
Richmond	21 days
Virginia	21 days
CSX	20 days
VA Power	20 days

**Comparison of Other Employers' Annual Leave (AL) Benefits
in Descending Order**

**Table 8
25+ Years of Service**

Employer	Days of AL Per Year for 25+ Years of Service
Phillip Morris	30 days
CSX	25 days
Reynolds	25 days
VA Power	25 days
Federal Reserve	25 days
Richmond	24 days
Chesterfield Co.	21 days
Henrico Co.	21 days
Virginia	21 days

IV. IMPACT OF INCREASING ANNUAL LEAVE PROVISIONS

To reward long-term employees and provide an incentive for continued state service, there are several possible alternatives to the current annual leave provisions. However, to determine the most appropriate alternative, several factors were considered. Among the factors considered were: 1) the financial impact of such a change, 2) any costs associated with changes to leave-related automated systems, 3) concerns about employee productivity if they were provided additional time off, and 4) the incentive such a change might provide for long-term employees to continue their employment.

A. Financial Impact of a Change in Annual Leave Accrual Rates

Assuming any changes would be effective July 1, 2000, the table below indicates the number of employees who would be entitled to additional annual leave accrual in the coming biennium.

Table 12
Employees Affected by Changes in 2001-02 Biennium

Fiscal Year	Employees w/15-19 Years of Service as of 6/30/99	Employees w/20-24 Years of Service as of 6/30/99	Employees w/25+ Years of Service as of 6/30/99	Total
FY 2001	7330	8219	8482	24,031
FY 2002	7988	8260	9847	26,095

Actual financial liability occurs at the time of separation from employment, as this is the only time employees receive payment for their annual leave balances. Based on a survey of a representative sample of agencies, the average number of annual leave hours paid is approximately 75.3 per separated employee. Therefore, employees are taking leave rather than looking at it as an opportunity for payment at the time of separation. Because this figure is less than the maximum allowed, it is reasonable to infer that increasing the maximum carryover amount would have little impact on amounts paid to employees at separation. Additionally, capping the maximum payment level at the amount current employees may receive at separation with 15, 20 and 25 years of service would serve to further reduce the impact of payments made for annual leave balances at separation.

B. Programming Costs

The two major state systems affected by changes in the annual leave accrual rate are the Commonwealth Integrated Payroll and Personnel System (CIPPS) and the Personnel Management Information System (PMIS).

According to the Department of Accounts, which maintains CIPPS, and the Department of Personnel and Training, which is responsible for PMIS, any changes can be accomplished through the use of in-house Information Systems personnel and would not require the expenditure of additional funds. It is estimated that modifications to CIPPS would require approximately 50 hours on the part of one Systems Analyst, with revisions to PMIS taking less time since only one field in the system would require alteration.

C. Productivity Considerations

As noted previously, the typical employee who terminates is currently not being paid for the maximum carryover amount of annual leave. The leave is being taken, as intended, while on the job. Accordingly, there could be concern that an increase in the amount of annual leave might hamper management's ability to plan and execute its workload responsibilities. However, policy requires employees to secure permission for the use of annual leave and provides management with the authority to grant or deny such requests based on the agency's business needs. Therefore, an opportunity exists to control the workflow and the use of annual leave.

D. Incentive for Continued Employment

In addition to financial and productivity concerns, another important consideration is that additional leave accrual could provide an incentive for the Commonwealth's most seasoned, knowledgeable, and experienced employees to remain in state service. Approximately 3000 employees currently are eligible for full retirement. Loss of these employees could have a detrimental impact on their agencies' ability to provide quality and timely services. An increase in the annual leave accrual rates could be viewed as a means to demonstrate the Commonwealth's commitment to and appreciation of this valuable resource.

V. CONCLUSION

Virginia lags behind other states and major employers in its provision of annual leave to long-term employees (with 15, 20 and 25 years of service). It is possible to provide an increase in such leave without any significant financial impact or loss of productivity. Such a change would bring the Commonwealth in line with other states and employers, and could also provide incentive for continued state service to the large number of experienced, knowledgeable employees on whom the Commonwealth depends.

VI. RECOMMENDATIONS

Based on the above, it is recommended that an additional accrual increment of one hour of annual leave per completed pay period (7 hours) be provided to employees with 15 years of state service. Additionally, it is recommended that the current annual leave accrual rate for employees with 20 years of state service be increased by one hour (from 7 hours to 8 hours per completed pay period) and that an additional accrual increment of one hour of annual leave per completed pay period (9 hours) be provided to employees who achieve 25 years of state service.

It is further recommended that the amount of annual leave that can be carried over from one year to the next be increased consistent with current policy. However, to contain any possible cost of such a change, it is recommended that there be no increase in the current maximum payment limit or amount an employee would receive upon separation. This recommendation is reflected in the chart below:

Years of Service	Current Policy			Recommendation			
	AL Hours Accrued Per Pay Period	AL Hours Accrued Per Year	Maximum AL Carryover And Payment Limit	AL Hours Accrued Per Pay Period	AL Hours Accrued Per Year	Maximum AL Carryover Limits	Maximum AL Payment Limits
Up to 5 years	4 hours	96 hours (12 days)	192 hours (24 days)	4 hours	96 hours (12 days)	192 hours (24 days)	192 hours (24 days)
5 years	5 hours	120 hours (15 days)	240 hours (30 days)	5 hours	120 hours (15 days)	240 hours (30 days)	240 hours (30 days)
10 years	6 hours	144 hours (18 days)	288 hours (36 days)	6 hours	144 hours (18 days)	288 hours (36 days)	288 hours (36 days)
15 years	No Increase	No Increase	No Increase	7 hours	168 hours (21 days)	336 hours (42 days)	288 hours (36 days)
20 years	7 hours	168 hours (21 days)	336 hours (42 days)	8 hours	192 hours (24 days)	384 hours (48 days)	336 hours (42 days)
25 years	No Increase	No Increase	No Increase	9 hours	216 hours (27 days)	432 hours (54 days)	336 hours (42 days)

APPENDICES

APPENDIX A

HOUSE JOINT RESOLUTION NO. 557

Requesting the Department of Personnel and Training, in consultation with the Joint Commission on Management of the Commonwealth's Workforce, to conduct a comprehensive study of the annual leave benefits provided to state employees.

Agreed to by the House of Delegates, February 23, 1999

Agreed to by the Senate, February 18, 1999

WHEREAS, the Commonwealth is fortunate to have dedicated employees with vast experience; and

WHEREAS, such employees should be rewarded for service; and

WHEREAS, such employees should be encouraged to continue their service with the Commonwealth; and

WHEREAS, annual leave, especially that which increases with years of service, is a rewarding benefit that provides employees time with family and time to pursue interests outside the workplace; and

WHEREAS, the Commonwealth desires to provide state employees with benefits, including adequate annual leave; now, therefore, be it

RESOLVED by the House of Delegates, the Senate concurring, That the Department of Personnel and Training, in consultation with the Joint Commission on Management of the Commonwealth's Workforce, be requested to conduct a comprehensive study of the annual leave benefits provided to state employees. The Department shall make recommendations regarding the feasibility of increasing annual leave benefits for long-term employees.

All agencies of the Commonwealth shall provide assistance to the Department for this study, upon request.

The Department shall complete its work in time to submit its findings and recommendations to the Governor and the 2000 Session of the General Assembly as provided in the procedures of the Division of Legislative Automated Systems for the processing of legislative documents.

COMPARISON OF STATES' ANNUAL LEAVE

STATE	5 YEARS		10 YEARS		15 YEARS		20 YEARS		25 YEARS	
(alpha)	# days	rank	# days	rank	# days	rank	# days	rank	# days	rank
Alabama	16.25	tie 4 th	19.5	tie 4 th	22.75	tie 4 th	26	2 nd	29.25	2 nd
Arkansas	15	tie 5 th	18	tie 5 th	21	tie 5 th	22.5	5 th	22.5	6 th
Florida	16.25	tie 4 th	19.5	tie 4 th	19.5	6 th	19.5	7 th	19.5	8 th
Georgia	18	tie 2 nd	21	tie 2 nd	21	tie 5 th	21	tie 6 th	21	tie 7 th
Kentucky	15	tie 5 th	18	tie 5 th	21	tie 5 th	24	tie 4 th	24	tie 5 th
Louisiana	18	tie 2 nd	21	tie 2 nd	24	tie 3 rd	24	tie 4 th	24	tie 5 th
Mississippi	21	1 st	24	1 st	27	2 nd	27	tie 1 st	27	3 rd
Missouri	15	tie 5 th	18	tie 5 th	21	tie 5 th	21	tie 6 th	21	tie 7 th
North Carolina	16.75	3 rd	19.75	3 rd	22.75	tie 4 th	25.75	3 rd	25.75	4 th
South Carolina	15	tie 5 th	17.5	6 th	28.75	1 st	27	tie 1 st	30	1 st
Tennessee	18	tie 2 nd	18	tie 5 th	21	tie 5 th	24	tie 4 th	24	tie 5 th
Virginia	15	tie 5 th	18	tie 5 th	18	7 th	21	tie 6 th	21	tie 7 th
West Virginia	18	tie 2 nd	21	tie 2 nd	24	tie 3 rd	24	tie 4 th	24	tie 5 th

