



Can paid sick leave mandates reduce leave-taking?☆

Jenna Stearns^a, Corey White^{b,*}

^a University of California, Davis, United States

^b California Polytechnic State University, San Luis Obispo, United States

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ABSTRACT

Since 2006, several cities and states have implemented paid sick leave mandates. We examine the effects of paid sick leave mandates in Washington, D.C. (2008) and Connecticut (2011) on leave-taking behavior. After these policies are implemented, there are significant decreases in the aggregate rate of illness-related leave taking, relative to control groups, for both those directly affected and those not directly affected by the policy. The estimates are strong for Connecticut, but are more sensitive to the specification and weaken over time for D.C. We also find decreases in leave-taking when exploiting exogenous variation in access to paid sick leave through changes in local industry composition over time. Our results suggest 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.

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1. Introduction

American workers spend fewer days absent from work due to illness than do workers in almost any other OECD country,¹ but the United States fares poorer on many common measures of health than similarly wealthy nations (Woolf and Aron, 2013). One reason for this discrepancy may be the lack of access to paid sick leave (PSL) in the United States. The U.S. is one of the only industrialized countries that does not guarantee workers access to either employer- or government-provided paid sick days (Heymann et al., 2009), and nearly 40 percent of private sector workers currently do not receive paid sick leave from their employer.² Low-skilled workers are particularly unlikely to have access to paid leave benefits. Among workers in the bottom quartile of the wage distribution (those making \$11.64 per hour or less), only 31 percent accumulate paid sick leave and less than half receive any paid vacation time. Thus, a substantial fraction of the U.S. population cannot take paid time off from work.

Given the low rates of employer-provided leave in the United States, government-mandated paid sick leave policies may have large effects on worker absences as well as overall health. This paper evaluates the effects of the introduction of mandatory paid sick leave policies in Connecticut and Washington, D.C. (hereafter D.C.) on leave-taking behavior. We show that these policies have the potential to generate large positive public health externalities, decreasing aggregate work absences due to illness by up to 0.4 percentage points – about an 18% decrease relative to the mean illness-related absence rate of 2.2% in the U.S.

Access to paid sick leave is important for several reasons. Going to work while sick may prolong illness (Earle and Heymann, 2006; Grinyer and Singleton, 2000), and sick workers are less productive than those at full health (CCH Incorporated, 2003; Goetzel et al., 2004). Some studies even suggest that the productivity losses associated with employees coming to work while sick exceed the costs of illness-related absenteeism (Hemp, 2004; Stewart et al., 2003). Additionally, many workers cannot afford to take unpaid time off from work for illness. According to a 2008 survey, almost half of employed workers report going to work while sick because they were worried about the financial consequences of taking

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* Corresponding author.

E-mail addresses: jstearns@ucdavis.edu (J. Stearns), cwhite46@calpoly.edu (C. White).

¹ Statistics calculated from the OECD Health Statistics 2015 database: <http://www.oecd.org/els/health-systems/health-data.htm>.

² U.S. Bureau of Labor Statistics. 2015. Employee Benefits in Private Industry, Table 6: Selected Paid Leave Benefits: Access, accessed September 6 2015, <http://www.bls.gov/news.release/ebs2.t06.htm>.

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time off.³ Even those with access to paid vacation or unallocated paid time off may be reluctant to use it when sick, instead preferring to save it for other uses. Sick leave also often allows parents to stay home to care for sick children or elderly relatives. When parents can stay home to care for them, sick children have shorter recovery periods and fewer symptoms (see [Heymann \(2000\)](#) for a review).

Paid sick leave policies also directly affect employee leave-taking behavior. Several economic studies from Europe show that decreasing the generosity of sick leave compensation can lead to lower levels of absenteeism ([Dale-Olsen, 2014](#); [De Paola, Scoppa and Pupo, 2014](#); [Henrekson and Persson, 2004](#); [Ziebarth and Karlsson, 2010](#)). This lower level of absenteeism is typically interpreted as a decrease in shirking behavior (i.e., using sick leave for non-illness reasons). Yet, one other important consequence of PSL usage is that contagious diseases and illnesses are less likely to be spread throughout the workplace. Approximately 68 percent of workers report having gone to work with the stomach flu or other contagious illness ([Smith, 2008](#)), and 40 percent of workers report contracting the flu from a colleague ([Lovell, 2006](#)). Workers who show up to work sick spread their illness to coworkers and customers, resulting in more work absences ([Lovell, 2004](#); [Skåtun, 2003](#)). It is possible, therefore, that in aggregate, large scale PSL policies may actually *reduce* illness related work absences by limiting the spread of disease.

Why might this be the case? Only some workers gain access to PSL through the implementation of a mandate. In the United States, for example, many workers already have access to paid sick leave through their employer and thus are not directly affected by such a policy. The workers who gain access to sick leave should be more likely to stay home from work when ill, but they may also be less likely to get sick through a public health benefit. For these directly affected workers, the effect of PSL on the illness-related leave-taking rate is ambiguous. But workers who do not gain access to sick leave should only receive the public health benefit so the effect on leave-taking should be negative. If this public health effect is large enough, PSL mandates will decrease the aggregate rate of illness-related leave-taking.

To test this, we exploit two PSL mandates passed in Washington, D.C. (2008) and Connecticut (2011). Using a difference-in-differences (DD) identification strategy, we evaluate the effects of PSL policies on a measure of illness-related work absences constructed from the Current Population Survey (CPS). We find that after these PSL policies are implemented, there are significant decreases in aggregate illness-related leave-taking rates in both Connecticut and D.C., relative to a variety of control groups. For Connecticut, we find that the decrease persists for at least three years after the policy (through the end of the sample period) and that the estimates are robust to the choice of control group. Because the Connecticut policy only applies to certain workers, we are able to demonstrate a significant decrease in leave-taking for workers who are unlikely to be directly affected by the policy and thus only benefit from a public health externality. For D.C., we find that the decrease in leave-taking only persists for the first full year after policy implementation, and that the estimated impacts are considerably more sensitive to the inclusion of covariates and the choice of control group. For both Connecticut and D.C., we find no evidence of an impact on rates of non-illness leave-taking.

We corroborate these findings by exploiting a completely separate source of variation in the provision of paid sick leave, and again find that increased access to PSL decreases the aggregate rate of illness-related leave-taking. We make use of the fact that there is a high degree of variation in access to PSL across industries in the absence of government mandates, and use changes in industry composition over time within metropolitan statistical areas (MSAs) as an alternative source of varia-

tion in the provision of PSL. Further, we use a “Bartik instrument” approach that provides an arguably exogenous source of changes in local industry composition by using only the variation in within-MSA industry composition over time that is explained by national industry-specific labor demand shocks ([Bartik, 1991](#); [Blanchard and Katz, 1992](#)). The results from this analysis again indicate that increased access to PSL is associated with decreases in the rate of illness-related leave-taking. Both of these identification strategies present evidence that suggests PSL policies have the potential to provide large public health benefits by allowing sick workers to stay home, rather than coming to work sick and spreading their illness to others.

There is good reason to expect that the introduction of PSL in the U.S. would have much larger public health effects than have been documented in other countries. The existing literature examines changes in sick leave policies in countries where nearly all workers already had access to sick leave prior to the implementation of the policy change. Effects on leave-taking behavior are usually identified off of small decreases in the sick leave wage replacement rate, from 100% to a slightly lower level (80-90% depending on the policy). U.S. PSL mandates instead require employers who previously provided no access to paid sick leave to provide full compensation. Additionally, the workers most likely to gain access to sick leave through PSL mandates are employed in service occupations and industries, where one could argue that the risk of spreading contagious illnesses is particularly high.

This is the first paper to identify the effect of access to PSL on leave-taking behavior in the United States. To the best of our knowledge, only three other papers examine the effects of mandated PSL in the U.S. [Ahn and Yelowitz \(2015\)](#) study the impact of the Connecticut policy on employment, and find very small but statistically significant positive impacts on the probability of being unemployed. These effects are concentrated among those age 30 and older, suggesting that employers view older workers as more costly once PSL is available. However, using all of the U.S. sick pay mandates implemented through 2014, [Pichler and Ziebarth \(2016\)](#) find little evidence that PSL significantly affects employment or wages. Most relevant to our work, [Pichler and Ziebarth \(2017\)](#) examine the effect of PSL policies in the U.S. on influenza rates using Google Flu data. Though they do not look at leave taking, they show that PSL reduces influenza rates by about 10 percent, which is consistent with our findings that PSL policies provide large public health externalities.

The remainder of the paper is organized as follows. [Section 2](#) describes PSL policies in the U.S. in more detail, and provides a brief conceptual discussion of the predicted impacts of PSL mandates. [Section 3](#) details the data used to evaluate the effects of PSL on aggregate leave-taking rates. The primary estimation strategy is outlined in [Section 4](#), and [Section 5](#) presents results. In [Section 6](#), we describe and present results from our alternative identification strategy. Finally, [Section 7](#) provides concluding remarks.

2. Paid sick leave in the United States

The United States currently does not require private-sector employers to provide PSL to employees. While about 60 percent of workers are eligible for job protection during unpaid leave related to serious illness under the Family and Medical Leave Act of 1993, a substantial fraction of workers are not legally protected from taking even unpaid time off from work when sick ([Klerman, Daley and Pozniak, 2012](#)).⁴ Growing evidence about the importance of access to sick leave has caused the

³ NPR/Kaiser Family Foundation/Harvard School of Public Health. 2008. “Health Care and the Economy in Two Swing States: A Look at Ohio and Florida, accessed October 24, 2015, www.npr.org/documents/2008/july/kaiserpoll/toplines.pdf.

⁴ Other policies that provide individuals with compensated time off due to illness or injury include Workers’ Compensation and Disability Insurance. Workers’ Compensation is administered at the state level, and covers lost income due to a work-related injury or illness. Disability Insurance insures against more permanent labor force withdrawals related to long-term illness or injury. Neither of these programs pertain to the types of illnesses most commonly causing the need for short-term work absences.

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