



Impact of Paid Sick Leave Policies on Employers and Workers in the United States

POLICY BRIEF

March 2018

Background

The Family and Medical Leave Act of 1993 allows employees in the United States (US) to take up to 12 weeks of sick leave per year, yet no federal law requires employers to pay their workers while they are on sick leave. In fact, the United States is the only high-income country that does not require employers to provide paid sick leave (PSL).¹

As a result, many states and cities across the US have taken the initiative to legislate and implement their own mandatory paid sick leave policies. One such state is California, which has been a leader in this effort and was the second state in the nation to require paid sick leave when its legislators passed the state's Healthy Workplace, Healthy Families Act of 2014. Under this act, California employees are entitled to accrue one hour of sick leave for every 30 hours worked - and employers are allowed to limit employee use of this leave to three days per year (or a total of 24 hours).

State Paid Sick Leave Policy Features

In addition to California, the District of Columbia and seven other states - Arizona, Connecticut, Massachusetts, Oregon, Rhode Island, Vermont, and Washington - have passed laws requiring employers to provide paid sick leave. These laws set the minimum standards for paid sick leave, although employers have the option to provide more generous benefits. Table 1 on the following page outlines the details of these laws.

Accrual rate and annual cap

Most states use an accrual model for employees to earn paid sick leave, and give employers the option to cap the number of sick days an employee can take per year. California has one of the more generous accrual rates - one hour of paid sick leave for every 30 hours worked - but the lowest optional cap of three days per year. Most other states set this optional cap at five days per year.

Eligibility

Employees' eligibility for paid sick leave benefits varies by state as well, with many states excluding

certain categories of employees, such as household workers or contractors. In addition, many states have phased in paid sick leave policies in an attempt to reduce the potential impact on employers in the early stages of implementation - or they have reduced requirements for employers with a small number of employees.

Local mandates

Many cities across the country also have implemented similar paid sick leave mandates. Though there are too many local policies to outline individually in this brief, the terms of these numerous policies have provided researchers with additional settings to study paid sick leave laws.

Summary of Paid Sick Leave Research

Since the implementation of mandatory paid sick leave policies across the nation, researchers have evaluated the impact of these policies. In addition, researchers have examined associations between access to paid sick leave and various outcomes using nationwide survey data. While the studies have limitations and researchers are unable to conclusively state the direct effects of paid sick leave policies, notable trends have emerged. For example, common findings suggest that paid sick leave policies generally:

- Have minimal impact on employers and employment rates
- Are particularly beneficial to vulnerable workers
- Are used conservatively by workers
- Reduce the spread of communicable diseases
- Have other potential benefits

These findings are outlined in more detail below.

Minimal impact on employers and employment rates

Critics of mandatory paid sick leave policies have raised concerns that they will lead to higher costs for employers, causing reductions in hiring or hours for current employees. However, studies of paid sick leave policies in US cities and states indicate the impact on employers and employment rates has been minimal.

Table 1. Mandatory Paid Sick Leave (PSL) Policies by State

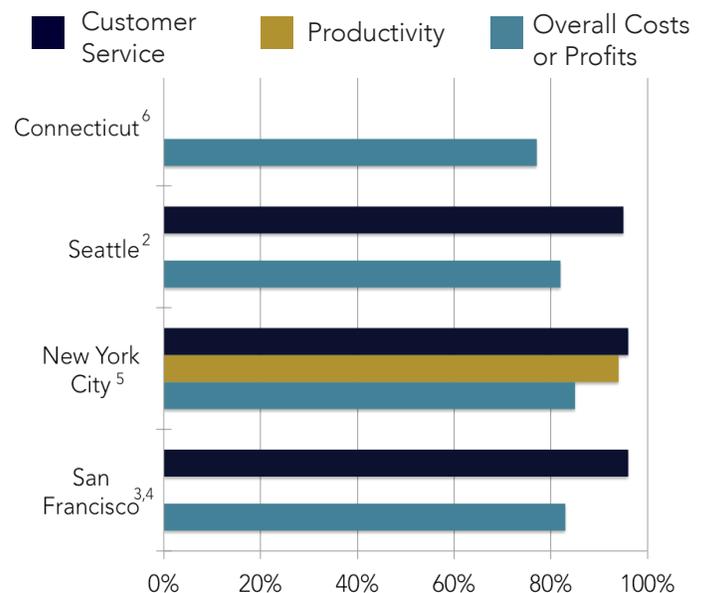
State	Accrual	Employer Restrictions on Use (Annual Cap)	Eligibility
Arizona	1 hour per 30 hours worked	<ul style="list-style-type: none"> <15 employees: 3 days per year 15+ employees: 5 days per year 	All workers, except state or federal government employees and casual babysitters
California	1 hour per 30 hours worked	3 days per year	All workers, except those covered by a collective bargaining agreement that includes PSL
Connecticut	1 hour per 40 hours worked	5 days per year	Hourly workers in service occupations in companies with 50+ employees
District of Columbia	<ul style="list-style-type: none"> <25 employees: 1 hour per 87 hours worked 25-99 employees: 1 hour per 43 hours worked 100+ employees: 1 hour per 37 hours worked 	<ul style="list-style-type: none"> <25 employees: 3 days per year 25-99 employees: 5 days per year 100+ employees: 7 days per year 	All workers, except those participating in a premium pay program
Massachusetts	11+ employees: 1 hour per 30 hours worked	11+ employees: 5 days per year	All workers, except public employees and students employed by their college/university
Oregon	1 hour per 30 hours worked	5 days per year	All workers whose employer has 10+ employees
Rhode Island	1 hour per 35 hours worked	<ul style="list-style-type: none"> 2018: 3 days per year 2019: 4 days per year 2020: 5 days per year 	All workers whose employer has 18+ employees, except contractors, interns, those exempt from minimum wage, etc.
Vermont	1 hour per 52 hours worked	<ul style="list-style-type: none"> 2018: 3 days per year 2019: 5 days per year 	Workers employed an average of 18+ hours per week for a year
Washington	1 hour per 40 hours worked	No annual limit	All workers, except those exempt from minimum wage

Note: These are minimum requirements only. Employers have the option to provide more generous benefits.

For example, a survey of 300 randomly sampled employers in Seattle found that following the implementation of the city's paid sick leave ordinance, the majority of employers did not experience changes to customer service, employee morale, predictability of employee absenteeism, or profitability.² Surveys of employers conducted in San Francisco, New York City, and Connecticut found similar results.³⁻⁶ Figure 1 on this page outlines these results in more detail. In addition, the surveys found that 70 percent to 86 percent of employers supported the mandate after implementation.

Additional studies have examined employment rates in areas with mandated paid sick leave and compared them to similar areas without paid sick leave, or to pre-implementation employment rates. These studies have found both slight increases and decreases in employment rates, but the effects were small, suggesting that these policies have had a minimal effect on employers' hiring practices.⁷⁻⁹

Figure 1. Proportion of Employers Who Experienced Little or No Effect of New PSL Policy on:



Note: Comparisons should not be made across locations due to different measurement methods in each study.

Vulnerable workers benefit most

Another common finding across paid sick leave studies is that more vulnerable workers tend to benefit most from these laws. In San Francisco, for instance, analysis of an employer survey showed that firms employing a higher proportion of Hispanic and part-time workers were more likely to implement a new paid sick leave policy after the city ordinance was passed.³ In addition, a survey of working adults found that low-wage workers and employees of color were more likely to report an improvement in their ability to manage their family's health and their own wellbeing after implementation of San Francisco's ordinance.⁴ Similarly, a survey of randomly-sampled employers in Seattle found that part-time workers and those in the hospitality sector were most likely to gain paid sick leave benefits under the city ordinance.¹⁰ Analysis of national survey data also shows that low-income employees without access to paid sick leave are more likely to delay or forego medical care for themselves or their families, suggesting that a lack of paid sick leave benefits could have longer-term health consequences.¹¹

“Economically marginalized workers - those in lower-paying and part-time positions - are likely to gain access under mandated sick leave policies.”

- Romich, BMC Public Health, 2017¹⁰

Workers use paid sick leave conservatively

Researchers have also examined the frequency of paid sick leave used by employees and have asked employers whether employees abuse the benefit. In a survey of New York City employers, 98 percent reported no employee abuse of the policy.⁵ Employers

“Once again allaying the fears expressed before the paid sick days law's passage, the employers we surveyed reported virtually no abuse of its provisions.”

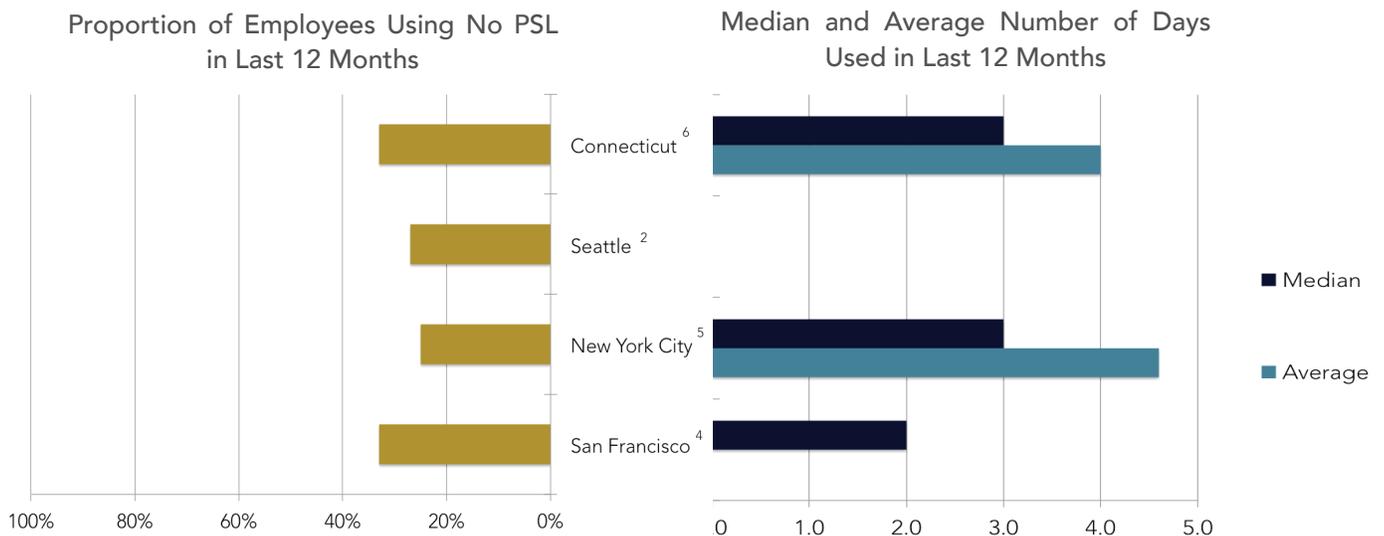
- Appelbaum & Milkman, 2016⁵

in Connecticut, Seattle, San Francisco, and New York City reported 25 percent to 33 percent of their employees had not used their paid sick leave benefit in the previous year.^{2,4,6} The average number of paid sick leave days used annually ranges from four days in Connecticut to 4.6 in New York City.^{5,6} The median number of days used annually ranges from two days in San Francisco to three days in New York City and Connecticut.^{4,6} Figure 2 below outlines the amount of paid sick leave used annually by location. Overall, these findings suggest employees use their paid sick leave time conservatively and often do not use all of the paid sick leave to which they are entitled.

Reduces spread of communicable diseases

Analysis of nationally representative survey data suggests that in 2011, as many as 3 million employees went to work sick each week. Among employees surveyed, 40 percent cited a lack of comprehensive sick leave coverage as the reason for going to work sick.¹² This behavior might contribute to the spread of illness: a nationally representative study of the 2009 H1N1 pandemic found higher incidences of influenza-like illness among employees with no access to paid sick leave benefits.¹³ In addition to potentially exposing others to their illnesses, employees without paid sick leave may not receive appropriate preventive care: a national survey found that a higher proportion of employees with paid sick leave received an influenza vaccine than those without the benefit.¹⁴

Figure 2. Employees' Use of Mandated Paid Sick Leave By Location



Other potential benefits of paid sick leave

Researchers have analyzed national survey data to compare the outcomes of employees with access to paid sick leave to those without it, while controlling for many other factors. These analyses have identified some important potential benefits of paid sick leave. Though these types of analyses have limitations and further research is needed, there is some evidence that paid sick leave may contribute to:

- Increased preventive health visits for employees and their families, including cancer screenings, well-child visits, and vaccines¹⁴⁻¹⁷
- Decreased use of hospital emergency departments for workers and their children^{16,18,19}
- Fewer occupational injuries²⁰
- Reduced mortality²¹

- Lower rates of psychological distress²²

Conclusion

Implementation of mandatory PSL policies has occurred across the United States, providing researchers with opportunities to study the effects of these policies, and giving policy makers an opportunity to use evidence to inform their work and recommendations. The current research suggests that paid sick leave is likely to improve the health and wellbeing of workers, while appearing to have a relatively small impact on employers. Furthermore, the most vulnerable workers seem to benefit the most from paid sick leave mandates, holding the promise of improving health equity and promoting the wellbeing of all workers.

By Jessica Watterson, MPH and Karen Shore, PhD

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