

Sick days: Pain now or pain later?

As CUPE workers consider options over benefits, city's fiscal health hinges on their decisions

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Jay Higginson wants to get married soon. He has not drawn a regular paycheque in a month and a half. Money would be nice. On the other hand, the heavy equipment operator wants to retire in 10 or 15 years. Money would be nice at that point, too.

What to do, then, about the sick days he has banked over 22 years of municipal service: cash them in now or cash them in later?

Even after the city strike grinds to a halt, Toronto will face an uncertain fiscal situation until CUPE workers like 41-year-old Higginson make difficult financial decisions such as these.

Sources say the agreements between the city and Locals 416 and 79 freeze the controversial sick-bank system. Current workers, however, can trade banked days for a partial payout in the near future or collect a different payout, presumably larger, upon retirement. Both locals are voting today on the tentative agreements.

The city says its sick-bank liability for the two union locals totals \$140 million. If, for example, half of the 30,000 striking employees took a payout in the near future, taxpayers would save millions in the long run – but could take a quick hit of more than the approximately \$40 million paid out for sick days over the past two years.

The city has allocated \$63 million to a sick-bank reserve. Until the details of the strike-ending deals are made public, and until workers like Higginson declare their intentions, it will be unclear whether the reserve is large enough to cover near-term payouts.

Councillor Doug Holyday, a frequent critic of the sick-bank system, applauded the city for phasing it out. Like everybody else, however, he was uncertain how much the new arrangement would cost.

Kathryn Bush, an expert in employee benefits with the Toronto law firm Blake, Cassels & Graydon, said it is difficult to predict what percentage of employees will choose the near-term money, since she has observed no precedent for the city's situation in her private-sector experience.

Russell Shaw, who leads the employee benefits group of the firm Walter & Haverfield in Ohio, said employees typically choose immediate compensation over deferred compensation even when deferring makes better financial sense.

"It's an emotional-type thing for people," Shaw said. "My experience has been that when people are given the opportunity to take benefits currently, without restriction, today, they're probably gonna do it. It's the old saw: you don't see how beneficial it is to you later on. ... I've seen people take money out of retirement plans because they want to buy a little boat, or want to buy a new car, or want to go to Las Vegas."

Workers' decisions will be affected by several details in the agreements that neither CUPE nor the office of Mayor



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Councillor Karen Stintz says it would be best if most CUPE workers cash in their sick days, but Councillor David Shiner disagrees.

David Miller would share yesterday: the sizes of the near-term and deferred payouts, how soon the near-term payouts can be claimed, and whether employees who hold on to their sick days until retirement will be compensated for them at their 2009 seniority levels or final seniority levels.

If workers are compensated at the higher levels, said Councillor Karen Stintz, "then what we thought we would be paying out in sick days is in fact significantly increased.

"And whereas we were expecting we would have this financial issue addressed out of this round of bargaining, the reality is we will now have this financial issue with us until the last employee retires."

Stintz, a general critic of the CUPE agreements, said the city would benefit if most workers cashed out in the near future. Councillor David Shiner, another critic of the deals, disagreed, saying the city could not afford a flood of near-term claims.

After some consideration, Higginson has chosen Shiner's preferred position. Considering his engagement and all, he will defer.

"I'm looking at the long-term, as opposed to the short-term gain," he said. "Could I take it? I could, and it would make my life a hell of a lot easier. But down the road, I'm also looking at retirement, and what I can do when I retire."