



# National Paid Sick Leave

## Achieving Universal Worker Coverage

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*December 2020*

Until recently, paid sick leave policy in the United States consisted of a patchwork of state and local laws and voluntary employer-provided benefits. The COVID-19 pandemic revealed serious vulnerabilities in this system, particularly for essential workers, workers of color, and working women. Congress responded by enacting the first federal legislation providing emergency paid sick days and paid leave to care for a child whose child care or school was closed for pandemic-related reasons. The Families First Coronavirus Response Act (FFCRA) provided temporary paid leave benefits to many workers, benefits that are crucial to protecting public health and supporting economic recovery. Surveys show that the public largely supports expanding access to these benefits.<sup>1</sup> Many are now calling for federal legislation to enact permanent paid sick days and paid family and medical leave. Discussions of whether and how to achieve this are intensifying, and state and local governments are increasingly stepping in to enact their own policies.

A good deal of evidence supports an expansion of worker access to permanent paid sick leave. Research suggests that access to paid sick leave has important benefits for individuals, public health, the economy, government spending and many employers. Such proposals have been met with concerns from some employers about the potential costs to small businesses. As a result, many proposals limit expansions to medium and large businesses. But a policy that excludes small businesses misses 20 percent or more of the workforce, including many workers who might value the benefits of paid sick leave more than its cost to employers. Further, workers left out are likely to include essential workers, workers of color, working women, and lower-wage workers. One approach to achieving universal worker coverage while limiting disruptions for small employers is for the federal government to reimburse a portion of employers' costs of providing paid sick leave. We offer a modified version of the reimbursement mechanism used in FFCRA to allow employers to anticipate their paid sick leave costs and access federal reimbursement more quickly.

We begin by reviewing trends in access to paid sick leave and the evidence base for expanding worker access. We then discuss the economics of employer mandates and their role in proposals for federal paid sick leave policy. We conclude that substantial benefits could be gained by expanding access to paid sick leave to all workers. But a new mandate for paid sick leave could hit some employers harder than others. We propose a new approach that could be used to reimburse small employers for a portion of costs related to paid sick leave and would better help employers predict and manage costs. Although this new approach could help address one of the major concerns with covering more workers, other potential challenges for employers remain, such as replacing absent workers and navigating the complexities arising from conflicting state and local mandates.

## Growth in Access to Paid Sick Leave

For purposes of this brief, paid sick leave refers to a benefit that allows workers to take time off from work to care for their own health or the health of a family member, including preventive care such as vaccinations or cancer screenings. Workers typically accrue leave based on hours of work and receive 100 percent wage replacement. As such, paid sick leave is typically measured in short increments, such as hours or days, whereas medical leave and short-term disability are longer in duration and typically used for leaves lasting weeks or months.

Before the COVID-19 pandemic, access to paid sick leave was on the rise. According to the Bureau of Labor Statistics National Compensation Survey, the share of the civilian workforce that had access to paid sick leave grew from 66 percent in 2012 to 78 percent in 2020.<sup>2</sup> Most workers have access to paid sick leave benefits through voluntary employer plans. Currently, 13 states, the District of Columbia, and two dozen cities and counties have enacted permanent paid sick leave legislation.<sup>3</sup> Moreover, worker coverage has accelerated in the past year because of state and local action in response to the COVID-19 crisis: As many as 32 states and 19 localities have taken new action to respond to the COVID-19 crisis either by expanding existing paid sick leave benefits or eligibility or by passing new paid sick leave legislation (Peters, Marotta, and Bramhall 2020).

As access to paid sick leave has grown, the gap in coverage between low- and high-wage workers has narrowed but remains large. In 2012, 32 percent of workers in the lowest wage quartile had access to paid sick leave compared with 87 percent of those in the highest wage quartile. In 2020, those percentages rose to 52 and 94 percent, respectively.<sup>4</sup> However, other disparities remain.

Worker access varies widely by race, occupation, education level, and firm size, and part-time workers are much less likely to have access than full-time workers. In 2014, according to the National Health Interview Survey, only 46 percent of Hispanic workers had access to paid sick leave (Xia et al. 2016). Workers in service-related jobs also have some of the lowest rates of access, at 58 percent, in contrast with 90 percent of management and professional positions having access.<sup>5</sup> Some of the largest disparities are related to education level. In 2011, 72 percent of workers with a college degree or more education had access to paid sick leave compared with only 17 percent of those with less than a high school education (Adelstein and Peters 2019). Finally, employees of large employers are

much more likely to be offered paid sick leave. In 2012, 64.8 percent of firms employing 250 or more workers offered paid sick leave compared with 33.9 percent of firms employing fewer than 50 workers (Jorgensen and Appelbaum 2014).

Access to longer-duration paid medical leave has also grown through expansions in employer-based coverage and state-based programs. The share of workers with access to short-term disability insurance through employers has grown from 36 percent in 1999<sup>6</sup> to 41 percent in 2020.<sup>7</sup> Moreover, nine states and the District of Columbia have enacted paid family and medical leave programs that enable workers to take paid time off to address their own serious health conditions or to care for a new child or a seriously ill family member. These programs provide between 12 and 52 weeks of leave following a typical waiting period of one week, except in the District of Columbia.<sup>8</sup> All of the states that provide comprehensive paid family and medical leave programs have also enacted statewide paid sick leave laws.

Analysis of laws around paid sick leave and comprehensive paid family and medical leave shows that many states were able to quickly adapt their existing policies in response to the COVID-19 pandemic (Boyens 2020). For example, under Colorado's recently enacted policy, workers are able to earn up to 48 hours a year of paid sick time that can be used for personal or family health needs.<sup>9</sup> The law also provides up to 80 additional hours of paid sick leave during a public health emergency. In Rhode Island and California, the states were able to waive the waiting period for paid family and medical leave benefits. Further, the Organisation for Economic Co-operation and Development notes that many countries provided many workers with access to paid sick leave benefits, including many who were not ill but were still subject to restrictions (such as stay-at-home orders) and that the governments frequently subsidized those costs (OECD 2020).

## Evidence of the Impact of Paid Sick Leave on Health, Employer Costs, Government, and the Economy

The research base for paid sick leave considers the impacts of legal mandates as well as voluntary employer-provided benefits and includes quasi-experimental research methods and correlational analysis. This evidence suggests that providing workers with access to paid sick leave can contribute to positive individual and public health outcomes, lower employer and government costs, and greater labor force attachment. Here we discuss the literature in each of these areas.

### Individual Health

Paid sick leave is associated with improved individual health outcomes primarily because it enables workers to better manage a new health condition, such as by allowing them to seek preventive care and earlier treatment. One study found that workers with access to paid sick leave had a significantly higher likelihood of seeking preventive medical care, such as vaccines, pap tests, and endoscopies (Peipins et al. 2012). Another study found that even when workers know they face greater medical

risks, as many essential workers do now, they are significantly less likely to receive preventive health screenings if they don't have paid sick leave (DeRigne et al. 2017). And workers with paid sick leave are more likely to take time off to address their own health conditions (Ahn and Yelowitz 2016; Maestas, Mullen, and Rennane 2018; Zimmer 2015) and less likely to visit emergency rooms (Bhuyan et al. 2016; Miller, Williams, and Yi 2011).

Medical research indicates early treatment reduces the severity and duration of health conditions (Murray and Berwick 2003; Prentice and Pizer 2007). Further, delaying or forgoing leave while sick or injured can have serious health consequences. Studies in the United Kingdom and Denmark found that unhealthy workers who went to work ill were more likely to develop more serious health conditions (Hansen and Anderson 2009; Kivimäki et al. 2005). Overall, having paid sick leave is associated with a significantly lower risk of mortality across a wide range of conditions (Kim 2017).

## Public Health

Studies indicate paid sick leave can help reduce the spread of contagious diseases. As we explain in more detail in a subsequent section, Congress temporarily expanded paid sick leave in response to the COVID-19 pandemic. An analysis of the impact of the law finds it led to a statistically significant reduction in COVID-19 cases where a right to take paid sick leave was not previously available, presumably from reducing the risk of workplace contagion (Pichler, Wen and Ziebarth, forthcoming). An analysis of data from the American Time Use Survey concluded that in 2011, 3 million workers went to work sick each week, with women and low-wage workers most likely to work while sick. (Susser and Ziebarth 2016). Following the 2009–10 H1N1 pandemic, access to paid sick leave increased the likelihood that ill workers stayed home (Piper et al. 2017); reduced the economic burden associated with staying home for minorities, women, and families; and potentially helped control the spread of influenza (Zhai et al. 2018). One study estimated that the lack of workplace policies such as paid sick leave during the H1N1 pandemic increased the number of cases of influenza-like illnesses by 5 million, including 1.2 million cases among the US Hispanic population (Kumar et al. 2011). Another study found public-sector workers, who have greater access to sick leave, ultimately lost fewer days of work than private-sector workers during the H1N1 outbreak (Drago and Miller 2011). In addition to research on pandemics, studies show paid sick leave can significantly lower the general flu rate and overall worker absenteeism by reducing the spread of common influenza-like illnesses (Pichler and Ziebarth 2017; Pichler, Wen, and Ziebarth 2020).

## Employer Costs

Using the Bureau of Labor Statistics' National Compensation Survey, Pichler and Ziebarth (2020b) estimate that sick leave costs employers \$0.32 per hour worked, or 1.3 percent of gross hourly wages. In contrast, short-term disability insurance—the closest available proxy for a longer-term medical leave benefit—costs employers \$0.17 per hour for the affected workers, about 0.5 percent of total average compensation.<sup>10</sup> However, these costs are also balanced against savings that employers experience from reduced overall absenteeism and increased productivity.

Although paid sick leave policies may increase the amount of leave that sick workers take, research suggests it can lead to overall reductions in absences by reducing the spread of contagious diseases and reduce leave taken in the aggregate. Further, reducing the spread of contagious diseases benefits workers and employers in their own workplaces as well as others. One study found that “mandated sick leave policies can provide large positive public health externalities by allowing sick workers to stay home rather than coming to work and spreading their illness to customers and coworkers” (Stearns and White 2018). One study concludes reduced absenteeism from paid sick leave could have saved employers \$0.63 to \$1.88 billion a year in 2016 dollars (Asfaw, Rosa, and Pana-Cryan 2017).

Paid sick leave may also increase productivity and reduce the risk of accidents because workers will be not working while sick. Productivity declines when employees continue to work while sick, a behavior known as presenteeism.<sup>11</sup> The prevalence of presenteeism means that an analysis of the costs and benefits associated with expanding access to sick leave must consider how increased costs from workers taking more leave may be partially (or fully) offset by reduced costs from presenteeism. Moreover, one study found that, controlling for industry and occupational differences and other factors, workers with access to paid sick leave were 28 percent less likely to have nonfatal occupational injuries (Asfaw, Rosa and Pana-Cryan 2012; Hawkins and Zhu 2019).

Studies of new state and local sick leave mandates find few adverse effects on employers. San Francisco passed one of the first local sick-day laws in 2006, mandating that all employers provide paid sick days to workers.<sup>12</sup> Surveys found minimal impact on employers, but employers expressed a desire for a national or statewide policy so that firms within and outside San Francisco’s borders were treated similarly (Boots, Martinson, and Danziger 2009).

Another study looking at employer responses to new paid sick leave mandates found little evidence that the mandates “crowded out” other nonmandated fringe benefits (Maclean, Pichler, and Ziebarth 2020; Pichler and Ziebarth 2020a) and estimated that the marginal employer cost for paid sick leave for newly covered workers was 21 cents an hour. An analysis of changes in employment rates in areas with new paid sick leave mandates found no adverse employment consequences from introducing the mandate (Pichler and Ziebarth 2020a).

## **Implications for the Economy and Government Programs**

Research suggests paid sick leave may have broader macroeconomic effects stemming from reduced job separations. One study found that, after controlling for many worker and job characteristics, “paid sick leave decreases the probability of job separation by at least 2.5 percentage points, or 25 percent” (Hill 2013). This effect is comparable to that of providing employer-provided health insurance. To the extent that access to paid sick leave enables workers to remain employed, it could have important implications for supporting economic mobility.

Lack of access to paid sick leave may increase costs to the government safety net. One study found that, after controlling for other factors, working-age adults without paid sick leave are 1.41

times more likely to receive income from a state or county welfare program and 1.34 times more likely to receive Supplemental Nutrition Assistance Program benefits (Stoddard-Dare et al. 2018). Further, if access to paid sick leave decreases leave taken by reducing the spread of contagious diseases, it would also serve to bolster overall government tax collections.

## Employer Mandates and Paid Sick Leave

The United States is one of the few developed countries that does not have a permanent national paid sick leave policy (Raub et al. 2018). Most countries implement these policies through an employer mandate, typically requiring they provide workers with two to six weeks of leave (Raub et al. 2018, table 4). The most generous policies are found in countries that finance benefits through contributions from multiple sources, including employers, employees, and other government funding mechanisms (Schliwen et al. 2011).

Given the short duration of paid sick leave benefits, relying on employers to administer them has practical advantages. It allows requests for leave and payment for time off to be handled quickly through the employer's regular scheduling and payroll systems. But these activities can raise administrative costs and burden for employers, generating opposition from some employers and business groups, particularly in the United States.

An employer mandate to provide paid leave may reduce, increase, or have a neutral effect on economic efficiency, depending on whether it affects employers' and employees' ability to achieve optimal compensation packages. Worker compensation packages include a mix of wages and benefits typically aimed at attracting a qualified workforce while minimizing employer costs. In general, employers can be expected to shift most or all of the costs of a mandated benefit on to employees in the form of lower wages or reductions in other benefits or forms of compensation. For example, analysis of employer-mandated worker's compensation benefits suggests that most of that mandate's costs were ultimately borne by workers (Gruber and Krueger 1991). Economic analysis suggests that if employees do not value the mandated benefit to the same extent as the reduction in other compensation a "deadweight efficiency loss" can result (Summers 1989). Similarly, if the employee values the mandated benefit to the same extent as the reduced compensation, no efficiency is lost (Summers 1989). And if workers are risk adverse and value the benefit more than the cost of the benefit, overall efficiency can increase (Gruber 2018). However, employers with employees who are already paid the minimum wage will not be able to shift the cost of the mandate to these workers in the form of lower compensation and may instead reduce other benefits or reduce hiring.

Survey responses indicate that workers value paid time off more than the employer's cost in lost productivity. Maestas and colleagues (2018) used the American Working Condition survey, a representative sample of workers participating in the RAND American Life Panel, to measure workers' preferences for a variety of work amenities. They found that workers valued job-protected paid time off at several times more than the cost to employers of the associated loss in productivity. Less educated workers valued job-protected paid time off the most. Workers value the leave as a form of

insurance, meaning that they attach a value to the benefit even when they do not use any or all available leave. Using these results, Maclean, Pichler, and Ziebarth (2020) estimate that workers are likely willing to pay for sick leave that exceeds the cost to employers to provide the leave. In other words, economic theory and worker's responses to surveys suggest that a paid sick leave mandate on employers could lead to overall efficiency gains.

Most literature on the utility of employer mandates in the US has centered on proposals to mandate employer-provided health insurance. But there are differences between health insurance and paid sick leave benefits, and these differences have significant implications for evaluating the effectiveness of employer mandates as a policy mechanism.

First, the cost structure of paid sick leave means employers can manage it relatively more easily than health insurance costs. The cost of health insurance per employee varies little between low- and high-wage workers. But as noted, employers of workers at or near the minimum wage have less ability to pass those costs on to workers. The relatively high cost of health insurance further limits the employer's options. In contrast, the cost of paid sick leave is much smaller than the cost of health insurance and is closely tied to a worker's earnings. Because most sick leave policies allow workers to accrue hours of leave based on hours of work, the cost of providing paid sick leave is less "lumpy" than the cost of providing health care; that lumpiness can affect employer coverage of part-time versus full-time workers.

Also, if access to paid sick leave can slow the spread of contagious diseases, mandates on paid sick leave produce positive externalities that are not captured by the individual worker or employer. One grocery store that slows the spread of the COVID-19 by paying sick workers to stay home will not realize the full benefits of its policy, which accrue to the broader community. A full accounting of costs and benefits is therefore important to evaluating the impact of employer mandates for paid sick leave.

## Federal Action on Paid Sick Leave

The COVID-19 pandemic has heightened attention to the lack of paid sick leave access for millions of American workers. In response, Congress enacted the first-ever federal legislation on paid sick leave. The FFCRA<sup>13</sup> requires employers to provide workers with up to two weeks of paid sick leave to recover from a worker's own illness, to quarantine or to care for an individual under specific circumstances related to the COVID-19 pandemic.<sup>14</sup> The law provides an additional 10 weeks of paid leave to care for a child at home because of child care or school closures. The rate of pay depends on which type of leave is taken. FFCRA benefits (and other state paid sick leave policies specifically related to the pandemic) are available immediately and are not subject to a waiting period for new employees.<sup>15</sup>

Workers not entitled to sick leave under FFCRA include employees of companies with 500 or more workers and health providers and emergency responders whose employers elect to exclude them. Moreover, businesses with fewer than 50 employees may claim an exemption from the law. This means potentially tens of millions of workers have been left out.<sup>16</sup> Further, the US Department of Labor (DOL) added exemptions during rulemaking and conducted very limited outreach regarding the new policy, which both significantly reduced the number of workers who will benefit from the

legislation.<sup>17</sup> On August 3, 2020, a New York federal district court judge in *State of New York v. U.S. Department of Labor* struck down many of DOL's regulations.<sup>18</sup> In response, DOL issued revised guidance.<sup>19</sup> However, advocates continue to have concerns with DOL's implementation of the law.<sup>20</sup>

FFCRA also provides for federal reimbursement for the newly mandated paid sick leave and for expenditures to maintain health insurance related to sick and caregiving leave. Each quarter, private employers are entitled to fully refundable tax credits for paid sick leave. The tax credits are applied against an employer's already-owed Federal Insurance Contributions Act taxes. But if that offset is not enough to cover payouts to employees, the Treasury Department can advance the rest of the credit. This policy and employer reimbursement mechanism is discussed further in box 1.

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#### BOX 1

##### **Mechanism for Employer Reimbursement for Sick Leave Costs Under FFCRA**

The FFCRA provision requiring certain employers to pay workers for pandemic-related sick leave and family leave also provides for full federal reimbursement of those costs, including health insurance-related costs. The legislation provides two mechanisms for employers to be reimbursed.<sup>21</sup> First, employers can reduce their federal tax withholdings and report that action on their quarterly tax return, Internal Revenue Service (IRS) Form 941. IRS guidance indicates that employers may reduce withholdings of federal income tax, the employee share of Social Security and Medicare taxes, and the employer share of Social Security and Medicare taxes with respect to all employees.<sup>22</sup> As shown on line 5e of the revised Form 941, the employer records estimated withholdings of Social Security and Medicare taxes. Those who incur pandemic-related sick and family leave costs must then enter any adjustments to withholdings to cover those costs. Moreover, if those tax withholdings are insufficient to cover all sick and family leave costs, the employer may also record the excess amount as a refundable credit. The employer must then also file the newly created form 7200 with the IRS for payment of an advance refundable credit. These mechanisms provide a useful framework should Congress have future interest in a policy reimbursing a portion of employers' costs of providing paid sick leave.

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In Congress, the most widely sponsored bill to create a national paid sick leave policy is the Healthy Families Act, introduced by Representative Rosa DeLauro and Senator Patty Murray.<sup>23</sup> The Healthy Families Act establishes the right to seven days of job-protected paid sick leave for workers employed by businesses with 15 or more employees. Workers accrue the benefit at a rate of 1 hour per 30 hours of work. They may also use the leave days to care for a sick or disabled family member or to address domestic abuse. Further, workers employed by businesses with fewer than 15 employees are entitled to earn seven days of unpaid, job-protected sick leave for the same purposes. Providing workers with job protections, such as the right to return to their former job and antiretaliation provisions, is thought to increase the amount of leave workers take, particularly among lower-wage workers. The expansion of job-protected leave in the Healthy Families Act may be as important as the expansion of paid leave.

The Healthy Families Act functions as a mandate on private, state, local, and federal employers. As required by the Unfunded Mandates Reform Act, the Congressional Budget Office estimated in 2007 that the mandate would cost the private sector \$1.5 billion in 2009 and would cost state, local, and tribal governments \$190 million in 2009. The federal government would have nominal administrative costs and no benefit costs, because federal workers already receive paid sick leave.<sup>24</sup>

In 2010, the Congressional Joint Economic Committee estimated that the Healthy Families Act would increase access to paid sick leave among private-sector workers by 56 percent, extending the benefit to about 30.3 million additional workers, almost half of whom are in the bottom wage quartile. Nearly half of the increased access would accrue to women and almost one-third to workers of color.<sup>25</sup> IMPAQ International and the Institute for Women's Policy Research modeled the Healthy Families Act in 2017 for DOL and estimated the bill would increase total leave taken 8.9 percent and increase total wage costs 0.2 percent.<sup>26</sup>

## Achieving Universal Worker Coverage: Addressing Employer Costs

The Healthy Families Act, the most widely supported federal paid sick leave proposal, mandates that employers provide paid sick leave to workers if they have 15 or more employees. Smaller firms are required to provide only unpaid, job-protected time off. This approach leaves out about 20 percent of the labor force<sup>27</sup> who would otherwise benefit from paid sick leave and limits potential benefits to public health and the economy. One reason small employers are excluded is concern over employer costs. Some employers and organized business groups also argue that small businesses face special difficulties in finding replacements for sick workers. However, businesses must already find ways to fill in for sick workers. Moreover, requiring sick employees to work can carry other serious costs to employers, such as higher risk of job-related injuries, and costs to public health. To the extent that these factors affect employer costs, a policy that subsidizes paid sick leave could also help indirectly address these issues.

### Employer Reimbursement for Excess Costs

In a more comprehensive federal paid sick leave policy that covers businesses with fewer than 15 employees, reimbursements could be used to offset costs for small employers. Existing tax preferences for small business come in many forms and have various limitations on eligibility.<sup>28</sup> One example is the nonrefundable tax credit for certain health insurance costs, which is available to employers with 25 or fewer employees whose average compensation does not exceed \$50,000. Another option would be to limit federal reimbursement to financially struggling small employers who incur costs above a specified level. Another consideration is the amount of the employer subsidy. For example, smaller employers could be allowed to claim reimbursement if their sick leave costs exceed average levels. An analysis of data from the National Health Interview Survey from 1997 to 2018 found workers report using on average about four days of health-related leave per year (Smalligan and

Boyens, forthcoming).<sup>29</sup> Drawing on this, one hypothetical approach could include providing for reimbursement when a small employer's sick leave costs exceed four days per worker per year (calculated using a rolling average of the past four quarters). Alternatively, another approach that has been used to address the concerns of small employers is to establish a lower cap on the total number of paid sick leave hours that employees of small firms can accrue each year. Further analysis is needed to inform the targeting of employer subsidies for paid sick leave, including an analysis of how it would affect employer behavior and potential unintended consequences.

## Reimbursement Mechanism

To access the reimbursement, employers could be allowed to reduce their estimated tax withholdings based on projected costs. Further, if their costs exceed their estimated tax liability, they could apply for an advance refundable credit for those excess costs. A more detailed description of the proposed mechanism for reimbursing employers is included in the appendix.

To administer the federal reimbursement to some small employers, the Treasury could expand and improve on the model used in the FFCRA. Under the FFCRA, employers could reduce their withholding of federal employment taxes to cover 100 percent of the costs incurred for providing paid sick leave, with the Treasury reimbursing the affected programs. If their costs exceeded their total tax liability, they could apply for an advance refund equal to their excess paid leave costs. Although this mechanism ensures employers receive full reimbursement for their costs, it can create a delay between when the costs are incurred and payment is received, imposing potential burdens on some employers. To address this concern in a long-term policy, the Treasury could establish a prospective reimbursement system under which employers could retain a portion of their tax withholdings to offset expected sick leave costs.

The cost of the federal subsidy needs to be considered relative to the benefits of expanded access to paid sick leave. In the previously mentioned modeling of the Healthy Families Act by IMPAQ International and the Institute for Women's Policy Research, a policy applied to all workers increased leave taken overall 12.8 percent and increased total wage costs by 0.29 percent of payroll, compared with 8.9 percent and 0.20 percent, respectively, for a policy that exempted employers with 15 or fewer workers.<sup>30</sup> Although the costs could be substantial depending on the scope of the subsidy, the additional benefits would help address disparities in access that exist by race, occupation, education, and earnings.

## Trigger during Public Health Emergencies

In addition to providing permanent paid sick leave for all workers, a federal policy may also include a provision to address future public health emergencies like the COVID-19 pandemic. Doing so would not only allow families to recover from sickness, it would also keep sick workers and children home, thereby slowing the spread of disease and supporting public health. A permanent paid sick leave policy could therefore provide automatic, expanded paid sick leave benefits during public health emergencies. When a public health emergency is declared, these additional benefits would be

automatically triggered and employers would be eligible for federal reimbursement. The same reimbursement mechanism proposed for regular paid sick leave costs could be used by employers during the emergency. A proposal to provide workers with up to 14 paid sick days during public health emergencies, the Providing Americans Insured Days of (PAID) Leave Act of 2020, was introduced in both the House and Senate by Representative DeLauro and Senator Murray; the act would also provide up to 12 weeks of paid family and medical leave.<sup>31</sup> President-elect Joe Biden's campaign put forward a similar proposal.<sup>32</sup>

## Conclusion

Worker access to paid sick leave has been growing over time, led by actions taken at the state and local level as well as through expansions of voluntary employer plans. This growing momentum, combined with the COVID-19 pandemic, paved the way to enactment of the first federal legislation providing emergency paid sick leave and paid family leave in the United States. A significant portion of the workforce, however, still lack access to these important benefits. Moreover, disparities in access mean many essential workers, workers of color, and workers with lower educational attainment are unable to take paid time off to address their and their families' health needs. These gaps in worker coverage persist despite research that shows providing job-protected paid sick leave to all workers reduces the spread of contagious diseases. Although it is too soon to know precisely how many cases and deaths could have been avoided in the United States during the COVID-19 crisis if workers had universal access to paid sick leave, current evidence suggests such a policy would have had a large and meaningful impact (Pichler, Wen, and Ziebarth 2020).

The case for expanding paid sick leave extends well beyond the public health benefits and the current crisis. Research suggests that paid sick leave carries important benefits for workers, employers, and the broader economy. Workers who are able to take paid sick leave are better able to manage their health conditions, improving their productivity and reducing the risk of spreading contagious diseases to others, especially their coworkers. Employers also benefit when sick workers stay home because increases in leave taken by sick workers are offset by reductions in overall absences caused by a reduction in the spread of contagious diseases. Moreover, paid sick leave significantly reduces the probability of job separations, thereby playing an important role in supporting work attachment and economic mobility.

Though substantial evidence supports expanding access to paid sick leave to more workers, greater access will likely require a new mandate on employers. Employer mandates often encounter opposition, in part because research suggests the costs of most mandates are passed on to workers through reduced compensation, potentially introducing labor market distortions. Some mandates, however, can also increase efficiency. This is because economic theory indicates that when workers value a benefit more than its cost to employers, which surveys indicate is true for paid sick leave, overall efficiency increases. Further, providing paid sick leave produces positive externalities, such as improved public health, that are not captured at the individual firm level.

New federal legislation providing access to paid sick leave would greatly increase worker coverage. But most existing laws and new proposals stop short of covering employees of small businesses, missing a large portion of the workforce, including many low-wage workers and especially Hispanic workers and workers in the service sector. A key concern raised with covering workers in small businesses is employer costs. One approach to addressing this is to provide a mechanism for reimbursing smaller employers who experience above-average costs for some or all of those excess costs. We describe a new mechanism that would allow businesses to reduce tax withholdings based on projected costs and to claim advance refundable credits if costs exceed established thresholds. Further, a comprehensive federal policy could include a trigger for additional benefits during public health emergencies that would automatically allow workers to begin accessing benefits and provide for employer reimbursements, similar to the mechanism included in the FFCRA. This would allow a quicker national response to public health emergencies rather than waiting on new federal action as occurred at the start of the COVID-19 pandemic.

The COVID-19 pandemic has exposed significant health disparities among workers, much of it stemming from long-standing systemic racism that has put lower-income workers and workers of color at higher risk of being exposed to and experiencing adverse consequences from the novel coronavirus. However, public awareness of these disparities is growing, as is support for paid sick leave, buttressed by state and local action and organized advocacy for greater economic justice in employment benefits. Together, these factors laid the groundwork for enactment of the first federal, emergency paid sick leave and paid family leave legislation and may create an opportunity for the United States to join the vast majority of developed countries in adopting a national paid sick leave policy.

## Notes

- <sup>1</sup> “COVID-19 Sparks Huge Shifts in American Financial Well-Being; Poll Finds Openness to Change,” Bipartisan Policy Center blog, June 8, 2020, <https://bipartisanpolicy.org/blog/economic-opportunity-poll/>; Smith and Kim (2010).
- <sup>2</sup> See table 31 of US Department of Labor (2020).
- <sup>3</sup> “Paid Sick Days,” National Partnership for Women and Families, accessed December 8, 2020, <https://www.nationalpartnership.org/our-work/economic-justice/paid-sick-days.html>.
- <sup>4</sup> US Department of Labor (2020); and “Employee Benefits Survey, Table 32: Leave Benefits: Access, Civilian Workers, National Compensation Survey, March 2012” US Bureau of Labor Statistics, accessed December 8, 2020, <https://www.bls.gov/ncs/ebs/benefits/2012/ownership/civilian/table21a.htm>
- <sup>5</sup> “Employee Benefits Survey, Table 31a: Leave benefits: Access, private industry workers, March 2019”; US Bureau of Labor Statistics, accessed December 8, 2020; and “Employee Benefits Survey, Appendix table 2. Number of workers represented, March 2019,” US Bureau of Labor Statistics, accessed December 8, 2020 [https://www.bls.gov/ncs/ebs/benefits/2019/appendix2019\\_02.htm](https://www.bls.gov/ncs/ebs/benefits/2019/appendix2019_02.htm).
- <sup>6</sup> Kristen Monaco, “Disability Insurance Plans: Trends in Employee Access and Employer Costs,” *Beyond the Numbers* (Bureau of Labor Statistics blog), February 2015, <https://www.bls.gov/opub/btn/volume-4/disability-insurance-plans.htm>.
- <sup>7</sup> US Department of Labor (2020).
- <sup>8</sup> The District of Columbia’s paid family and medical leave plan provides for up to two weeks of leave for a worker’s own serious medical condition. See “State Paid Family and Medical Leave Insurance Laws,” National

Partnership for Women and Families, August 2019, <https://www.nationalpartnership.org/our-work/resources/economic-justice/paid-leave/state-paid-family-leave-laws.pdf>

- 9 "Paid Sick Time Laws," A Better Balance, accessed December 8, 2020, <https://www.abetterbalance.org/paid-sick-time-laws/>
- 10 The BLS NCP tables for benefit costs are distributed to all workers. Kristen Monaco with BLS converts the benefit costs to only affected workers and this paper uses her methodology. See Kristen Monaco, "Disability Insurance Plans: Trends in Employee Access and Employer Costs," *Beyond the Numbers* (Bureau of Labor Statistics blog), February 2015, <https://www.bls.gov/opub/btn/volume-4/disability-insurance-plans.htm>.
- 11 Collins et al. 2005; Kigozi et al. 2017; Goetzl et al. 2004.
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## Acknowledgments

This brief was funded by Arnold Ventures. We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute's funding principles is available at [urban.org/fundingprinciples](https://urban.org/fundingprinciples).

The authors appreciate the helpful suggestions of Tanya Goldman, Heidi Hartmann, Jessica Mason, Elizabeth H. Peters and Nicolas R. Ziebarth. Thanks also to Michael Marazzi and Casey Simmons for editorial support for this brief.



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