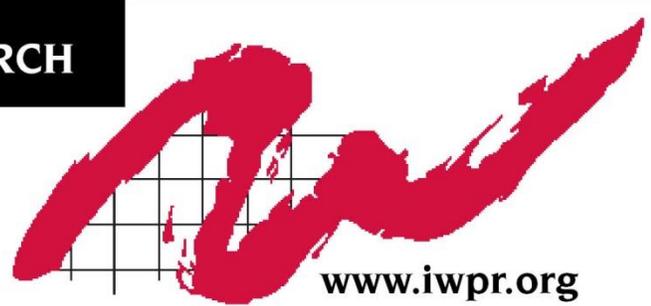


Briefing Paper



IWPR #B327

March 2014

Valuing Good Health in Chicago: The Costs and Benefits of Earned Sick Time

Summary

Policymakers across the country are increasingly interested in ensuring that workers can earn paid time off to use when they are sick. In addition to concerns about workers' ability to respond to their own health needs, there is growing recognition that, with so many dual-earner and single-parent families, family members' health needs also sometimes require workers to take time off from their jobs. Allowing workers with contagious illness to avoid unnecessary contact with co-workers and customers has important public health benefits. Earned sick time also protects workers from being disciplined or fired when they are too sick to work, helps families and communities economically by preventing lost income due to illness, and offers savings to employers by reducing turnover and minimizing absenteeism.

Legislators in the Chicago City Council are considering the Earned Sick Time Ordinance, a law that would allow employees to earn up to five days of paid earned sick time per year if they are employed by small business with less than ten employees, or up to nine days for large business with 10 or more employees. Using the parameters of the proposed legislation and publicly available data, the Institute for Women's Policy Research (IWPR) estimates the anticipated costs and some of the anticipated benefits of the law for employers providing new leave, as well as some of the benefits for employees.

This briefing paper uses data collected by the U.S. Bureau of Labor Statistics, the Centers for Disease Control and Prevention, and the U.S. Census Bureau to evaluate costs and benefits of Chicago's Earned Sick Time Ordinance. It estimates how much time off Chicago workers would use under the proposed policy and the costs to employers for that earned sick time. This analysis also uses findings from previous peer-reviewed research to estimate cost-savings associated with the proposed policy, through reduced turnover, reduced spread of contagious disease in the workplace, prevention of productivity losses from employees working while sick, minimized nursing-home stays, and reduced norovirus outbreaks in nursing homes. The study is one of a series of analyses by IWPR examining the effects of earned sick time policies.

Key provisions of Chicago's Earned Sick Time Ordinance

- Ability to earn sick time starts on the first date of employment or on effective date of ordinance.
- Employees can use sick time 120 days after their date of hire or on effective date of ordinance.

- Employees shall accrue at least one hour of earned sick time, to be used as either earned sick or safe time, for every 30 hours worked.
- Employees of businesses with 10 employees or more would accrue paid time off to a maximum of nine earned sick days (72 hours) per year. Employees of businesses with less than 10 employees would accrue paid time off to a maximum of five earned sick days (40 hours) per year.
- Earned sick time may be used for personal illness, to care for family members, for preventive care, or in case of domestic violence, sexual assault or stalking.
- Time may also be used in the event that a public official closes a school or place of business due to a public health emergency.
- Employers already offering equal or more generous earned sick time or paid time off or any type of paid leave that can be used for the sick leave purposes defined in the law would be unaffected. Employers who aren't currently meeting the minimum standard stipulated by the Chicago Earned Sick Time Ordinance can comply by adjusting their paid time off policies to meet the requirements of the Ordinance.
- An employer is not required to provide financial or other reimbursement to an employee upon separation from employment for accrued earned sick time that the employee has not used.
- Employers can discipline workers if they use earned sick time for reasons not specified by the Ordinance.

Who will access and use earned sick time?

- In Chicago, approximately 461,000 private sector workers lack paid sick days; 260,000 currently lack paid leave benefits of any kind (including vacation) and are eligible to receive new leave under the Ordinance.
- Employees are estimated to use an average of 2.5 days annually out of a maximum of nine for large businesses, and 2.1 out of a maximum of five for small businesses, that may be accrued, excluding for maternity.
 - Workers covered by the earned sick time law as estimated will use an average of 1.6 earned days for their own medical needs.
 - On average, workers will use half a day to address family members' medical needs and about a third of a day for doctor visits.
 - Workers will use all of their five or nine days of earned sick days after they give birth to or adopt a child.

How much will earned sick time cost businesses?

- Annually, Chicago employers are expected to expend about \$109 million in providing new earned sick time for employees. This cost of the law for employers that accrues due to increased wages, including benefits and administrative expenses—is equivalent in size to a \$0.22 per hour increase in wages for employees receiving new leave, or about \$8.13 per week for covered workers (Table 1). Covered workers work on average 7.3 hours per day.

Covered workers who give birth are expected to use all of their available earned sick time, for an additional annual cost of \$12 million.

What benefits will earned sick time produce?

- Providing new earned sick time is expected to yield benefits of \$116 million annually for employers, largely due to savings from reduced turnover. The anticipated benefits for employers are expected to have a wage equivalent of a savings of \$0.23 per hour, or about \$8.60 per week for covered workers (Table 1).
- Savings to business from reduced presenteeism and increased productivity totals about \$8 million. In addition, savings from reduced spread of flu within workplaces, when employees go to work while ill, are about \$4 million annually.
- When estimating anticipated benefits for employers against costs for employers from the ordinance, \$6 million is expected in net savings for employers, equivalent to \$0.47 per worker per week for covered workers (Table 1).
- The community will spend about \$12 million less annually on health care expenses primarily as a result of reduced emergency department use. The community will save about \$1 million per year as a result of reduced norovirus outbreaks in nursing homes and long-term care facilities.¹

The estimates presented in this briefing paper assume that all workers eligible for leave under the new policy would know about their new earned sick time. On the contrary, during the early years of the program, it is likely that many workers will be unaware of their new leave benefits and not take any time off under the new law.² In particular, workers may not be aware of the multiple uses allowed by the law. Thus, both costs and benefits in the early years of a new program may be considerably lower than these estimates.

Table 1. Summary of Annual Costs and Benefits of Chicago’s Earned Sick Time Ordinance

Costs and Benefits	10 or More Employees	Less than 10 Employees	Total
COSTS TO EMPLOYERS			
Wages, wage-based benefits, payroll taxes, and administrative expenses of:			
EST for workers currently lacking any paid leave	\$87,765,189	\$9,732,420	\$97,497,608
Use of EST for maternity leave	\$11,746,595	\$690,175	\$12,436,770
Employers' Costs	\$99,511,784	\$10,422,595	\$109,934,378
Weekly Average Per-Worker Cost	\$8.61	\$5.30	\$8.13
Hourly Average Per-Worker Cost	\$0.23	\$0.16	\$0.22
BENEFITS TO EMPLOYERS			
Increased productivity	\$6,749,359	\$894,660	\$7,644,019
Lower turnover	\$92,258,599	\$12,229,314	\$104,487,913
Reduced flu contagion in the workplace	\$3,720,584	\$493,181	\$4,213,765
Employers' Savings	\$102,728,543	\$13,617,154	\$116,345,697
Weekly Average Per-Worker Benefit	\$8.89	\$6.93	\$8.60
Hourly Average Per-Worker Benefit	\$0.24	\$0.20	\$0.23
Net Savings for Employers	\$3,216,759	\$3,194,560	\$6,411,319
Weekly Average Per-Worker Benefit	\$0.28	\$1.63	\$0.47
Hourly Average Per-Worker Benefit	\$0.01	\$0.05	\$0.01
BENEFITS TO THE COMMUNITY			
Reduced norovirus		\$1,095,853	
Reduced ED visits for workers using private insurance		\$8,814,137	
Reduced ED visits for workers using public insurance		\$3,055,833	
Community Savings		\$12,965,823	
Weekly Average Per-Worker Benefit		\$0.96	
Hourly Average Per-Worker Benefit		\$0.03	

Source: Institute for Women’s Policy Research analysis of the 2011 American Community Survey; the 2010 National Compensation Survey; the 2010 Current Population Survey Displaced Worker, Employee Tenure and Occupational Mobility Supplement File; the 2011 Medical Expenditure Panel Survey; the 2011–2012 National Health Interview Survey; the 2011 National Intimate Partner and Sexual Violence Survey; and the 2010-2013 Current Population Survey Annual Social and Economic Supplement. To learn more about the methodology and sources please see Valuing Good Health in Oregon: The Costs and Benefits of Earned Sick Days (Williams, Hayes and Griffin 2013)

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Funding for this study was provided by the Ford Foundation, the Annie E. Casey Foundation, and the Rockefeller Family Fund. This briefing paper was prepared by Claudia Williams with assistance from Susan Andrzejewski.

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¹ The cost of treating patients infected with norovirus is paid in great part with Medicaid and Medicare funds.

² It can be difficult to inform workers of changes in their employment benefits. For instance, three years after California's new paid family leave program went into effect, only a quarter of workers knew about their new right to take paid leave (Milkman 2008), despite the requirement that employers notify their employees of their right to paid family leave.