

WHITE PAPER

Sick Leave:

Benefits, Pay, and a Path to Equity





Introduction

In the past five years, the number of states mandating paid sick leave has increased significantly. As of October 2022, 17 states (plus the District of Columbia and Puerto Rico) and several local municipalities have passed and enacted paid sick leave laws. Despite this expansion of paid sick leave mandates, access to paid sick leave is still limited. Although some employers may provide sick leave voluntarily, policies may not always include low-income and part-time employees.¹

Given the global and national workforce trends and challenges following the pandemic, employers cannot afford to ignore the needs of employees. Following the COVID-19 pandemic, there has been a national employment shift where employees continue to voluntarily resign from their jobs, which has been identified as “The Great Resignation.” The Great Resignation compelled many employers to adapt quickly to address high resignation rates by offering higher pay. Access to paid sick leave can also help both attract and retain employees who might be considering a change in employer. Beyond the optics of paid sick leave, in terms of the employee value proposition, access to paid sick leave is a critical aspect that must be addressed in order to close the gaps in equity of pay and workforce inclusion.

A Competitive Landscape for Labor

In the last two years, the labor market has seen high rates of voluntary turnover, resulting in what many are calling 'The Great Resignation.' In 2021, voluntary resignations were the highest on record, with over 47 million voluntary resignations, according to the U.S. Bureau of Labor Statistics.²

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Low pay and insufficient benefits were cited among the top ten reasons for employees' resignation.

Upon closer examination, employees are not necessarily leaving for better opportunities, according to a Pew Research Center survey conducted in February, 2022. Of those who resigned, low pay and insufficient benefits were cited among the top reasons for employees' resignation. Some larger employers are quickly adapting to the labor market and making changes to their recruitment and retention strategies. Namely, Costco and Starbucks have announced a minimum starting wage of \$17, and Target has raised its starting pay to \$24.^{3,4,5} Wage increases have not been isolated to large employers, with employers across all industries making changes to their minimum starting wages. In a report by the ADP Research Institute, increases in wages for both employees who remained at their current employer and for those who changed employers reached record highs, with increases of 5.9% and 8%, respectively.⁶



So, how does paid sick leave apply to the conversation about employee wages?

Paid sick leave resides at the intersection of pay and benefits as a form of income replacement. Paid sick leave directly compensates employees for absences related to their own illness or short-term medical needs, to care for family members, or for any of the commonly covered absence reasons under a sick policy, such as preventive care, diagnostic care, school and/or daycare closures. In contrast, lack of access to paid sick leave means employees must take a sickness related absence as unpaid, if at all. Not to mention, there is a heightened risk of contagious presenteeism. Contagious presenteeism occurs when sick employees still show up to work, either because they do not have paid sick days or do not have enough and thus are compelled to “save” their days for a potential future



emergency. When sick employees show up to work, influenza-like illnesses are more likely to spread. In a study by Cornell University researchers, when employees have access to paid sick leave, contagious presenteeism goes down and the spread of illness is reduced as well.⁷

Going without pay can have significant downstream effects on employees' economic status, which are amplified for employees already struggling to make ends meet.

In one study conducted by the Economic Policy Institute (EPI), the costs of taking an unpaid sick day are likened to tangible lost wages; the table to the right summarizes the impact of lost wages due to unpaid sick leave. Note, the data in this table is based on selected average monthly expenditures and their unpaid sick days equivalent from 2015. Given the rising costs of living over the last seven years, it is likely that the equivalent factors, and thus the impacts of unpaid sick days, were even greater in 2022.

Lack of paid sick days deprives workers of funds needed for basic necessities

Selected average monthly expenditures and their unpaid sick days equivalent, 2015

Category	Monthly expenditure	Unpaid sick days equivalent
Housing	\$1,257	13.1
Shelter	\$717	7.5
Utilities, fuels, and public services	\$302	3.1
Electricity	\$117	1.2
Telephone services	\$105	1.1
Clothing	\$96	1.0
Food	\$435	4.5
Groceries	\$263	2.7
Fruits and vegetables	\$49	0.5
Health care	\$313	3.3
Health insurance	\$222	2.3
Prescriptions and medications	\$33	0.3
Transportation	\$685	7.1
Gasoline and motor oil	\$167	1.7
Vehicle insurance	\$70	0.7

Notes: The first column is a selected list of household expenditures. The second column displays the average monthly household expenditures on this selected set of goods for a household earning between \$40,000 and \$49,999 per year, the range in which a household with two adults working full time at \$12 per hour would fall (\$12 per hour x 2 adults x 2,080 hours = \$49,920). The third column illustrates the number of unpaid sick days that could put each expenditure at risk. For example, in a two-adult household, if one adult needs to take off 3 days in a given month due to an illness, the lost wages are more than the household's entire grocery budget (\$263).

Source: U.S. Bureau of Labor Statistics Consumer Expenditure Survey (U.S. DOL/BLS 2017)

Economic Policy Institute

Employees without access to paid sick leave may have to choose between paying for health insurance or taking two to three days off to recuperate for their own illness. As we saw with the pandemic, three days is minimal compared to the five days that are recommended to recover from COVID-19.⁸

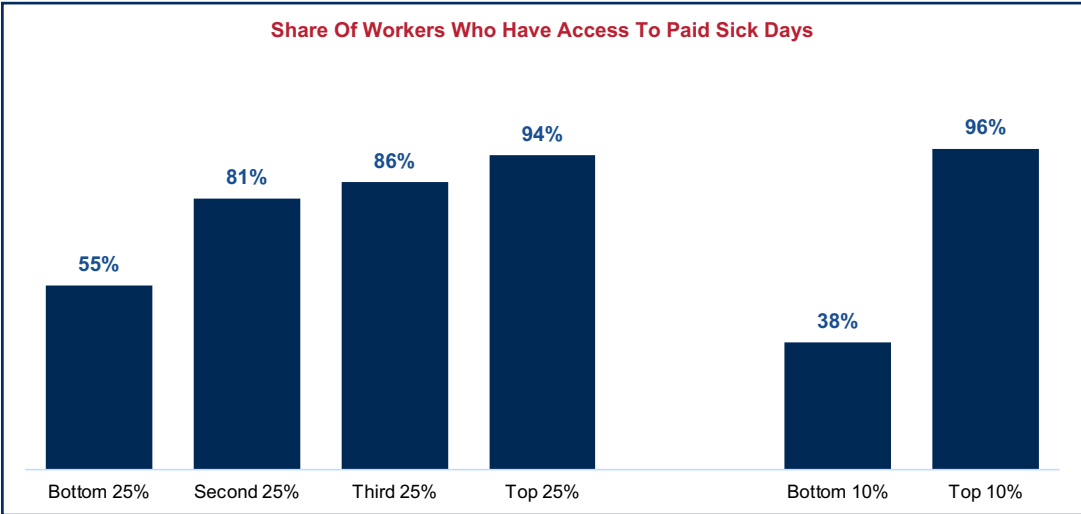
For employees who are faced with that choice, it may hardly be a choice at all: cutting back on healthcare needs at a time when they are most needed may put the employee and the employee's family at further risk in the future, in terms of both health and economic security.

Access to Paid Sick Leave is an Opportunity to Deliver on Inclusion and Equity Goals

Though not immediately apparent, providing paid sick leave is not just about providing benefits; doing so can also help employers meet their broader organizational goals to close gaps in equity and foster an inclusive workplace. To determine whether there is an opportunity to achieve greater equity, employers should not only evaluate the amount of paid sick leave available to employees but should also assess who has access to paid sick leave and, ultimately, pay replacement.

According to the U.S. Bureau of Labor Statistics, and as referenced in an article by the EPI, slightly more than half (55%) of the bottom 25% of lowest paid workers have access to paid sick leave days, compared to 94% of the top 25% of highest wage workers.⁹

When considering that many low wage workers may already struggle to make ends meet and that many cannot afford to take an unpaid absence due to short-term sickness, access to paid sick leave then becomes a critical aspect of the pay equity conversation and a viable solution for closing the gap. Furthermore, for some employers, it may be valuable to explore the demographics of their lower-wage workforce and consider whether the organization’s diversity, equity, and inclusion goals might be supported by expanding access to paid sick leave for these employees.



Source: U.S. Bureau of Labor Statistics, National Compensation Survey 2022

The Takeaway

The Great Resignation is not likely to slow down and there are already signs that it is evolving into a Great Reshuffling of sorts, whereby employees stay in the workforce but enter new industries where the pay, flexibility, and benefits may be more competitive. Overall, employers should consider making changes to the overall employee value proposition and should not overlook the changes that are necessary in sick pay and related benefit offerings.

References

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