For Better or Worse? The Economic Implications of Paid Sick Leave Mandates

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Outline

Overview

Questions addressed

- Does paid sick off improve the job market?
- Which firms get benefit from such policy?
- Which group of workers get benefit from such policy?
- The mechanism of such policy.

Methodology

Quarterly-level regression: $z_{c\tau} = \beta PSL_{c\tau} + X_{c\tau-4} + \mu_c + \delta_\tau + \epsilon_{c\tau}$

Annual-level regression: $z_{ct} = \beta PSL_{ct} + \theta X_{ct} + \mu_c + \delta_t + \epsilon_{ct}$

Group-level regression:
$z_{gc\tau} = \beta_1 PSL_{c\tau} + \beta_2 PSL_{c\tau} \times LowAccess_g + \theta X_{c\tau-4} + \iota_{gc} + \alpha_{g\tau} + \lambda_{c\tau} + \epsilon_{gc\tau}$

Firm-level regression: $z_{jkt} = \beta_1 PSL_{jkt} + \theta X_{jkt-1} + \mu_j + \delta_{kt} + \epsilon_{jkt}$

Individual-level regression: $z_{ist} = \beta PSL_{ist} + \theta X_{ist} + \mu_s + \delta_t + \epsilon_{ist}$

Note: (1) z maybe the employment rate/turnover rate we need to explain. (2) PSL is the indicator variable of whether the policy published. (3) Others are contrils for time, industry, county, workers group... (4) β is what we care

Effect on the overall job market

Employment rate improves

- Regression: $z_{c\tau} = \beta PSL_{c\tau} + X_{c\tau-4} + \mu_c + \delta_\tau + \epsilon_{c\tau}$
- The sick off policy does improve the employment rate

	ln(Employment)			
	(1)	(2)	(3)	(4)
PSL	0.019***	0.016**	0.015**	0.015**
	(0.006)	(0.006)	(0.006)	(0.006)
ln(Population)	0.996***	1.079***	1.084***	1.086***
	(0.102)	(0.086)	(0.086)	(0.085)
Age 15-24 Ratio		1.578***	1.698***	1.704***
		(0.544)	(0.546)	(0.546)
Age 25-54 Ratio		1.577***	1.756***	1.755***
		(0.451)	(0.474)	(0.473)
Age 55-64 Ratio		2.313***	2.349***	2.345***
		(0.615)	(0.596)	(0.592)
Age 65+ Ratio		2.523***	2.532***	2.520***
		(0.495)	(0.486)	(0.474)
Female Ratio			0.732	0.726
			(0.442)	(0.442)
White Ratio				0.102
				(0.161)
County FE	✓	✓	✓	✓
Quarter-Year FE	✓	✓	✓	✓
N	76,803	76,803	76,803	76,803
Within R^2	0.08	0.10	0.10	0.10

## Some counties' employment rate improves more

- 1. More sick off improves employment rate more
- 2. Counties with more poverty and more poor health conditions benefit more from the policy

	ln(Employment)			
	(1)	(2)	(3)	(4)
PSL × Number of Days	0.004** (0.001)			
PSL × Mandate Coverage Ratio		0.046** (0.018)		
PSL × Pre-mandate Poverty Ratio			0.096** (0.037)	
PSL × Pre-mandate Poor Health Ratio				0.121*** (0.038)
Controls	✓	✓	✓	✓
County FE	✓	✓	✓	✓
Quarter-Year FE	✓	✓	✓	✓
N	76,803	76,803	76,803	76,603
Within R^2	0.10	0.10	0.10	0.10

Effect on groups with low access to paid sick off

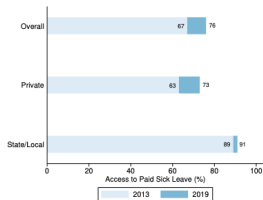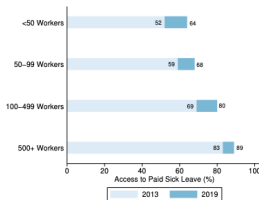# Some groups have limited accession of sick off
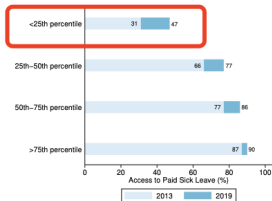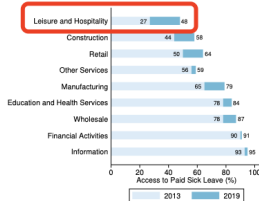
Paid sick off is more valuable to low access groups

- $z_{gc\tau} = \beta_1 PSL_{c\tau} + \beta_2 PSL_{c\tau} \times LowAccess_g + \theta X_{c\tau-4} + \iota_{gc} + \alpha_{g\tau} + \lambda_{c\tau} + \epsilon_{gc\tau}$
- If PSL is insignificant but PSL*LowAcees is significant, then our assumption is proved

Panel A - Industry

				ln(Employment)				
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PSL	-0.003 (0.007)		-0.002 (0.007)		-0.003 (0.007)		-0.001 (0.007)	
PSL × <60% Access	0.038*** (0.009)	0.039*** (0.010)						
PSL × Leisure & Hospitality			0.018*** (0.007)	0.021*** (0.007)				
PSL × Construction					0.086*** (0.021)	0.087*** (0.022)		
PSL × Retail							0.007 (0.005)	0.009* (0.005)
Controls	✓	✓	✓	✓	✓	✓	✓	✓
Industry × County FE	✓	✓	✓	✓	✓	✓	✓	✓
Industry × Quarter-Year FE	✓	✓	✓	✓	✓	✓	✓	✓
County × Quarter-Year FE		✓		✓		✓		✓
N	849,070	848,796	622,998	622,207	634,944	634,289	636,063	635,585

- Result holds when changing LowAccess to LowEducation

Mechanism of paid sick off.

Turnover rate declines

- Following a paid sick leave mandate, workers become more attached to their jobs (1) either by reducing incentives to switch jobs, (2) or by reducing the probability of getting fired after a short-term illness.

Panel A - Overall

	(1)	(2)	(3)	(4)	(5)
			ln(Separation Rate)		
PSL	-0.025*				
	(0.015)				
PSL × Number of Days		-0.006*			
		(0.003)			
PSL × Mandate Coverage Ratio			-0.079		
			(0.052)		
PSL × Pre-mandate Poverty Ratio				-0.176*	
				(0.091)	
PSL × Pre-mandate Poor Health Ratio					-0.181*
					(0.093)
Controls	✓	✓	✓	✓	✓
County FE	✓	✓	✓	✓	✓
Quarter-Year FE	✓	✓	✓	✓	✓
N	76,781	76,781	76,781	76,781	76,581
Within R^2	0.01	0.01	0.01	0.01	0.01

Labor supply increases

- Some workers delay the timing of their retirement following the implementation of a paid sick leave policy
- Increase in the net migration rate of the county with sick off mandate
- Increase of people looking for job

Panel A - Labor Force Participation, Migration, and Retirement (county-level)

	ln(Retired Workers)		Net Migration Rate		ln(LFP Rate)	
	(1)	(2)	(3)	(4)	(5)	(6)
PSL	-0.006**		0.002**		0.010*	
	(0.003)		(0.001)		(0.005)	
PSL × Number of Days		-0.002***		0.001*		0.002**
		(0.001)		(0.000)		(0.001)
Controls	✓	✓	✓	✓	✓	✓
County FE	✓	✓	✓	✓	✓	✓
Year FE	✓	✓	✓	✓	✓	✓
N	18,686	18,686	18,693	18,693	21,809	21,809

- It also shows that poor people and people with young family are more actively seeking jobs

Firms are also benefited from the policy

- Higher profit(especially from the low access worker), better rating on job market

Panel A - Profitability

	ROA							
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
PSL HQ	0.027***	0.018**			0.004	0.004		
	(0.009)	(0.009)			(0.006)	(0.005)		
PSL EstabEmp			0.021***	0.015**			0.003	-0.001
			(0.007)	(0.007)			(0.008)	(0.007)
PSL HQ × Low Access					0.012*	0.016**		
					(0.007)	(0.006)		
PSL EstabEmp × Low Access							0.021***	0.022***
							(0.005)	(0.008)
Controls	✓	✓	✓	✓	✓	✓	✓	✓
Firm FE	✓	✓	✓	✓	✓	✓	✓	✓
Year FE	✓		✓		✓		✓	
Industry × Year FE		✓		✓		✓		✓
N	18,601	18,601	15,519	15,511	4,404	4,365	4,381	4,342
R^2	0.85	0.85	0.83	0.84	0.79	0.82	0.80	0.82

Panel B - Glassdoor Ratings

	Overall		Work/Life		Culture	
	(1)	(2)	(3)	(4)	(5)	(6)
PSL HQ	0.026*	0.029*	0.041**	0.039*	0.033**	0.029**
	(0.014)	(0.016)	(0.017)	(0.019)	(0.013)	(0.014)
Controls	✓	✓	✓	✓	✓	✓
Firm FE	✓	✓	✓	✓	✓	✓
Year FE	✓		✓		✓	
Industry × Year FE		✓		✓		✓
N	5,217	5,179	5,217	5,179	5,217	5,179

Conclusion

Summary

(A) *Employment*

ln(Employment)

(B) *Separations*

ln(Separation Rate)
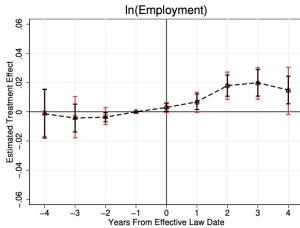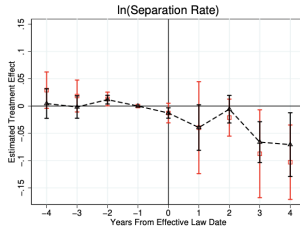
(C) *Household Income*

ln(Median HI)
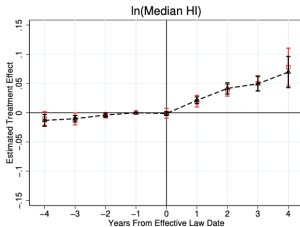
(D) *Poverty*

ln(Poverty)
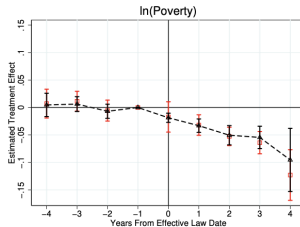
Conclusion

- Paid sick leave mandates increase job stability, increasing the labor supply, also leading to longer spells of employment, which ultimately result in overall improvements in financial health
- Paid sick leave mandates also increases labor productivity and labor demand
- Firms exposed to sick leave mandates experience a significant increase in operating performance
- People who are poor, low educated or under poor health condition have significant improvement by this mandate

Thanks!

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