

# Briefing Paper



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

### 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 days also protect 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 state of Maryland are considering the Healthy Working Families Act, a law that would allow employees to earn up to seven days of earned sick time per year. 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 the costs and benefits of Maryland's Earned Sick Days Act. It estimates how much time off Maryland 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, increased productivity, minimized nursing-home stays, and reduced norovirus outbreaks in nursing homes. This study is one of a series of analyses conducted by IWPR examining the effects of earned sick leave policies.

### Key provisions of Maryland's Healthy Working Families Act

- All employers that employ more than 9 workers shall provide a minimum of one hour of paid sick time for every 30 hours worked by an employee, with the option of capping an employee's leave at 7 days (56 hours) per year.
- Paid sick time shall begin to accrue at the commencement of employment.
- Employees can begin to use sick time 3 months after their date of hire.

- Unused paid sick time can be carried over to the following calendar year, but employers may limit use of paid sick time to seven days in each year of employment.
- 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 Maryland Healthy Working Families Act can comply by adjusting their paid time off policies to meet the requirements of the Act.
- 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 will access and use earned sick time?**

- In Maryland, approximately 723,000 private sector workers currently lack earned sick time. About 330,000 of these workers currently lack paid leave benefits of any kind (including vacation) and are employed in establishments with 10 or more employees, and are thus eligible to receive new leave under the Act.
- Employees are estimated to use an average of 2.4 days annually out of a maximum of seven that may be accrued, excluding for maternity.
  - Workers covered by the earned sick leave law are estimated to use an average of 1.5 earned days for their own medical needs and the rest to address family members' medical needs and for doctor visits.
  - Workers will use all of their seven earned sick days after they give birth to or adopt a child.

## **How much will earned sick time cost businesses?**

- Annually, Maryland employers are expected to expend about \$119 million in providing new earned sick time for employees. This cost of the law for employers—which accrues due to increased wages, including benefits and administrative expenses—is equivalent in size to a \$0.21 per hour increase in wages for employees receiving new leave, or about \$7.49 per week for covered workers (Table 1). Covered workers work on average 7.01 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 \$9 million.

## **What benefits will earned sick time produce?**

- Providing new earned sick time is expected to yield benefits of \$132 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 \$0.24 per hour, or about \$8.33 per week for covered workers (Table 1).
- Savings to business from reduced presenteeism (workers coming into work when ill) totals about \$9.3 million. In addition, savings from reduced spread of flu within workplaces, when employees go to work while ill, are about \$5.1 million annually.

- When estimating anticipated benefits for employers against costs for employers from the act, \$13.3 million is expected in net savings for employers, equivalent to \$0.84 per worker per week for covered workers (Table 1).
- The community will spend about \$23.1 million less annually on health care expenses mostly as a result of reduced short-term nursing home stays and emergency department use; \$2.2 million are savings to taxpayers. The community will save about \$1 million per year as a result of reduced norovirus outbreaks in nursing homes and long-term care facilities.<sup>1</sup>

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.<sup>2</sup> 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 Maryland’s Healthy Working Families Act**

<b>Costs and benefits</b>	<b>Dollars</b>	<b>Average per-worker costs/savings</b>	
<b>COSTS</b>			
Wages, wage-based benefits, payroll taxes, and administrative expenses of:			
PSD for workers currently lacking any paid leave	\$118,729,757		
Use of PSD for domestic violence	\$197,964		
Use of PSD for parental leave	\$9,006,353		
Currently lost productivity (adjustment to costs)	(\$9,278,783)		
		Weekly	Hourly
<b>Employers' costs</b>	<b>\$118,655,291</b>	<b>\$7.49</b>	<b>\$0.21</b>
<b>BENEFITS</b>			
Lower turnover	\$126,833,899		
Reduced flu contagion in the workplace	\$5,114,929		
		Weekly	Hourly
<b>Employers' savings</b>	<b>\$131,948,828</b>	<b>\$8.33</b>	<b>\$0.24</b>
Reduced nursing stays	\$13,615,570		
Reduced norovirus	\$956,075		
Reduced flu contagion	\$817,704		
Reduced emergency department visits	\$7,709,299		
Savings for public health insurance	\$2,183,950		
		Weekly	Hourly
<b>Community savings</b>	<b>\$23,098,647</b>	<b>\$1.46</b>	<b>\$0.04</b>
<b>Net Savings for Employers</b>	<b>\$13,293,537</b>	<b>\$0.84</b>	<b>\$0.02</b>
<b>NET SAVINGS</b>	<b>\$36,392,184</b>	<b>\$2.30</b>	<b>\$0.07</b>

Source: Institute for Women’s Policy Research analysis of the 2013 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 2012–2013 National Health Interview Survey; the 2010 National Intimate Partner and Sexual Violence Survey; and the 2011–2014 Current Population Survey Annual Social and Economic Supplement. To learn more about the methodology and sources please see Valuing Good Health in Maryland: The Costs and Benefits of Earned Sick Days (Williams, 2013).

## Notes

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

<sup>2</sup> 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.

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