

Briefing Paper



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

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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 illnesses 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.¹

The Massachusetts Earned Sick Time Law, which went into effect on July 1, 2015, allows employees to earn up to 40 hours (five days) of sick time per year. Using the parameters of the law and publicly available data, the Institute for Women's Policy Research (IWPR) estimates the costs and some of the benefits of the law for employers now providing 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 the costs and benefits of Massachusetts' Earned Sick Time Law. It estimates how much time off Massachusetts workers use under the 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, increased productivity, fewer short-term nursing-home stays, reduced norovirus outbreaks in nursing homes, and fewer emergency department visits. This study is one of a series of analyses conducted by IWPR examining the effects of earned sick time policies.²

Key provisions of the Massachusetts Earned Sick Time Law

- All private sector and state government employers shall provide a minimum of one hour of earned sick time for every 30 hours worked by an employee, with the option of capping an employee's leave at 40 hours (5 days) per year.
 - Workers in businesses with fewer than 11 employees earn unpaid, but job-protected, sick time per year.

- Workers in businesses with 11 or more employees earn paid sick time per year.
- Earned sick time shall begin to accrue at the commencement of employment.
- Employees can begin to use sick time after 90 days of employment.
- Unused earned sick time can be carried over to the following calendar year.
- 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.

Who has new access to earned sick time and how do they use it?

- In Massachusetts, approximately 728,000 private sector workers gained access to earned sick time under the law; of those, 431,000 workers lacked paid leave benefits of any kind (including vacation) and are newly eligible to receive leave under the law.³
- Employees are estimated to use an average of 2.3 days of sick time annually, out of a maximum of five that may be accrued, excluding for maternity.
 - Workers covered by the earned sick time law are estimated to use an average of 1.4 earned days for their own medical needs and the rest to address family members' medical needs and for doctor visits.
 - Workers are estimated to use all of their five earned sick days after they give birth to or adopt a child.

How much does earned sick time cost businesses?

- Massachusetts employers are estimated to be expending about \$173.3 million annually to provide new earned sick time for employees as now mandated by law.
- In addition to use for own illness or caring for ill family members, newly covered workers who give birth are expected to use all of their available earned sick time, for an additional annual cost of almost \$3.0 million (Table 1).
- Workers without paid sick days come to work sick, which negatively impacts their productivity. Under the Massachusetts' Earned Sick Time Law employers recover about \$15 million per year in revenue that they had previously lost due to reduced worker productivity. The total net cost of the law for employers (\$161.3 million)—which accrues due to increased spending, including benefits and administrative expenses—is equivalent in size to a \$0.21 per hour increase in costs for employees receiving new leave, or about \$7.20 per week for covered workers (Table 1). Covered employees work on average 6.9 hours per day.

What benefits does earned sick time produce?

- Newly provided earned sick time as required by law is estimated to be yielding benefits of \$211 million annually for employers, largely due to savings from reduced turnover (\$202.8 million).

- Savings to business from reduced “presenteeism” and contagious spread of flu within workplaces, when employees go to work while ill, are about \$8.3 million annually (Table 1).
- The benefits for employers are estimated to have a wage equivalent of a savings of \$0.27 per hour, or about \$9.41 per week for covered workers (Table 1).
- When weighing the benefits for employers against costs for employers from the law, employers are expected to be saving \$49.7 million (net) annually, equivalent to \$2.22 per worker per week for covered workers (Table 1).
- The community is estimated be spending about \$37.4 million less annually on health care expenses mostly as a result of reduced short-term nursing home stays and emergency department use. This savings also includes about \$2.0 million per year as a result of reduced norovirus outbreaks in nursing homes and long-term care facilities.⁴

The savings estimates presented in this briefing paper assume that all workers eligible for sick time under the new policy know about their new earned sick time. During the early years of the program, however, it is likely that many workers have been unaware of their new leave benefits and have not taken any time off under the new law.⁵ Workers may have been especially unaware 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.

Other benefits of earned sick time not measured

While data are currently lacking to calculate the full economic impact of having access to earned sick time, it is certain that there are many other benefits, in addition to those discussed above, that accrue to workers, their families, employers, taxpayers, and society as a whole, and these benefits are currently not captured in the estimates presented below. These include fewer workplace injuries, increased use of preventive care services, more timely treatment of illnesses, and improved employment and earnings stability, among others.⁶

Table 1. Summary of Annual Costs and Benefits of Massachusetts' Earned Sick Time Law

Costs and Benefits	All Employers		
	Dollars	Average per-worker	
COSTS			
PSD for Workers Currently Lacking Any Paid Leave	\$173,320,681		
Use of PSD for Maternity Leave	\$2,991,508		
Currently Lost Productivity (Adjustment to Costs)	\$14,997,447	<i>Weekly</i>	<i>Hourly</i>
Employers' Costs	\$161,314,742	\$7.20	\$0.21
BENEFITS			
Lower Turnover	\$202,765,486		
Reduced Flu Contagion in the Workplace	\$8,267,343	<i>Weekly</i>	<i>Hourly</i>
Employers' Savings	\$211,032,829	\$9.41	\$0.27
Reduced Short-Term Nursing Home Stays	\$12,559,300		
Reduced Norovirus in Nursing Homes	\$2,028,292		
Reduced Flu Contagion	\$1,106,446		
Reduced Emergency Department Visits	\$21,700,779	<i>Weekly</i>	<i>Hourly</i>
Community Savings	\$37,394,817	\$1.67	\$0.05
Net Savings for Employers	\$49,718,087	\$2.22	\$0.06
NET SAVINGS	\$87,112,904	\$3.89	\$0.11

Note: Cost and benefit values in constant 2017 dollars.

Source: Institute for Women's Policy Research analysis of the 2017 American Community Survey; the 2016 National Compensation Survey; the 2012 Medical Expenditure Panel Survey; the 2016–2017 National Health Interview Survey; and the 2015–2018 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, Griffin, and Hayes 2013).

Notes

¹ For a comprehensive review of the research literature on the effects of paid sick leave policies, see Milli, Xia, and Min (2016).

² See IWPR's Paid Sick Days issue page at <https://iwpr.org/issue/work-family/paid-sick-days/>.

³ The law allows employers who had already been offering other paid time off benefits to employees to modify their existing policies to include the use of sick time. IWPR estimates suggest that about 728,000 private sector and state government workers in Massachusetts did not have access to leave specifically for personal or family illness, and these workers gained access to earned sick time after the law was passed. However, many of these workers had access to other forms of paid time off, thus only about 431,000 would gain access to *new* leave under the ordinance.

⁴ The cost of treating patients infected with norovirus is paid in great part with Medicaid and Medicare funds.

⁵ It often takes time for workers to become aware 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.

⁶ For a comprehensive review of the research literature on the effects of paid sick leave policies, see Milli, Xia, and Min (2016).

Data and Resources

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