



**OFFICE OF
INSPECTOR GENERAL**
UNITED STATES POSTAL SERVICE

**Leave Benefits
and Paid
Holidays
Benchmarking**

White Paper

Report Number
HR-WP-14-001-DR

May 1, 2014

Employee benefits

Employee benefits

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UNITED STATES POSTAL SERVICE

Executive Summary

*The Postal Service's
leave benefits have
generally remained
unchanged for decades.*

Title 39 U.S.C. requires the compensation and benefits of U.S. Postal Service employees be comparable to those of private sector employees. The Postal Service offers a leave benefits program similar to those other federal entities offer and observes 10 federal holidays. Paid leave and holidays for about 90 percent of 491,000 career Postal Service employees are covered by collective bargaining agreements with the four major postal unions. Leave benefits cost the Postal Service more than \$5 billion in fiscal year 2013.

The Postal Service's leave benefits have generally remained unchanged for decades. They offer a set number of days employees can use for reasons specific to that benefit. Employees who take time off must classify the type of leave they use, which increases administrative requirements. Conversely, the leave benefits in the private sector have changed significantly, resulting in reduced costs and time employees are away from work. Specifically, the private sector transitioned to paid-time-off (PTO) plans to enable their employees to manage their days at their own discretion. Employees no longer have to worry about classifying their time off and the plans are simplified and easier for employers to track and manage. PTO plans have become increasingly effective, especially among industries such as manufacturing and service, because unscheduled leave can affect productivity, disrupt operations, and increase labor costs.

At the request of the Postal Service, we benchmarked Postal Service leave benefits and paid holidays with six private sector companies and two government agencies. We found:

- Since 2000, four of the six private sector companies transitioned to a combined leave benefits program, consolidating leave into fewer categories. In addition, when they transitioned, two of those four reduced the overall number of leave days provided to employees.
- All companies based the number of leave days on employee tenure.
- The number of holidays benchmarked organizations offered their employees ranged from 8 to 12 days per year.
- Three of the eight benchmarked organizations had unionized workforces, but only one private sector company had different leave benefits for unionized employees.
- Two private sector companies and both government agencies maintained separate annual, sick, and personal leave categories.



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Challenges include legal requirements, union negotiations, information technology upgrades to support changes, and assessments of how benefit changes impact employees. Understanding and addressing these challenges would be critical to successfully implement any modifications to the Postal Service's current leave benefits program.

- Two of the six private sector companies cash out leave annually while the two government agencies cash out leave when employees separate from the organization.
- All but one company allowed employees to carry over leave days; five of them limit the carryover amount to between 3 and 36 days.

Although the Postal Service's leave benefits and paid holidays are comparable in many ways to those offered in the private sector, some differences exist. Most notably, Postal Service employees can carry over 55 or more days of annual leave each leave year, and employees are not limited by the amount of sick leave they can carry over. However, the benchmarked companies provided much more restrictive leave carryover. Limiting the leave employees can carry over decreases the money the company must pay out upon employee separation and reduces the money it must set aside to cover employee payments for these leave balances. If the Postal Service did significantly reduce sick leave carryover, though, the availability of leave for short-term situations such as maternity would be affected. Therefore, the need for a short-term disability program would be a critical consideration in any plan to change the leave carryover benefit.

While modifications to the Postal Service's current leave benefits program may reduce costs and the time employees are away from work, challenges exist in pursuing any changes. Challenges include legal requirements, union negotiations, information technology upgrades to support changes, and assessments of how benefit changes impact employees. Understanding and addressing these challenges would be critical to successfully implement any modifications to the Postal Service's current leave benefits program. Most notably, the Postal Service must maintain categories for annual and sick leave; therefore, the need for legislative changes would be a critical consideration in any plan to eliminate the leave categories from Postal Service benefits. Also, the Postal Service cannot unilaterally change benefits for employees covered by collective bargaining agreements. Because benefits are only one of many components negotiated with the unions, the Postal Service may be forced to pursue changes to employee leave benefits at the cost of other negotiated components. Also, for certain employees not covered by collective bargaining agreements, the Postal Service has an obligation to consult with management associations about programs affecting those employees as well. This can impact its negotiation and consultation strategies.



Leave Benefit Key Features of Benchmarked Organizations

Click on the **features** (orange categories) to see an enlarged version of their characteristics across companies

Features	Company																	
	Postal Service		Company A (Private) Postal		Company B (Private) Energy		Company C (Private) Aerospace		Company D (Government)		Company E (Private) Parcel Delivery		Company F (Private) Energy		Company G (Government)		Company H (Private) Education	
Leave Plan Type	Separate annual and sick leave categories		Separate annual and personal leave categories		Consolidated all leave into one category		Consolidated all leave into one category		Separate annual and sick leave categories		Separate annual, sick, and personal leave categories		Consolidated all leave into one category with a separate sick leave category		No information provided		Consolidated all leave into one category	
Employee Tenure and Leave Days	Years	Days	Years	Days	Years	Days	Years	Days	Years	Days	Years	Days	Years	Days	Years	Days	Years	Days
	<3	13	1-6	21	1-4	20	<1	10	<3	13	1-4	14	<3	12	<3	13	<1	16-22 days (Varies with level)
	3-15	20	7-13	28	5-9	22.5	1-4	15	3-15	20	5-9	21	3-9	17	3-15	20		
	>15	26	14-20	35	10-14	25	5-9	20	>15	26	10-19	28	10-14	22	>15	26		
			>21	42	15-20	27.5	10-14	22			20-24	35	15-19	25			1-x	+1 day per year of service (max 26 days)
					>20	30	15 or more	25			>25	42	20-24	28				
													25	30				
Sick Leave	13		0		0		0		13		Union 4-6		10		13		No information provided	
Personal Days	Nonunion (up to 4 hrs a pay period)		7		0		0		0		Nonunion 7-12		0		0		No information provided	
Short Term Disability Program	Not offered		Pays 70% of income after 5th day of illness		Benefit offered after 7th day of illness		Benefit offered after 5th day of illness		Not offered		No information provided		No information provided		Not offered		No information on number of days provided	
Annual Leave Carry Over Days	55		0		20-30		5		30		0		3-10		30		14-36	
Sick Leave Carry Over Days	Unlimited		0		0		0		Unlimited		0		0		Unlimited		0	
Personal Leave Carry Over Days	Nonbargaining employees, no more than half work day		5		0		0		0		0		0		0		0	
Holidays	10		No information provided		10-11		~12 *varies by state and location		10		8		10		10		No information provided	
Floating Holidays	Available to some bargaining unit employees		0		1 *available to employees who receive 10 holidays due to work type		No information provided		0		0		1		0		0	

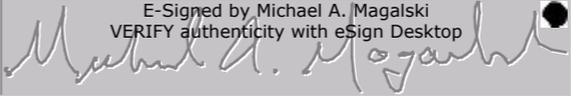
Transmittal Letter



OFFICE OF INSPECTOR GENERAL
UNITED STATES POSTAL SERVICE

May 1, 2014

MEMORANDUM FOR: JEFFREY C. WILLIAMSON
CHIEF HUMAN RESOURCES OFFICER AND
EXECUTIVE VICE PRESIDENT

E-Signed by Michael A. Magalski
VERIFY authenticity with eSign Desktop


FROM: Michael A. Magalski
Deputy Assistant Inspector General
for Support Operations

SUBJECT: White Paper — Leave Benefits and Paid Holidays Benchmarking
(Report Number HR-WP-14-001)

Attached are the results of our review of Leave Benefits and Paid Holidays Benchmarking (Project Number 13YG031HR000). Leave benefits and paid holidays are an integral component of the U.S. Postal Service's personnel costs. This paper provides benchmarking results with six private sector organizations and two government agencies and a summary of challenges associated with implementing benefit changes.

If you have any questions or need additional information, please contact Lorie Nelson, director, Human Resources and Support, or me at 703-248-2100.

Attachment

cc: Corporate Audit and Response Management

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Observations

The largest component of the U.S. Postal Service's total expenses is employee costs, which totaled \$55 billion — 76 percent of total expenses — in fiscal year (FY) 2013.

The Postal Service currently offers its employees a leave benefits program similar to what other federal entities offer their employees.

Introduction

Leave and paid holidays are one component of an employee's benefit package, which also includes pay, insurance, and retirement. This component is a time-off incentive – the time an employee is away from work and still receiving pay – and includes annual, personal, sick, military,¹ and holiday leave.

Traditionally, employers have separated leave benefits into different categories for annual, sick, and personal leave. Employers who provide traditional leave benefit programs offer a set number of days their employees can use for reasons specific to that benefit. Employees who take time off under these plans have to classify the type of leave they are using, which increases administrative requirements. According to the most recent WorldatWork survey² on paid time-off programs and practices, traditional programs are still the most common, especially among organizations with more than 20,000 employees.

Paid-time-off (PTO) plans have become increasingly popular in the U.S. among employers. PTO is a combined leave plan, which consolidates paid leave into one comprehensive program. According to the 2013 Society for Human Resource Management (SHRM) Examining Paid Leave in the Workplace report, 52 percent of organizations have transitioned from a traditional leave benefit plan to a PTO plan. Earlier data indicate that 50 percent of nonprofit organizations and 43 percent of privately owned for-profit organizations offer PTO plans, compared with 22 percent of government agencies.³ Employers who offer PTO plans enable their employees to manage their days at their own discretion. Employees no longer have to worry about classifying their time off and the plans are simplified and easier for employers to track and manage. PTO plans have become increasingly effective, especially among industries such as manufacturing and service, because unscheduled leave can affect productivity, disrupt operations, and increase labor costs.

The largest component of the U.S. Postal Service's total expenses is employee costs, which totaled \$55 billion — 76 percent of total expenses — in fiscal year (FY) 2013. Employee costs include leave benefits, which cost the Postal Service more than \$5 billion in FY 2013. Leave is part of a larger benefits and compensation package, which impacts current and future Postal Service liabilities.

At the Postal Service's request, and with the assistance of a contractor, we compared the Postal Service's leave benefits and paid holidays to programs in the private and government sector. In addition, we identified opportunities and challenges related to the Postal Service incorporating changes to its benefits program.

Postal Service Benefits

Title 39 requires the Postal Service to offer employee compensation and benefits that are comparable to those the private sector pays employees for comparable work. Further, annual and sick leave are obligations of the Postal Service.⁴ The Postal Service currently offers its employees a leave benefits program similar to what other federal entities offer their employees. It includes annual, sick, and military leave, as well as paid holidays. It also offers an annual leave exchange program and personal absence time as additional compensation and benefit options.

1 An authorized absence from postal duties for hours the employee would have worked during his or her regular schedule, without loss of pay, time, or performance rating, granted to eligible employees who are members of the National Guard or reserve components of the armed forces.
2 *Paid Time Off Programs and Practices – A Survey of WorldatWork Members*, May 2010.
3 We did not validate the information in this study.
4 Title 39 U.S.C. §§ 1003 (a) and 1005 (e) – Employment Policy.

Annual Leave

Postal Service employees may use annual leave for rest, recreation, personal, or emergency purposes. Most employees accrue between 13 and 26 days of paid annual leave based on their tenure. However, the Postal Service recently reduced this benefit for all nonexecutive, nonbargaining, nonlaw enforcement employees, including supervisory, managerial, and forensic employees, hired after October 1, 2012. Employees in these categories accrue between 10 and 20 days. The Postal Service credits annual leave to full-time employees at the beginning of the leave year,⁵ while it credits annual leave for part-time employees at the end of each pay period. Postal Service employees can carry over 55 or more days of annual leave each leave year depending on their tenure and job type.

Sick Leave

Postal Service employees may use sick leave for illness, injury, pregnancy, and medical and dental examinations and treatment. Sick leave is accrued and credited at the end of each pay period in which it is earned for an annual total of 13 days for most employees. However, similar to annual leave, nonexecutive, nonbargaining, nonlaw enforcement employees, including supervisory, managerial, and forensic employees, hired after October 1, 2012, earn 9.75 days each year. Part-time employees earn 1 hour for each unit of 20 hours in a pay status, up to 104 hours, or 13 days per leave year. Employees are not limited by the amount of sick leave they carry over each leave year.⁶ Public Law 111-84, National Defense Authorization Act for fiscal year 2010, amended 5 U.S.C., Government Organization and Employees, to include sick leave credit in the Federal Employees Retirement System (FERS) annuity computation. As of January 1, 2014, 100 percent of sick leave balances can be used as a service credit in the computation of the retirement annuity. According to Postal Service management, this suggests a desire to encourage sick leave conservation by FERS employees, and the law endorsed the existing sick leave program by adding to its value. Eliminating sick leave as a separate category would be inconsistent with this action, and it raises potential legal concerns.

Military Leave

The Postal Service grants military leave to eligible employees who are members of the National Guard or reserve components of the armed forces. Full-time employees receive 15 days of military leave each fiscal year and can carry over up to 15 days to the next fiscal year. Certain law enforcement military activities allow for 22 days per year. Beyond general military leave allowances, employees can use annual leave or leave without pay.⁷ Employees can also use sick leave in medical situations.

5 The year beginning with the first day of the first complete pay period in a calendar year and ending on the day before the first day of the first complete pay period in the following calendar year.

6 The Postal Service does not have a short-term disability program that pays a percentage of an employee's salary for a specified period if the employee is ill or injured and cannot perform the duties of his or her job. Instead, sick leave ensures employees against loss of pay if they are incapacitated for the performance of duties.

7 A temporary nonpay status and absence from duty that, in most cases, is granted at the employee's request.

We found the organizations took a variety of approaches, including traditional leave plans with separate leave categories, plans that combine leave types into a single category, and hybrid plans that include a variation of both.

Holidays and Floating Holidays

The Postal Service observes the following 10 holidays:

- New Year's Day
- Martin Luther King Jr.'s Birthday
- Washington's Birthday (Presidents' Day)
- Memorial Day
- Independence Day
- Labor Day
- Columbus Day
- Veterans Day
- Thanksgiving
- Christmas

Some Postal Service bargaining employees⁸ are also eligible to receive a floating holiday. A floating holiday allows an eligible employee to work on a holiday, at his or her option, and have his or her annual leave balance credited with up to 8 hours of annual leave in lieu of holiday leave pay.

Annual Leave Exchange

The Postal Service's annual leave exchange program allows eligible employees to exchange leave they would otherwise earn during the next leave year for cash. Accumulated leave cannot be exchanged under this program. The terms and conditions for exchanging leave vary for each classification of employee. The Postal Service, in consultation with its management associations, determines the minimum and maximum number of hours allowed each year, as well as the leave balance the employee must have at the end of the leave year in which the election is made, and any other requirements.

Personal Absence

The Postal Service offers its nonbargaining unit salary employees personal absence time that is considered PTO and is not accrued leave. Personal absence is not charged as annual leave, sick leave, or any other paid leave category. Normally, personal absence time is limited to no more than half an employee's work day and does not carry over from pay period to pay period. This leave may be used for personal business or emergency purposes.

Benchmarked Company Benefits

We benchmarked with eight organizations across the postal, energy, parcel delivery, education, and aerospace industries, as well as the government. Three of the eight organizations had unionized workforces, one operates globally, and four of them operate nationwide. We focused on how the organizations structure their leave benefits, changes they made to leave benefits, and the corresponding reasons for those changes. We found the organizations took a variety of approaches, including traditional leave plans with separate leave categories, plans that combine leave types into a single category, and hybrid plans that include a variation of both. In addition, they include additional components such as personal leave,⁹ military leave, leave carryover, and leave cash-out options. See [Appendix A](#) for a snapshot of leave benefits and key features of the private and government benchmarked organizations.

⁸ A career or noncareer employee who is represented by a labor organization (union) that negotiates with the Postal Service for wages, hours, and other terms and conditions of employment.

⁹ General purpose paid leave that can be used for reasons important to the employee that may not be covered by other forms of leave.

We also reviewed data from the Bureau of Labor Statistics (BLS) regarding private sector paid leave. While Postal Service benefits are similar to those offered in the private sector, private sector companies with PTO plans offer less paid leave days than the average offered in the private sector and the Postal Service.

Paid-Time Off Plans

Four of six private sector benchmarked companies transitioned from a traditional leave plan to a PTO plan. Specifically, Companies B, C, and H transitioned to a PTO plan that consolidated all paid leave into one category. These companies transitioned their paid leave benefits programs to reduce and manage paid leave costs and absenteeism.

- Company B, an energy company, transitioned from a traditional paid leave benefits program that included annual leave, sick leave, bereavement leave, and personal days as separate components. As part of the transition, Company B reduced the overall paid leave days provided to employees and froze all accrued sick leave.
- Company C, an aerospace company with a unionized workforce, transitioned from a traditional paid leave plan that included vacation leave, sick leave, and personal days as separate components. As part of the transition, Company C froze all accrued leave and required employees to use it in a 3-year period.
- Company H, an educational institution, transitioned from a traditional leave plan that offered sick and annual leave as separate components. As part of the transition, Company H froze all accrued sick leave¹⁰ and kept those balances in a separate program.
- When transitioning to a PTO plan, all three companies modified their short-term disability¹¹ programs by reducing the waiting period to apply for the benefit. The program allows employees to use the benefit after using between 5 and 8 consecutive PTO days for an illness. This mitigated the risk of employees using all of their PTO days as sick leave. Upon transition, Company B also froze all sick leave accruals and employees were only allowed to use those days to supplement their short-term disability benefits. For example, if an employee receives 80 percent of his or her salary while on short-term disability, he or she can apply the cash equivalent of frozen sick leave to increase his or her short-term disability salary to 100 percent. Organizations that transitioned to a PTO plan noted that updating their short-term disability program to complement the PTO plan was critical to its success.

Company F, an energy company, transitioned from a traditional leave plan to a PTO plan that combines annual leave and personal days while offering sick leave as a separate component. Although sick leave is typically included in a PTO, Company F specifically chose to keep this program separate because of its employee demographics, which included a younger workforce. Company F was concerned that these employees would not set aside any of their PTO leave for unforeseen emergencies and illnesses. Company F transitioned to a PTO plan to reduce its paid leave costs.

¹⁰ Company H did not provide any information regarding accrued annual leave.

¹¹ A type of insurance that pays a percentage of an employee's salary for a specified period, if the employee is ill or injured and cannot perform the duties of his or her job.

Traditional Leave Plans

Traditional leave plans contain separate categories of leave, such as annual and sick, that employees can only use for specific reasons. Two private sector companies and both government agencies offered traditional leave plans, and Companies A and E recognized the value of offering personal days as an additional component.

Company A, a postal organization, offers annual/vacation leave and personal days. Company A replaced sick leave days with a limited number of personal days, allowing employees to take time off at their own discretion. Company A also implemented a short-term disability program allowing employees to receive 70 percent of their pay if they were ill for an extended period. Upon eliminating the sick leave category, Company A allowed employees to supplement their short-term disability benefits with their accrued sick leave balances. Company A noted that replacing sick leave with personal leave reduced absenteeism from 17 to 14 days per employee. Six months after implementing the changes, it held focus sessions that revealed that overall the program decreased the administrative workload for team members by 80 percent.

However, Company E, with a workforce similar to the Postal Service's workforce, offers two types of leave plans that vary across employee type (bargaining and nonbargaining). Bargaining employees receive sick leave, annual leave, and personal days and nonbargaining employees receive a hybrid plan that offers annual leave and personal days. Full-time bargaining employees receive annual leave as a lump sum and part-time bargaining employees accrue it based on the number of hours worked per week. In addition to annual leave, bargaining employees also receive personal and sick days. Nonbargaining employees accrue annual leave based on tenure and receive personal days.

Companies D and G, the government agencies, offer plans that include separate annual and sick leave components and are similar to the plans that the Postal Service offers.

Holidays and Floating Holidays

All benchmarked organizations provide between 8 and 12 paid holidays each leave year; however, this number varies by industry and individual work groups within organizations based on consumer and operational demands. For example, Company E, a parcel delivery company, has high customer demand for parcel services during peak holiday seasons. As a result, it provides employees with additional personal days they can use as additional holidays as long as the company can operate without logistical disruption.

Companies B and F, both private sector benchmarked companies, offer a floating holiday to their employees. Company F provides the benefit to be consistent with competitors and Company B does so to compensate a certain group of employees who do not receive the same holidays as the rest of the company. For example, management give employees who do not have an alternate work schedule¹² this benefit to increase the fairness of the program across work groups.

¹² Alternate work schedules allow employees to work the same number of hours per week that they normally would but on an atypical schedule (such as working 80 hours over 9 days and taking every other Friday off).

Military Leave

As a part of their benefits package, six of the eight benchmarked organizations offer military leave, which provides time off from work for employees to fulfill military commitments.¹³ Four of the six companies are private sector organizations that offer differential pay for military leave. This provides employees the difference in pay if their military pay is less than their regular salary. However, companies structure this benefit in different ways. Company B provides full pay for 3 months before differential pay begins. Company E provides differential pay up to 1 year, which is similar to the 6 months of differential pay Company H offers. The remaining organizations, two government agencies, provide 100 percent of an employee's salary for 15 days.

Carryover

Seven of eight benchmarked organizations allow employees to carry over leave days from year to year. Four of the seven organizations limit the leave employees can carry over to no more than the amount of leave employees are eligible to accrue in a single leave year. Company F has an additional restriction on its carryover benefit that requires employees to use 2 weeks of PTO each year and they can carry any amount above this to the following year. This means an employee with 3 weeks of leave can only carry over 1 week to the following year. We found the fewest number of days that an employee could carry over was 3 and the highest number was 36.

Limiting the leave employees can carry over decreases the money the company must pay out upon employee separation. In addition, it reduces the money a company must set aside to cover the liability related to paying employees for leave balances. Company C owed employees about \$385 million for unused leave before reducing its carryover benefit. Similarly, Company A only allows employees to carry over up to 5 personal days each leave year. Before instituting this policy, Company A allowed employees to carry over an unlimited number of sick days,¹⁴ which became a large liability for the organization that had already been experiencing financial losses. By limiting the personal days its employees can carry over, Company A can better project costs each year. See [Table 1](#) for leave carryover offerings from the benchmarked organizations.

¹³ The other two organizations may also offer this benefit but they did not provide any information during our review.

¹⁴ Company A replaced sick leave with personal leave.

Table 1. Type of Leave Carried Over Each Year by Organization

Company	Type of Leave Carried Over Each Year		
	Annual/Vacation Leave (days)	Personal Leave (days)	Sick Leave (days)
Company A	0	5	0
Company B	20-30	0	0
Company C	5	0	0
Company D	30	0	Unlimited
Company E	0	0	0
Company F	3-10	0	0
Company G	30	0	Unlimited
Company H	14-36	0	0

Source: U.S. Postal Service Office of Inspector General (OIG) analysis.

Companies A, C, and F noted that in the past when they did not limit the leave an employee could carry over, many employees had saved multiple months of leave to use later or cash out upon separation. This resulted in increased costs because the companies had to pay out a higher amount of leave upon employee separation and set aside funds in the interim to cover this cost. Also, employees' ability to save large amounts of leave was a challenge from a workforce predictability standpoint because employees could use leave more often and for longer periods.

If the Postal Service significantly reduces sick leave carryover, the availability of leave for short-term situations such as maternity would be affected. Therefore, the need for a short-term disability program would be a critical consideration in any plan to change the leave carryover benefit. Also, according to Postal Service management, higher annual leave carryover limits provide an operational cushion by enabling employees to defer leave use from the end of the year, which reduces the demand for annual leave during the Postal Service's busiest period. Implementing a leave program with no leave carryover provision would create a demand for use during that period.

Cash Out

All eight organizations pay employees for unused leave balances. Two of the six private sector companies cash out leave annually while the two government agencies cash out leave when employees separate from the organization. A policy of cashing out leave at separation may decrease an organization's costs because of limits on leave carryover. Conversely, an annual cash out policy may avoid separation payments that are based on a higher income than when the leave was earned.

According to 2009 SHRM research, 17 percent of employers who offer a PTO plan allow employees to sell unused paid leave. Of employers who offer a paid vacation plan, 14 percent allow employees to sell unused vacation time.

BLS Data

We also reviewed data from the BLS¹⁵ regarding paid leave in the private sector. As shown in Table 2, on average the private sector offers between 33 and 49 days of paid leave depending on years of service.

Table 2. Private Sector Average Annual Paid Leave Days

Type of Leave	Private Sector Years of Service			
	1+	5+	10+	20+
Paid Annual Leave Days	13	17	20	24
Paid Sick Leave Days	11	13	15	16
Paid Holidays	9	9	9	9
Total Paid Leave	33	39	44	49

Source: BLS National Compensation Survey, 2013.

Similarly, the Postal Service offers between 36 and 49 days of total paid leave. Postal Service employees receive more annual leave days for longer tenure and also receive 1 additional paid holiday, but sick leave is fixed at 13 days. As shown in Table 3, private sector companies with PTO plans offer between 27 and 38 days of total paid leave, significantly less than the average in the private sector and the Postal Service.

Table 3. Private Sector Average PTO Leave Days

Type of Leave	Private Sector Years of Service			
	1+	5+	10+	20+
PTO Days	18	23	26	29
Paid Holidays	9	9	9	9
Total Paid Leave	27	32	35	38

Source: BLS National Compensation Survey, 2013.

¹⁵ National Compensation Survey – Benefits, 2013. Data are for companies with 500 or more employees.

Challenges

While the Postal Service could possibly reduce cost if it modifies its current leave benefits program, it will likely face several challenges in pursuing any changes. Understanding and addressing these challenges is critical for the Postal Service to successfully implementing any modifications to its current leave benefits program. Challenges include legal requirements, union negotiations, updated information technology to support changes, and assessments of the impact of benefit changes on employees. Currently, legal requirements and employee unions bind the Postal Service by law and contract to deliver specific benefits to its employees. Thus, when making changes to its benefits program, the Postal Service must follow the law while strategizing ways to negotiate changes with its unions to reduce the risk of pushback. The Postal Service should consider the affect changing its leave benefits program will have on the technology system it uses to administer and process leave. This kind of transformation could require a large investment of time and money. Also, the Postal Service will have to consider how these changes will impact its employees. See [Appendix B](#) for additional details on these considerations.

Conclusion

The Postal Service's leave benefits have generally remained unchanged for decades, while the leave benefits of the private sector organizations have changed significantly. Although the Postal Service's leave benefits and paid holidays are comparable in many ways to those offered in the private sector, some differences exist. For example, benchmarked organizations include a combined leave benefits program with fewer leave categories, fewer total days of leave, reduced leave carryover amounts, and restrictions on cashing out leave. Organizations implemented these changes primarily to reduce costs and time employees are away from work.

While the Postal Service might reduce costs by modifying its current leave benefits program, it will likely face several challenges in pursuing any changes. These challenges include legal requirements, union negotiations, updated information technology to support changes, and assessment of the impact of benefit changes on employees. Understanding and addressing these challenges would be critical to successfully implement any modifications to the Postal Service's current leave benefits program.

Appendices

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Appendix A: Leave Benefit Key Features of Benchmarked Organizations

Features	Company																	
	Postal Service		Company A (Private) Postal		Company B (Private) Energy		Company C (Private) Aerospace		Company D (Government)		Company E (Private) Parcel Delivery		Company F (Private) Energy		Company G (Government)		Company H (Private) Education	
Leave Plan Type	Separate annual and sick leave categories		Separate annual and personal leave categories		Consolidated all leave into one category		Consolidated all leave into one category		Separate annual and sick leave categories		Separate annual, sick, and personal leave categories		Consolidated all leave into one category with a separate sick leave category		No information provided		Consolidated all leave into one category	
Employee Tenure and Leave Days	Years	Days	Years	Days	Years	Days	Years	Days	Years	Days	Years	Days	Years	Days	Years	Days	Years	Days
	<3	13	1-6	21	1-4	20	<1	10	<3	13	1-4	14	<3	12	<3	13	<1	16-22 days (Varies with level)
	3-15	20	7-13	28	5-9	22.5	1-4	15	3-15	20	5-9	21	3-9	17	3-15	20		
	>15	26	14-20	35	10-14	25	5-9	20	>15	26	10-19	28	10-14	22	>15	26		
			>21	42	15-20	27.5	10-14	22			20-24	35	15-19	25			1-x	+1 day per year of service (max 26 days)
				>20	30	15 or more	25			>25	42	20-24	28					
													25	30				
Sick Leave	13		0		0		0		13		Union 4-6		10		13		No information provided	
Personal Days	Nonunion (up to 4 hrs a pay period)		7		0		0		0		Nonunion 7-12		0		0		No information provided	
Short Term Disability Program	Not offered		Pays 70% of income after 5th day of illness		Benefit offered after 7th day of illness		Benefit offered after 5th day of illness		Not offered		No information provided		No information provided		Not offered		No information on number of days provided	
Annual Leave Carry Over Days	55		0		20-30		5		30		0		3-10		30		14-36	
Sick Leave Carry Over Days	Unlimited		0		0		0		Unlimited		0		0		Unlimited		0	
Personal Leave Carry Over Days	Nonbargaining employees, no more than half work day		5		0		0		0		0		0		0		0	
Holidays	10		No information provided		10-11		~12 *varies by state and location		10		8		10		10		No information provided	
Floating Holidays	Available to some bargaining unit employees		0		1 *available to employees who receive 10 holidays due to work type		No information provided		0		0		1		0		0	

Source: OIG analysis.

Appendix B: Challenges

Legal Requirements

Legal requirements bind employers to deliver specific benefits to their employees. Managing paid leave benefits requires an understanding of federal, state, and local laws that mandate or regulate payment of wages to employees who take certain types of leave. Title 39 U.S.C. requires the Postal Service to provide employee compensation and benefits comparable to those the private sector provides its employees. In addition, the Postal Service must maintain categories for annual and sick leave; therefore, the need for legislative changes would be a critical consideration in any plan to eliminate the leave categories from Postal Service benefits.

For organizations with a national workforce (like Companies A and E), state and local laws are a large consideration as paid leave and benefits programs must follow federal, state, and local regulations. We found that establishing a core benefits program at the corporate level that meets federal requirements enables employers to create a foundation and adjust the benefits program by city or state.

Employee Unions

The Postal Service cannot unilaterally change benefits for bargaining employees. Because benefits are one of many components negotiated with the unions, the Postal Service may be forced to pursue changes to employee leave benefits at the cost of other negotiated components. For certain nonbargaining employees, the Postal Service has an obligation to consult with management associations about programs affecting those employees as well. This can impact its negotiation and consultation strategies.

Company E, a Postal Service provider, has various regional union agreements. Company E intends to keep its leave benefits structure consistent across the organization. However, because of union negotiations, benefits for bargaining employees differ from those for nonbargaining employees and consistency was impossible. Specifically, although all employees at Company E receive holidays, annual leave, and personal days, management advance bargaining employees leave under the union agreement while nonbargaining employees must accrue their leave. Bargaining employees also receive sick leave days while nonbargaining employees receive personal leave days.

Information Technology

Technology is a key consideration when optimizing a paid leave benefits program. Improving and changing a paid leave benefits program not only affects the structure and processes of an organization but impacts the organization's technology and software systems. If an organization chooses to adjust its program by switching from a traditional paid leave benefits program to a PTO plan, it must consider software changes as well. This process is not only costly but can be time consuming. Software must be adapted and able to run efficiently before paid leave benefits program changes are rolled out. If the software system is not adjusted, the human resources and payroll departments, as well as all employees and supervisors, will experience administrative difficulties that increase costs and workload.

Company A's biggest lesson learned throughout its transition process was that it needed to involve its information technology department earlier to smoothly implement and document system changes. Company A did not involve its information technology department until it wanted to make changes. The company realized that this was a risky move, because the changes may not be completed in time for the union negotiations. Company A was fortunate a subsidiary company ran its software system, which enabled Company A to upgrade the software within 2 to 3 months. These upgrades involved changing all the codes in the system (for example, changing "sick days" to "personal days"). The software change was costly. Had Company A involved its information

technology department before the union negotiations, it would have understood what structural and technological changes it needed to make. Company A also began to audit its information technology system to document changes for future reference.

Companies A and E noted that, because combining all leave into a PTO plan would have entailed a large technological cost, they opted to include personal days in their traditional plans instead of switching to a PTO plan.

Employee Impact

When considering options to reduce or eliminate features of its leave benefit program, the Postal Service should evaluate how change would impact employees. Further, it should consider how changes to one leave benefit would impact another and the overall compensation. For example, if leave carryover was significantly reduced, the sick leave service credit would be impacted, along with available leave for long-term needs such as maternity.

About 30 percent of Postal Service employees are eligible to retire.¹⁶ As one generation leaves, a new generation will eventually come on board. This may require a new perspective on leave benefits and how new employees will use them. For example, when Company F switched to a PTO it kept sick leave in a separate program because of employee demographics, which included a younger workforce. Company F was wary younger employees might not set aside a portion of their PTO days to use as sick leave if they became ill.

Employers recognize that a total benefits package goes beyond compensation and is necessary to attract, motivate, and retain today's workforce. When establishing a new program, employers should devise a communication strategy to educate all employees and stakeholders, with an emphasis on program value and how the changes will impact the current program. Changing current leave types will require a series of planned employee communications to help them understand changes to their leave benefits. The Postal Service could do this by using tools, such as pamphlets, informational sessions, compensation statements, workshops, employee town meetings, and social networking to educate employees. It could also use its Organizational Change Management group, whose mission is to minimize the impact on Postal Service employees whose organizations are undergoing workforce restructuring and reshaping.

¹⁶ As of June 2013.



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