

Briefing Paper



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Valuing Good Health in Massachusetts: The Costs and Benefits of Paid Sick Days

A proposed law requiring employers to allow workers to earn paid sick days is predicted to have benefits that outweigh the costs. The anticipated cost of the law for employers is equivalent to a 19 cent per hour increase in wages for employees receiving new leave. The anticipated savings to employers are expected to have a wage equivalent of 22 cents per hour. Annually, businesses in Massachusetts are expected to expend \$198 million in providing new paid sick days for employees. Providing new paid sick days is expected to yield benefits to employers of \$224 million annually, for a net savings for Massachusetts employers of \$26 million annually.

Benefits to workers and the broader community will be substantial. Benefits to workers and their families as a result of improved ability to care for sick relatives and reduced flu contagion are estimated at \$24 million annually. An additional annual reduction in \$24 million in health care costs is predicted from reduced emergency department usage and prevented norovirus outbreaks in nursing homes. In total, the proposed law is expected to have a net benefit of \$74 million annually.

Executive Summary

Policymakers across the country are increasingly interested in ensuring that workers can take paid time off 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 can only be addressed by workers taking a break from their scheduled time on the job. Allowing workers with contagious illness to avoid unnecessary contact with co-workers and customers is a public health issue. Paid sick days also protect workers from being fired when they are too sick to work and offer substantial savings to employers by reducing turnover and minimizing absenteeism.

Legislators in Massachusetts are considering An Act Establishing Earned Paid Sick Time (HB 3995), allowing employees to earn sick time at the rate of one hour for every thirty hours worked. Using the parameters of the proposed law and publicly available data, this paper 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 report uses data collected by the U.S. Bureau of Labor Statistics, the U.S. Department of Health and Human Services, the Massachusetts Department of Public Health, and the U.S. Census Bureau to evaluate the likely impact of the Massachusetts Act Establishing Earned Paid Sick Time. The study is one of a

series of analyses by the Institute for Women's Policy Research (IWPR) examining the costs and benefits of paid sick days policies. It estimates how much time off Massachusetts workers would use under the proposed policy and the costs to employers for that sick time. It also uses findings from previous peer-reviewed research to estimate how this leave policy would save money, by reducing turnover, cutting down on the spread of disease at work, helping employers avoid paying for low productivity, holding down nursing-home stays, and reducing norovirus outbreaks in nursing homes.

The report finds significant economic benefits from the proposed sick time bill and there are likely to be many other meaningful benefits that cannot be measured with existing data. When workers can take needed time off without fear of being fired, they and their families can obtain necessary health care more promptly, leading to improved health outcomes, speedier recoveries, and reduced total health care spending. Fewer workers will be fired, suspended, or otherwise penalized for having to stay home when they are ill or have sick family members to care for, improving workers' economic security. The public health benefits are also likely to be considerable, as workers with contagious illnesses will be better able to avoid infecting others, and parents will not have to send sick children to school or child care.

Key provisions of the Act Establishing Earned Paid Sick Time

- All workers employed within the boundaries of Massachusetts except seasonal workers would accrue sick time. Workers at businesses with 11 or more employees would accrue paid sick time up to a maximum of 56 hours (seven days) per year, and businesses with between six and ten employees would accrue paid sick time up to a maximum of 40 hours (five days) per year; at businesses with between one and five employees, employees would accrue up to 40 hours (five days) of *unpaid* sick time per year.¹
- Earned paid sick time may be used when a worker is ill, for diagnosis or treatment of a worker's or child's health condition, for preventive care, or to address the effects of domestic violence.

Who Will Access and Use Paid Sick Days?

- About 910,000 Massachusetts workers lack paid sick days—36 percent of the private sector workforce. About 581,000 workers in Massachusetts currently have no paid leave benefits of any kind and are eligible to receive new leave under An Act Establishing Earned Paid Sick Time, of whom 531,000 will receive paid leave and 50,000 will receive unpaid leave.
- Employees of Massachusetts businesses with eleven or more employees are estimated to use an average of 2.5 days annually out of a maximum of seven that may be accrued, while employees at businesses with between six to ten employees are estimated to use an average of 2.1 days annually out of a maximum of 5 that may be accrued.
 - Workers covered by the earned paid sick time law will use an average of 1.6 days of paid sick time annually for their own medical needs.
 - On average, workers will use about half a day to address family members' medical needs and about half a day for doctor visits.
 - Workers utilizing earned paid sick time after they or their partner give birth to a child are expected to utilize all seven or five sick days available to them, as are those workers utilizing leave to address the effects of domestic violence.

- About half of all workers with paid sick days do not take *any* days off for illness in a given year.

How Much Will Paid Sick Days Cost Businesses?

- Annually, businesses in Massachusetts are expected to expend \$198 million in providing new paid sick days for employees. This cost of the law for employers— which accrues due to lost productivity and increased wages, including benefits and administrative expenses—is equivalent in size to a 19 cent per hour increase in wages for employees receiving new leave, or about \$6.54 per week for covered workers (Table 1).
 - The cost of increased wages and reduced productivity due to typical use of paid sick days by workers receiving new coverage will be about \$198 million annually.
 - Covered workers who give birth and some of their partners are expected to use all of their available paid sick days, for an additional annual cost of \$13 million.
 - Covered workers who experience an eligible event of domestic violence are expected to use all of their available paid sick days, for an additional annual cost of \$1.6 million.
 - Workers without paid sick days who currently come to work sick work at less than full productivity, resulting in current productivity losses of about \$16 million annually; this represents an adjustment to expected costs of implementing the proposed law.
- Costs of implementation will largely accrue to employers with 10 or more employees, with annual costs of \$186 million (equivalent to per-worker costs of \$7.36 per week or \$0.22 per hour) for businesses in this category. Annual costs of \$12 million are anticipated for businesses with between 6 and 9 employees (equivalent to per-worker costs of \$4.97 per week or \$0.16 per hour).

What Benefits Will Paid Sick Days Produce?

- Providing new paid sick days is expected to yield benefits of \$224 million annually for employers, largely due to savings from reduced turnover. The anticipated savings for employers are expected to have a wage equivalent of a savings of \$0.22 per hour, or about \$7.41 per week for covered workers (Table 1).
- Comparing costs to employers and anticipated benefits for employers, an annual net benefit for Massachusetts employers of \$26 million is expected, equivalent to a net savings for employers of about \$0.95 per worker per week for covered workers, or \$0.03 per hour worked (Table 1).
- Workers and their families will enjoy lower expenditures for health care services totaling \$24 million annually.
- The community will spend about \$24 million less annually on health care expenses as a result of reduced emergency department use and fewer norovirus outbreaks in nursing homes.
- In addition to the benefits listed above, earned paid sick time will likely create many other significant benefits for employers, workers, families, and the broader community. These benefits are likely to include: improved health and more efficient utilization of health care for family

members of workers who use paid sick days to provide care; improved public health through reduced spread of contagious disease; improved family economic security as a result of wage replacement and stable employment; reduced expenditures on public assistance programs due to improved family economic security; and other benefits.

The estimates presented in this report assume that all workers eligible for leave under the new policy would know about their new earned paid 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 costs and benefits of Massachusetts' Act Establishing Earned Paid Sick Time

Summary of Costs and Benefits	Dollars	Average Per-Worker	
		Weekly	Hourly
Employer Costs			
Wages, wage-based benefits, payroll taxes, and administrative expenses of:			
PSD for workers currently lacking any paid leave	\$198,450,414	\$6.57	\$0.20
Use of PSD for domestic violence	\$1,569,077	\$0.05	\$0.00
Use of PSD for parental leave	\$13,347,059	\$0.44	\$0.01
Currently lost productivity (adjustment to costs)	-\$15,738,763	-\$0.52	-\$0.02
All employers' Costs	\$197,627,786	\$6.54	\$0.19
Employers' costs, 10+ employees	\$186,013,738	\$7.36	\$0.22
Employers' costs, 6-9 employees	\$11,614,048	\$4.97	\$0.16
Employers' costs, 1-5 employees ¹	\$0	\$0.00	\$0.00
Employer Benefits			
Lower turnover	\$215,136,904	\$7.12	\$0.21
Reduced flu contagion	\$8,660,848	\$0.29	\$0.01
Employers' Savings	\$223,797,752	\$7.41	\$0.22
Net Benefit for Employers²	\$26,169,966	\$0.95	\$0.03
Worker and Community Benefits			
Fewer nursing home stays	\$22,701,495	\$0.75	\$0.02
Reduced flu contagion	\$1,177,173	\$0.04	\$0.00
Workers' Savings	\$23,878,668	\$0.79	\$0.00
Fewer norovirus outbreaks ³	\$282,575	\$0.01	\$0.00
Reduced emergency department use	\$23,399,000	\$0.77	\$0.02
Community Savings	\$23,681,575	\$0.86	\$0.03
Net Benefit (Employer Costs, All Benefits)	\$73,730,209	\$2.67	\$0.08

Source: Institute for Women's Policy Research analysis

Note: Columns may not sum to total due to rounding. Monetary amounts are in 2011 dollars.

¹These businesses are required to provide unpaid leave for employees. This is likely to result in some administrative costs, but because the model is based on wage costs, no annual cost to businesses providing unpaid leave is estimated here.

²The row "Net Benefit for Employers" refers to the sum of "Employers' Costs" and "Employers' Savings". Additional savings are included in the row "Net Benefit (Employer Costs, All Benefits)".

³Based on Korey Capozza's *Methodology in Valuing Good Health in California: The Costs and Benefits of Paid Sick Days*.

¹The costs and benefits of providing unpaid sick time are likely to differ from the costs and benefits of providing paid sick time. Because IWPR's analysis is dependent on analysis of paid wages, the current analysis considers only workers who would accrue new *paid* sick time, not those who would accrue *unpaid* sick time. It is likely, however, that employers with fewer than five employees will experience some costs of the implementation of the proposed policy, especially in the first year, as well as some benefits relating to reduced turnover and contagion.

²It 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.

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