

CITY OF MADISON

Vacation Cash-out proposal

Background

The Meet and Confer process is designed to provide a venue for identifying and making changes for employee handbooks. Part of that process includes taking items of mutual agreement to the Committee on Employee Relations (CER) to consider and provide a recommendation. In cases where the parties cannot come to mutual agreement and intend to move the item to a decision-making body, the City or Association is expected to notify the other party, and the item is referred to the Committee on Employee Relations for consideration and recommendation.

The issue of vacation carry-over was presented in the initial phase of the Meet and Confer process by the Madison City Attorney Association as a means for providing employees with an added benefit without a direct wage increase. The City disagreed, and the Madison City Attorney Association requested the item be moved to the CER for consideration and recommendation in October of 2021.

Issue

Vacation Cash-out is not currently allowed under the handbook; however, this practice is indeed allowed for Police and Metro Transit represented positions in their respective Collective Bargaining Agreements. Effectively, vacation cash-out enables an employee to earn pay for all regular work hours, and then earn additional pay in any year through cashing out unused vacation time. For example, an employee in a position budgeted to earn wages for 26 pay periods or 52 weeks, can take home wages for 53 or 54 weeks per year. Currently, unused vacation is not eligible for cash-out, but rather is carried over (in 2021 up to 3 weeks, or greater with Department Head and HR Director approval), or forfeited. The City Attorney Association is requesting an annual cash-out of 18 days of vacation, or 14 days of vacation, and 4 floating holidays.

Employee and Labor Relations Concerns

Employee and Labor Relations has three main concerns about this proposal:

1. Cost of the proposal
2. Lack of predictability created by the proposal
3. Employee wellness

Cost

Related to cost, Finance evaluated this proposal and provided the following analysis:

- *Assuming 50% of general municipal employees take a payout of one week of vacation, the cost would be \$1.4 million for all funds and \$850,000 general and library funds.*
- *This would be an increase in compensation compared to 52 weeks of pay and leave usage (i.e., the employee is receiving a payout rather than losing or taking one week of vacation).*

- *This provision may help reduce compensation balances in the event the paid-out leave would have otherwise been carried over to the subsequent year. It may also help to reduce overtime costs if employees opt for a payout rather than taking needed time away from work.*
- *This would be an expenditure in the year of the payout (rather than an accrued liability on the financial statements in the case of increased leave balances) and would have to be accommodated within overall annual budget limitations (e.g., levy limits and expenditure restraint program).*

While there may at times be savings, most agencies have minimum staffing requirements that allow a specific number of employees to be off without triggering overtime costs. Therefore, the likelihood that overtime would result in savings is less frequent in agencies like Police, Fire, and Metro Transit, where staffing shortages often trigger overtime costs even without the added vacation cash-out. Further, if employees were to cash-out even more than a week (2 to 3 weeks), we would anticipate up to double or triple the costs.

Most concerning would be the impact on smaller agencies such as the Office of the City Attorney (OCA). The OCA is one of the City's smaller agencies, but the overwhelming majority of their staff are members of compensation group 23 and are some of the City's highest wage earners. As a result, a vacation cash-out benefit would prove to be very difficult to manage and remain within budget constraints.

These cost estimates highlight the second major concern for Employee and Labor Relations, the inability to anticipate the impacts of these costs.

Lack of Predictability

Under the Association's proposal, the cashing out of vacation time is up to the employee. This means that not only will departments have little predictability of how much vacation their employees plan to use in a given year, and more importantly; the City's budget could fluctuate up to 1.4 million dollars in vacation cash-out. If more than a week were cashed, it would lend even greater unpredictability. This issue is exacerbated by the fact that employees can cash-out at any time during the year. Consequently, agencies and finance will not be able to offset this cost through other means, given that many employees will opt to cash-out during the holiday period.

Employee Wellness

Finally, a vacation cash-out incentivizes employees to save their vacation rather than take it, affecting overall employee wellness. Study after study demonstrates that employees' not taking adequate time away from work has a detrimental impact on various health measures, from hypertension, heart attacks, and heart disease, to impeding employees from giving sufficient attention to their health, diet, and exercise.

It is not just employee health that suffers, but also employee creativity, productivity, and stress management. Especially during a pandemic, employees are reporting higher levels of stress and increased workload during periods of peak stress and workload employees.

Conclusion

Finally, we would note that the Associations put forward requests seemingly contradicting one another in the Meet and Confer process. One indicating that additional vacation, sick leave, and holiday pay be added; and the second indicating a vacation cash-out was necessary and additional leave carry-over was necessary due to

employees being unable to take the leave time. The City did agree in the Meet and Confer process to increase the amount of vacation leave allowable for carry-over in 2020, 2021, and 2022 and added a holiday (Juneteenth), while rejecting the proposals for other additional leave or vacation cash-out. While we agree with continued workload and morale concerns of staff, we think the more appropriate way to address that is to systematically address the understaffing of the organization or look at ways to reduce service demands.

Reference Articles

[The Power of Vacation in Employee Wellness \(corporatewellnessmagazine.com\)](https://www.corporatewellnessmagazine.com)

[Vacation Health Benefits \(healthline.com\)](https://www.healthline.com)

[COVID-19 pandemic creates new causes of 'workplace' stress \(birmingham.ac.uk\)](https://www.birmingham.ac.uk)