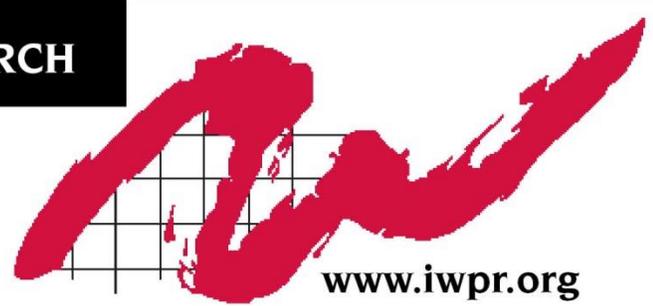


Briefing Paper



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Valuing Good Health in the District of Columbia: The Costs and Benefits of the Earned Sick and Safe Leave Amendment Act of 2013

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 days also protect employees from being disciplined or fired when they are too sick to work, help families and communities economically by preventing lost income due to illness, and offer savings to employers by reducing turnover and minimizing absenteeism.

In 2008, the District of Columbia passed the Accrued Sick and Safe Leave Act, which guarantees workers the right to earn paid sick days. Employees working in businesses with 100 or more workers can accrue up to seven paid sick days per year; employees in businesses with between 25 to 99 workers earn five days per year, and employees in small businesses, with less than 25 workers may earn up to three days per year. This law, however, excludes tipped workers in the restaurant industry, and employees aren't covered until after they have worked for a particular employer for more than one year and 1,000 hours.

Legislators in Washington, DC are now considering the "Earned Sick and Safe Leave Amendment Act of 2013" to expand the protections in the "Accrued Sick and Safe Leave Act" to more workers in the District of Columbia, and to enhance enforcement measures and outreach efforts. Using the parameters of the proposed legislation and publicly available data, the Institute for Women's Policy Research (IWPR) estimates some of the anticipated costs and benefits to employees and employers that will result from providing earned sick days to newly covered workers. This analysis focuses specifically on the costs and benefits associated with potential new coverage in the restaurant industry, and part-time and recently hired workers in all occupations and industries.¹

Key provisions of the "Earned Sick and Safe Leave Amendment Act of 2013"

- Employees will be allowed to start earning leave immediately – essential to protecting workers in high turnover industries – and will be able to start using leave 90 days after they begin a job.
- Tipped restaurant workers will be covered and earn sick time compensated at \$10.00 per hour, the income the average restaurant worker earns from wages and tips combined.

¹ It is possible that due to better enforcement and outreach efforts more employees will take paid time off to recover from illness, however, it was not possible to estimate the impact of such policies on paid sick days take up rates

- Employees may not be required to find their own replacement in order to use the paid sick days they have earned.
- Employees cannot be penalized for requesting paid sick leave, using leave, or filing a complaint, and will be better protected from employer retaliation.
- The Department of Employment Services (DOES) will be required to develop and implement a multilingual outreach program to inform employees, parents, and persons who are under the care of a health care provider about the availability of paid sick time under this Act.
- DOES will be required to share the legally-required notices with employers on a regular basis and strengthen incentives for employers to post them.
- The damages that employees receive when they are retaliated against or denied their rights under the Act will be increased, so that they are fairly compensated and so more employers will comply with the law.

This analysis uses data collected by the U.S. Bureau of Labor Statistics, the Centers for Disease Control and Prevention, the District of Columbia Department of Health, and the U.S. Census Bureau to evaluate costs and benefits of the “Earned Sick and Safe Leave Amendment Act of 2013.” For the first two “Key Provisions” listed above, it estimates how much time off newly covered workers from the District of Columbia would use under the proposed policy and the costs to employers for that 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 or under stress from domestic violence, minimized nursing-home stays, and reduced norovirus outbreaks in nursing homes. The study is one of a series of analyses by IWPR estimating the effects of earned sick days policies.

The analysis, which quantifies only a subset of potential benefits, finds a net economic benefit from the proposed legislation. Likely additional benefits from earned sick days that are not quantified in this analysis include: less health care spending due to reduced public contagion and more timely and regular preventive care and treatment; improved economic security among families who receive pay on sick days and are less likely to be fired or disciplined for taking sick time; reduced contagion in schools and improved school outcomes when parents can avoid sending sick children to school or child care.

How many newly covered workers would gain access to—and use—earned sick days?

- In the District of Columbia, approximately 20,306 tipped and newly hired workers currently lack paid leave benefits of any kind (including vacation) and are eligible to receive new leave under the “Earned Sick and Safe Leave Amendment Act of 2013.” Some workers who lack earned sick days do have paid vacation leave or general paid time off. This estimate assumes that employers with this kind of leave program will convert their current policy to one that conforms to the proposed law, transforming paid vacation days to earned sick days or general-use paid time off without offering more total days off than they do now.
- Based on data on sick leave usage patterns across the United States from the National Health Interview Survey employees in large businesses are estimated to use an average of two and a half days annually, out of a maximum of seven that may be accrued, excluding use for safe days and maternity. Employees in medium size businesses are estimated to take two days, and employees in small business are estimated to take a day and a half.

- Of the days workers will take, they will use an average of one and a half days for their own medical needs, half a day to address family members' medical needs and about a third of a day to go to doctor visits.
- Workers will use all of their seven, five, or three earned sick days after they give birth to or adopt a child. Half of their partners will also use all of their earned sick days.
- Victims of domestic violence who take time off will also use all of their allotted days of earned sick days.

How much will expanding earned sick days coverage cost businesses?

- Annually, District of Columbia employers are expected to expend about \$5.9 million to provide earned sick days for newly covered employees, due to lost productivity and increased wages, including benefits and administrative expenses. This cost is equivalent to a \$5.60 per week or 15 cents per hour increase in wages for employees receiving new leave (Table 1). Covered employees work, on average, 7.5 hours per day.
- Covered workers who give birth or adopt a baby, and about half of workers with partners who do so are expected to use all of their available earned sick days, for an additional annual cost of \$298,816 (Table 1).
- Some workers without earned sick days currently come to work sick, and work at less than full productivity, resulting in productivity losses of about \$553,311 annually (Table 1); this represents an adjustment to the expected costs of implementing the proposed law.
- The spread of the flu within workplaces, when employees go to work while ill, costs businesses about \$305,013 annually. The costs of the spread of flu and norovirus for families are estimated to be about \$72,641 in doctor visits, treatment and prescription costs. The estimated costs of the spread of flu and norovirus only account for a subset of contagious illness. A more comprehensive accounting of the spread of all common contagious diseases—including colds, mononucleosis, hepatitis, strep throat, and conjunctivitis (pink eye)—would reflect much higher costs.

What benefits will earned sick days produce?

- Providing new earned sick days is expected to yield benefits of \$7.9 million annually for employers, largely due to savings from reduced turnover. Having earned sick days reduces voluntary job mobility. Because workers value earned sick days, when they have that benefit, they are less likely to look for a different job. We expect a turnover reduction rate of five percent that will save employers about 20 percent of the total compensation of workers not leaving the job. Having earned sick days also affects involuntary turnover. Any overestimation in savings from voluntary turnover in this analysis will most likely be more than offset by savings in employer expenses from reduced involuntary turnover.
- Employers also save from preventing lost productivity when contagious diseases spread in the workplace. The anticipated benefits for employers are expected to have a wage equivalent of a savings of \$7.45 per week or 20 cents per hour for covered workers (Table 1).

- When estimating anticipated benefits for employers against costs for employers from enacting the “Earned Sick and Safe Leave Amendment Act of 2013,” about \$2.0 million is expected in net savings for employers, equivalent to \$1.85 per worker per week for newly covered workers (Table 1).
- The community will spend at least \$1.1 million less annually on health care expenses. Slightly less than half a million dollars of savings would be a result of reduced emergency department use (\$403,217) of newly covered workers, reduced norovirus outbreaks (\$11,334), and reduced flu contagion (\$61,307). The other half (\$609,238) would result from savings from reduced nursing stays.

Table 1. Summary of costs and benefits of the “Earned Sick and Safe Leave Amendment Act of 2013.”

Costs and Benefits	Dollars	Average per-worker costs/savings	
COSTS			
Wages, wage-based benefits, payroll taxes, and administrative expenses of:			
PSD for workers currently lacking any paid leave	\$6,156,826		
Use of PSD for domestic violence	\$9,684		
Use of PSD for parental leave	\$298,816		
Currently lost productivity (adjustment to costs)	-\$553,311		
		Weekly	Hourly
Employers' costs	\$5,912,015	\$5.60	\$0.15
BENEFITS			
Lower turnover	\$7,563,342		
Reduced flu contagion in the workplace	\$305,013		
		Weekly	Hourly
Employers' savings	\$7,868,355	\$7.45	\$0.20
Reduced nursing stays	\$609,238		
Reduced norovirus	\$11,334		
Reduced flu contagion	\$61,307		
Reduced emergency department visits	\$403,217		
		Weekly	Hourly
Community savings	\$1,085,096	\$1.03	\$0.03
Net Savings for Employers	\$1,956,340	\$1.85	\$0.05
Net Savings	\$3,041,436	\$2.88	\$0.08

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 2008 Medical Expenditure Panel Survey; the 2010–2011 National Health Interview Survey; the 2011 National Intimate Partner and Sexual Violence Survey; and the 2006-2012 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)

In addition to the benefits listed above, expanding earned sick days coverage will likely create many other significant benefits for employers, workers, families, and the broader community. When workers use earned sick days to provide care for their family members, this leads to more efficient utilization of health care systems and yields improvement in health outcomes. Another important benefit is improved family economic security as a result of wage replacement and more stable employment. With stronger family security, there are likely to be reduced expenditures on public assistance programs.

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 days. 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. (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, despite the requirement that employers notify their employees of their right to paid family leave.) 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, but expected benefits will exceed the expected costs, regardless of how many workers are aware of--and make use of--their new rights under the law.

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