



Valuing Good Health in North Carolina: The Costs and Benefits of Paid Sick Days

By Kevin Miller, Ph.D., and Claudia Williams

Executive Summary

Policymakers across the country are increasingly interested in ensuring that workers have paid sick days. 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 can be addressed only by workers taking time from their scheduled hours on the job. Paid sick days policies allow workers with contagious illnesses to avoid unnecessary contact with co-workers and customers and, thus, are a fundamental public health measure. Paid sick days protect workers from being fired when they are too sick to work and offer substantial savings to employers by reducing turnover and minimizing absenteeism.

North Carolina lawmakers are now considering the Healthy Families and Healthy Workplaces Act. The Institute for Women's Policy Research (IWPR) has estimated the costs and benefits of the Healthy Families and Healthy Workplaces Act, using government-collected data, peer-reviewed research literature, and a thoroughly vetted methodology. Below are key findings from IWPR's cost-benefit analysis. The full report will be available on the IWPR website.

KEY FINDINGS

Half of workers will benefit directly

- 1,635,000 North Carolina private-sector¹ workers lack paid sick days—50 percent of the workforce.
- 926,000 North Carolina workers have no paid leave or vacation whatsoever and will receive new paid sick days under the bill—28 percent of the workforce.²

Benefits will substantially outweigh costs

- North Carolina employers will pay \$308 million annually for wages, payroll taxes and payroll-based employment benefits, and administrative expenses (Table 1).
- Benefits for employers will total \$418 million annually, largely from reduced costs of turnover.
- Employers statewide will save \$111 million annually as a result of the Act.
- The weekly cost of the policy for newly covered workers will be \$6.39 per worker and savings will be \$8.69 per worker, for a net savings of \$2.30 per worker per week.

Improved public health will save millions of dollars

- Paid sick days reduce the spread of serious contagious diseases such as the flu and norovirus.
- Workers will save \$9 million annually on flu-related costs and short-term nursing home stays for relatives.
- Getting timely medical care will improve care and treatment, reducing costs for providers and patients.

Key provisions of the proposed Healthy Families and Healthy Workplaces Act

- Workers (both full- and part-time) earn paid sick time at the rate of 1 hour of paid sick time for every 30 hours worked up to the maximum of 7 paid sick days in a year, or 4 days for workers at businesses with 10 or fewer employees.
- Paid sick time may be used for diagnosis or treatment of a worker’s or family member’s health condition or to address the psychological, physical, or legal effects of domestic violence, sexual assault, or stalking.
- The 12-month period for an employee’s accrual and use of leave shall be calculated from the date of hire.
- Employers may require medical certification for any absence that exceeds three consecutive days, and employers that already provide paid time off meeting the requirements of the Act are not required to provide additional days.

Table 1. Summary of Costs and Benefits of the Proposed Act

| | | Per worker per week | |
|--|-----------------------|---|---|
| | | Averaged over workers newly covered by the proposed Act | Averaged over North Carolina private-sector workforce |
| Costs to Businesses | | | |
| Wages, wage-based benefits, payroll taxes, and administrative expenses | \$ 308,000,000 | \$6.39 | \$1.77 |
| Benefits to Business | | | |
| Reduced turnover | \$ 389,000,000 | | |
| Reducing lost productivity | \$ 19,000,000 | | |
| Reduced flu contagion | \$ 11,000,000 | | |
| Other Benefits | | | |
| Reduced medical expenses | \$ 2,000,000 | | |
| Fewer nursing home stays | \$ 7,000,000 | | |
| Total Benefits for Businesses | \$ 418,000,000 | \$8.69 | \$2.41 |
| Net Savings for Businesses | \$ 111,000,000 | \$2.30 | \$0.64 |

Source: Institute for Women’s Policy Research

¹Although the proposed Act does apply to government employees, comprehensive data on public sector employees were unavailable. The estimate presented here only includes private-sector employees. Most full-time government employees in North Carolina receive paid sick days.

²Some North Carolina workers who currently lack paid sick days are covered by paid vacation or other paid leave policies, which are likely to be modified to reflect the requirements of the Act should it become law. These workers will receive important protections against dismissal or other penalties under the proposed policy, but IWPR’s estimate assumes they will not receive additional leave.

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