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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

GENERAL GOVERNMENT DIVISION



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B-114874

FEB 28 1973

The Honorable
The Postmaster General

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Attention: Assistant Postmaster General Eudey

Dear Mr. Postmaster General:

The General Accounting Office reviewed the use and administration of sick leave within the United States Postal Service to ascertain whether the Postal Service was controlling it to the extent possible. We made our review at postal headquarters and at selected facilities within the former St. Louis, Missouri, and Wichita, Kansas, Postal Regions.

We concluded that the Postal Service has a sick leave problem and should devise a means of alleviating it. Because no other Federal agency operation is exactly comparable to Postal Service operations, it may be unrealistic to expect the rate of sick leave usage in the Postal Service to drop as low as other Federal agency rates. However, the potential significance of improvement in the rate of sick leave usage is indicated by considering that had postal employees used sick leave in fiscal year 1972 at the same rate as employees of the Soil Conservation Service and the U.S. Forest Service, the Postal Service's costs for sick leave used would have been \$146 million, rather than \$231 million--a difference of \$85 million.

EVIDENCE OF A PROBLEM

Our belief that the Postal Service has a sick leave problem is based on:

1. The upward trend in employees' usage of sick leave.
2. Variations in annual sick leave usage among postal regions.
3. The lower usage rates of other Federal agencies.
4. Information developed by Postal Service internal auditors.

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Usage trend

Statistical data at postal headquarters showed a steady upward trend in sick leave usage since fiscal year 1966 with a peak in fiscal year 1969 (a severe flu year). Although usage stabilized at about 50 million hours a year for fiscal years 1970 through 1972, the annual cost of sick leave continued to increase.

<u>Fiscal year</u>	<u>Hours of sick leave used</u>	<u>Salary cost of sick leave used</u>	<u>Number of man-years worked</u>	<u>Average hours of sick leave used per man-year</u>
	————(millions)————			
1961	35.3	\$ 87.7	577,498	61.3
1962	37.7	93.9	584,200	64.5
1963	39.0	103.9	591,505	65.9
1964	38.9	106.7	601,918	64.6
1965	40.4	118.7	610,079	66.2
1966	41.5	126.5	639,090	64.9
1967	44.8	134.8	675,849	66.3
1968	49.3	162.3	696,964	70.7
1969	53.4	188.2	713,979	74.8
1970	50.9	192.2	725,913	70.1
1971	49.7	212.2	723,581	68.7
1972	49.9	230.8	707,674	70.5

Postal officials were uncertain as to what extent, if any, a slowdown in the economy and the law enacted in October 1969 caused the leveling off of sick leave usage in fiscal years 1970 and 1971. The law provided for Federal employees' unused sick leave to be converted to work days at the time of retirement and to be included in their lengths of service for computing annuities. A postal headquarters official expressed the opinion that the state of the economy influences attitudes on sick leave usage in large cities; i.e., when jobs are plentiful postal employees tend to ignore sick leave discipline because they can get a job elsewhere, but when jobs are not plentiful they become more aware of their responsibilities and use their sick leave only when they are sick. A 1970 sick leave study by the Department of Agriculture, which included the effects of the 1969 law, showed that sick leave used by employees eligible for retirement was slightly higher in 1970 than in 1969.

Regional variations

Our analysis of sick leave usage showed that employees in some regions continuously used more sick leave annually than employees in other regions. We limited this analysis to the former Bureau of Operations' employees who accounted for about 90 percent of all postal employees and sick leave used. The following table indicates the amount of usage in each region.

Former postal region (note a)	Average number of days of sick leave used per employee in fiscal year						
	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>
New York, N.Y.	10.7	10.7	11.4	11.8	11.2	12.7	-
Boston, Mass.	9.1	9.1	9.6	10.2	9.7	9.5	-
San Francisco, Calif.	8.9	8.9	9.4	10.3	9.4	9.7	-
Chicago, Ill.	8.8	9.4	10.0	10.4	9.9	9.4	-
Philadelphia, Pa.	8.5	8.7	9.2	9.9	9.6	9.2	-
Washington, D.C.	8.4	8.7	9.3	10.0	9.5	9.2	-
Cincinnati, Ohio	8.0	8.2	8.8	9.4	9.1	8.7	-
Denver, Colo.	7.7	7.8	8.3	9.0	8.4	8.3	-
Dallas, Tex.	7.4	7.3	8.3	8.3	8.4	7.8	-
St. Louis, Mo.	7.4	7.5	8.3	8.6	8.1	7.6	-
Memphis, Tenn.	7.4	7.4	8.0	8.2	7.8	7.7	-
Atlanta, Ga.	7.2	7.3	8.1	8.7	8.1	7.9	-
Seattle, Wash.	7.2	7.1	7.6	8.5	7.9	7.7	-
Minneapolis, Minn.	6.9	7.0	7.4	8.2	7.5	7.6	-
Wichita, Kans.	6.3	6.3	7.0	7.5	7.0	6.9	-
<u>Present postal region</u>							
New York	-	-	-	-	-	-	11.0
Western	-	-	-	-	-	-	8.9
Central	-	-	-	-	-	-	8.8
Eastern	-	-	-	-	-	-	9.5
Southern	-	-	-	-	-	-	8.3
Nationwide	8.4	8.5	9.2	9.7	9.2	8.9	9.2

^aRegions were realigned in 1972.

As shown above, usage varies significantly between regions. A headquarters official advised us that employees in large post offices generally use more sick leave than those in smaller post offices where they are more devoted to their jobs. He stated, however, that the Postal Service had not ascertained the specific reasons for this pattern.

Experience of other agencies

The Civil Service Commission conducted a survey of sick leave usage in 17 Federal agencies during leave year 1970 which may provide comparable data on the average number of days used annually by a Federal employee for sick leave. A Commission official told us that the results of this study would not be published until the end of fiscal year 1973. Preliminary survey data shows that Federal employees used an average of 7.3 days of sick leave during leave year 1970. Postal employees used an average of 9.2 days of sick leave during fiscal year 1970.

Although no other Federal agency operation is exactly comparable to Postal Service operations, we obtained information on sick leave usage by Department of Agriculture employees. We broke out the data for employees of the Soil Conservation Service and the U.S. Forest Service because, like Postal Service employees, they are geographically dispersed throughout the United States and are required to work indoors and outdoors.

This data was collected on a leave year basis whereas the data for postal employees was collected on a fiscal year basis. The information showed that in leave year 1971 Soil Conservation Service employees used an average of 5.36 days of sick leave; Forest Service employees used an average of 5.81 days; and all Department of Agriculture employees used an average of 6.13 days. Postal employees used an average of 8.9 days during fiscal year 1971.

Internal audits

The Post Office Department conducted sick leave studies in 1964 and 1968. In a report on the 1964 study, the Department's internal auditors estimated that the annual cost of sick leave abuse exceeded several million dollars although the exact amount was unknown. In 1965 the Department began issuing to each post office a quarterly report identifying potential sick leave abusers.

The Postal Service has six data centers which collect payroll, leave, and other accounting information. The centers print a quarterly list of all employees with a zero or negative sick leave balance at the end of the quarter and of all employees who used sick leave in three of the six pay periods included in the quarter. This list is sent to postal regional offices which forward it to individual post offices. Supervisors are required to review the list, to determine why sick leave was taken, and to counsel the employee. The Director of the Office of Internal Audit told us that delays in preparing these quarterly lists make them ineffective as control devices because too much time elapses between sick leave usage and the receipt of the list by the supervisor.

In June 1971 the Postal Service's Office of Internal Audit issued a report on sick leave usage in the Seattle Region. The internal auditors' analysis of the 786,497 hours of sick leave used by 11,728 employees in the Seattle Region during leave year 1970 showed that 2,227, or 19 percent of the employees, used 395,553 hours of sick leave, or 50.3 percent of the total sick leave. The report noted that these employees had used more sick leave than they had earned during the year.

The auditors also found a need for more effective management action to discipline and, in appropriate cases, terminate employees with poor attendance habits. They stated that retaining employees failing to respond to counseling, warnings, and disciplinary actions pertaining to sick leave abuse can adversely affect other employees' morale and attitudes toward good attendance habits.

The internal auditors made various recommendations for improving sick leave controls in the Seattle Region. They also recommended that the Postal Service establish a positive incentive plan for reducing sick leave usage by postal employees nationwide. Postal headquarters officials rejected this proposal because they considered it unrealistic.

Generally, postal officials we interviewed at St. Louis and Wichita did not favor such positive incentives as giving monetary bonuses to employees maintaining annual rates of sick leave usage below target levels set by management. They stated that negative incentives, such as forcing sick leave abusers to take leave without pay, are more effective controls because they only affect sick leave abusers. The officials

told us that, in their opinion, current postal regulations, if properly implemented, would adequately control sick leave usage.

CONCLUSIONS

Substantial savings could be achieved if the Postal Service alleviated its sick leave problem.

The Postal Service needs to recognize that the problem is twofold. The small group of sick leave abusers should be identified and disciplined; and the average employee who is conscientious about his duties, but whose sick leave usage is, to some extent, related to the degree of control exercised by management, should be motivated.

The Postal Service's data system provides sufficient information to identify abusers by pinpointing questionable sick leave patterns for investigation. The existing procedures, however, do not adequately address the other problem of how to influence the average employee to keep his sick leave usage to a minimum.

There are a number of ways to do this. One way would be to emphasize to employees management's concern about unwarranted sick leave usage. More positively, employees could be educated on the monetary value of accumulated sick leave--that is, sick leave unused at the time of retirement will be included in their length of service for computing annuities.

More importantly, evaluations of supervisory performance should consider subordinates' sick leave patterns. In our opinion, there is a correlation between the quality of supervision and employee attitudes which, when negative, could lead to greater use of sick leave.

In summary, we are aware that the Postal Service wants to reduce costs, and reducing the use of sick leave would be one way of accomplishing this objective. These matters have been discussed with the Assistant Postmaster General, Employee Relations Department, who expressed general agreement with our position.

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We would appreciate your comments on the matters discussed in this letter. Thank you for the cooperation extended to our representatives during this review.

Sincerely yours,

Victor L. Lowe

Victor L. Lowe, Director
General Government Division