

Section 3: Village Operations

Chapter 15: Employment and Personnel

A proactive approach to employment related issues can pay substantial dividends in reduced legal challenges and associated costs.

Municipalities should review the following ten potential problem areas:

1. Pre-Employment Inquiries
2. Personnel Records
3. Disabilities Discrimination
4. Workplace Violence
5. Harassment
6. Fair Labor Standards Act
7. Independent Contractors
8. Family Medical Leave Act (FMLA)
9. Employment Posters
10. Employee Documentation

Pre-Employment Inquiries

While most employment disputes involve current or former employees, a municipality must be aware of issues related to applicants as well. Employers should familiarize themselves with the guidelines and procedures of the issues listed below as they apply to both pre-employment interviews and information requested on an application form:

- Protected classification
- Disabilities and medical history
- Accommodating applicants
- Arrest and conviction records
- Physical and medical examinations
- Drug testing
- Background checks

Personnel Records

Under the Bullard-Plawecki Employee Right to Know Act, employers are required to allow former and active employees to review and obtain a copy of his or her personnel records upon written request and at reasonable intervals. Generally, an employee's review is limited to no more than twice a year unless otherwise provided by law or a collective bargaining agreement. An employer may charge a fee for copying the personnel records, which is limited

to the actual incremental cost of duplicating the information.

The Bullard-Plawecki Act defines *personnel record* as a record kept by the employer that identifies the employee and is used, has been used, or may be used relative to an employee's qualifications for employment, promotion, transfer, additional compensation and/or disciplinary action. An employee is entitled to review his or her personnel records whether the information is kept in a single "personnel file" or in a number of files.

Any medical-related information pertaining to an employee must be kept confidential, in a separate locked cabinet, apart from the location of an employee's personnel records.

Personnel records do not include:

- Employee references supplied to an employer if the identity of the person making the reference would be disclosed;
- Materials related to the employer's staff planning with respect to more than one employee, including salary increases, management bonus plan, promotions, and job assignments;
- Medical records;
- Information of a personal nature about a person other than the employee if disclosure of the information would constitute a clearly unwarranted invasion of the other person's privacy;
- Information that is kept separately from other records and relates to a criminal investigation;
- Records limited to grievance investigations which are kept separate from other records and not used for purposes of qualifications for employment, promotion, transfer, additional compensation, or disciplinary action;

- Records maintained by an educational institute which are directly related to a student; and
- Records kept by an executive, administrative or professional employee that are kept in the sole possession of the maker of the record and are not accessible or shared with other persons.

Disability Discrimination

Both the federal Americans with Disabilities Act (ADA) and the Michigan Persons With Disabilities Civil Rights Act, 1976 PA 220 (PWDCRA), prohibit an employer from discriminating against a qualified individual with a disability in regard to application procedures, hiring, promotion, termination, compensation, job training and other terms, conditions, and privileges of employment if the applicant or employee can perform the essential functions of the position, with or without an accommodation. Reasonable accommodation is a key requirement of the ADA and the PWDCRA since many individuals may be excluded from jobs that they are qualified to perform because of unnecessary barriers in the workplace.

Workplace Violence

Workplace violence continues to be a significant issue for employers. Violence in the workplace obviously affects employee safety, well-being, and productivity. An employer may be held responsible for the actions of its employees. In addition, the courts have recognized claims against employers based upon negligent hiring, supervision, and retention of employees. Also, the “general duty” clause in the federal Occupational Safety and Health Act of 1970 (OSHA) has been extended to cover incidents of workplace violence.

Harassment

Employees have a right to work in an environment free from unlawful harassment in the workplace including: sexual harassment and harassment of discrimination based on race color sex, age, religion, national origin, marital or veteran status, height, weight, disability, or other

protected classes established through state or federal law or by local ordinance.

Prevention is the best tool employers have to eliminate harassment in the workplace. They can do this by establishing an effective complaint or grievance process, providing anti-harassment training to their managers and employees, and taking immediate and appropriate action when an employee complains. Additional information on harassment can be found at www.eeoc.gov.

Fair Labor Standards Act (FLSA)

The Fair Labor Standards Act establishes the minimum wage, overtime pay, recordkeeping, and child labor standards affecting full-time and part-time workers in the private sector and in federal, state, and local governments. Special rules may also apply to state and local government employment involving fire protection and law enforcement activities, volunteer services, and compensatory time off in lieu of overtime pay. More information on the Fair Labor Standards Act can be found at www.dol.gov.

Exempt or Non-Exempt

An employer must classify of each employee as either exempt or non-exempt according to the FLSA. Non-exempt positions are legally entitled, whereas exempt position are not. To determine if a position is exempt, it must meet the duties and salary test of the FLSA.

Overtime Considerations

Both the federal Fair Labor Standards Act and a similar Michigan statute require that overtime be paid at 1.5 times a non-exempt employee’s regular rate of pay for each hour over 40 worked in a workweek. Averaging of hours over two or more weeks is not allowed even if the employee is paid biweekly. The Act does *not* require that an employee be paid overtime for hours worked in excess of eight per day, or for work on weekends or holidays, so long as the employee does not work more than 40 hours in a week.

The act does not consider paid holidays, sick time, and vacation leave as hours worked. An employee’s meal period can also be excluded from compensable working time if it is at least 30 minutes long and the employee is completely

relieved of all duties and free to leave the workstation. Rest periods or coffee breaks 20 minutes or shorter must be counted as hours worked. Whether rest periods longer than 20 minutes count as hours worked depends upon an employee's freedom during the breaks.

Compensatory Time or Overtime

The FLSA authorizes a public agency to provide compensatory time (comp time) off in lieu of overtime compensation, at a rate of not less than 1.5 hours for each hour of overtime worked. In order for the use of comp time to be allowed, there must be an agreement or understanding between the employer and employees.

An employee who has accrued comp time and wishes to use the time must be permitted to do so within a "reasonable period" after making the request if it does not "unduly disrupt" the operations of the agency. Undue disruption must be more than mere inconvenience to the employer.

Even where there is a comp time agreement, an employer may freely substitute cash, in whole or in part, for comp time. In addition, the U.S. Supreme Court has ruled that nothing in the FLSA prohibits a public employer from compelling the use of comp time. Upon termination of employment, an employee must be paid for all unused comp time figured at:

- (a) the average regular rate received by the employee during the last three years of employment, or
- (b) the final regular rate received by the employee, whichever is higher.

Overtime Rules for Police and Fire

In addition to the difference in maximum comp time accrual caps, the FLSA provides another very significant difference for public employees engaged in law enforcement and fire protection activities. As a general rule, employees must be paid overtime at 1.5 times their regular rate of pay for all hours worked in excess of 40 hours per week. Under Section 207(k) of the act, however, police and fire employees who have an established and regularly recurring work period that is not less than seven consecutive days nor more than 28 consecutive days are only entitled by the statute to receive overtime pay if they

work more than the maximum number of hours established by law for their work period. For employees having a 28-day work period, overtime must be paid for hours worked in excess of 171 (law enforcement) or 212 (fire protection). These figures are prorated for employees whose work periods are less than 28 days. For example, police and fire employees

General Law Village Act employment issues:

Appointment of clerk and/or treasurer

By a 2/3 vote, a council may provide by ordinance for the appointment of the clerk or treasurer, subject to a referendum. MCL 62.1(3) and (4).

Additional officers

Provides for method by which additional officers can be appointed or elected. MCL 62.2(1).

In default

Provides that a person in default to the village is not eligible "for any office" in the village. MCL 62.7(2).

Failure to give or maintain bond

Sets out consequences if appointed (or elected) official fails to give or maintain bond. MCL 62.12.

Suspension or removal of officer

Sets out manner by which an officer may be suspended for neglect of duty or removed from office. MCL 64.3.

Absence of clerk

Provides for appointment of individual to act temporarily on behalf of clerk. MCL 64.7.

Contract with village manager

Provides for appointment of a manager and for terms and provisions of employment contract. MCL 65.8.

Employment of fire fighters

Provides for employment of fire fighters and rules and regulations regarding employment. MCL 70.1.

Employment of police force

Provides for employment of police officers and adoption of standards for employment. MCL 70.13.

Employment of department of public safety

Provides for employment of public safety officers. MCL 70.18.

Compensation

Provides for method of compensation. MCL 64.21.

with a seven-day work period must be paid overtime after 53 and 43 hours of work, respectively. An employer can agree by union contract, or otherwise, to pay overtime for fewer hours worked.

Independent Contractors

There are a number of benefits to utilizing the services of an independent contractor to perform functions for your municipality. At the same time, there are considerable risks in incorrectly designating a person as an independent contractor when he or she is really an employee. This exposure includes liability for back taxes, overtime compensation, medical expenses, and costs related to completing the work assignment. The existence of an employer-employee relationship versus an independent contractor relationship depends, to a large extent, on the amount of control the municipality exerts over the worker.

The Internal Revenue Service provides common law rules that help an employer determine the degree of control and independence of a possible independent contractor. These include:

1. Behavioral: Does the employer control or have the right to control what the worker does and how the worker does his or her job?
2. Financial: Are the business aspect of the worker's job controlled by the payer? These include things like how the worker is paid, whether expenses are reimbursed, who provides the tools, equipment, and supplies, etc.
3. Relationship Type: Are there any written contracts or employee-type benefits? Will the relationship continue and is the work performed a key aspect of the business?

Family and Medical Leave Act (FMLA)

The Family Medical Leave Act of 1993, entitles eligible employees of covered employers to take unpaid, job-protected leave for specified family and medical reasons. Eligible employees who work for a covered employer are entitled to:

- Twelve workweeks of leave in a 12-month period for:

- the birth of a child and to care for the newborn child within one year of birth;
- the placement with the employee of a child for adoption or foster care and to care for the newly placed child within one year of placement;
- to care for the employee's spouse, child, or parent who has a serious health condition;
- a serious health condition that makes the employee unable to perform the essential functions of his or her job;
- any qualifying exigency arising out of the fact that the employee's spouse, son, daughter, or parent is a covered military member on "covered active duty;" **or**
- Twenty-six workweeks of leave during a single 12-month period to care for a covered service member with a serious injury or illness if the eligible employee is the service member's spouse, son, daughter, parent, or next of kin (military caregiver leave).

Employers Subject to the FMLA

Currently, a private sector employer must employ 50 or more employees in 20 or more workweeks in the current or preceding calendar year. Public employers, however, are covered without regard to the number of employees employed. This is somewhat misleading because even if a small public employer is technically covered by the FMLA, the employee will not be eligible under the Act unless he or she works within 75 miles of 50 employees of the employer.

Eligible Employees

Only eligible employees are entitled to FMLA leave. An eligible employee is one who:

- Works for a covered employer (all public employers are "covered employers");

- Has worked for the employer for at least 12 months;
- Has at least 1,250 hours of service for the employer during the 12-month period immediately preceding the leave; and
- Works at a location where the employer has at least 50 employees within 75 miles.

Employment Posters

Both federal and state labor regulations require employers to clearly display labor and employment posters detailing applicable labor laws. These posters should be posted in a conspicuous area available to all employees. Both federal agencies, such as the Department of Labor, and state agencies have these posters available at no cost and several vendors also

provide applicable posters as updates occur for a small annual fee.

Employee Documentation

Too often employers cannot establish the appropriateness of an adverse employment action due to a lack of documentation. Having fair, accurate, and non-biased documentation of employee behavior and performance can establish that the adverse action wasn't related to discrimination based on race, color, sex, age, religion, national origin, marital or veteran status, height, weight, disability, or other protected classes established through state or federal law or by local ordinance. Without documentation, it may become difficult for the employer to defend its actions against an employee.

Chapter by League staff

Affordable Care Act (ACA)

Under the Employer Shared Responsibility provision of the ACA, employers must offer "affordable" health insurance to employees who work at least 30 hours each week. Large employers must decide to either "play" along with this provision or "pay" penalties for violating the requirement. Small employers currently face no penalties if they do not comply.

The employer shared responsibility provision will generally apply only to larger employers with 100 or more full-time employees (or full-time equivalent) starting in 2015 and employers with 50 or more full-time employees (or full-time equivalent) starting in 2016. It will not apply to employers with fewer than 50 employees.

Most recent regulation on the employer shared responsibility provides guidance on various employee categories, including:

- **Volunteers:** Hours contributed by bona fide volunteers for a government or tax-exempt entity, such as volunteer firefighters and emergency responders, will not cause them to be considered full-time employees;
- **Seasonal employees:** Those in positions for which the customary annual employment is six months or less generally will not be considered full-time employees; and
- **Student work-study programs:** Service performed by students under federal or state-sponsored work-study programs will not be counted in determining whether they are full-time employees.

As in previous years, recent regulation allows employers to use an optional look-back measurement method to make it easier to determine whether employees with varying hours and seasonal employees are full-time.

The ACA continues to be a moving target. Employers are encouraged to work with their insurance carrier, broker, and attorney to ensure they remain in compliance. Information can be obtained through the IRS, the Department of Labor, and HealthCare.gov.