

The Cost of Mandatory Paid Sick Leave

NFIB study shows the economic impact of the Healthy Family Act (H.R. 2460) and mandatory paid sick leave on U.S. small businesses



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This report analyzes the potential economic impact of H.R. 2460 (111th Congress), also known as the Healthy Families Act, on U.S. employers, workers, and economy. H.R. 2460 would establish a minimum time-off standard for paid sick leave by requiring employers with 15 or more employees to provide workers with up to 56 hours of paid leave during each 12-month period. Paid sick time could be used to tend to an injury or medical condition, care for family members, or, in the event an employee or family member is a victim of domestic violence, to seek medical attention, assist the victim, seek relocation, or take legal action. The mandate covers both full-time and part-time employees. This study aims to forecast the consequences this legislation would have on U.S. businesses by firm-size category.

Highlights of the study include:

- Assuming implementation of H.R. 2460 in 2011, BSIM forecasts that over 570,000 private sector jobs could be lost by 2015.
- U.S. real GDP will be \$93.6 billion less in 2015 than if H.R. 2460 had not been implemented. This output gap can be expected to grow larger in years beyond 2015.
- Cumulatively, over \$382 billion in real output will be lost between 2011 and 2015

- In 2015, over 47 percent of the decrease in output will occur at firms with fewer than 500 employees.
- The job losses forecast to occur at small firms are substantial. In 2015, 55 percent of the employment gap (jobs lost) will be at firms with fewer than 500 employees. Forty-one percent of the employment gap will be at firms with fewer than 100 employees. And despite an exemption for firms with fewer than 15 employees, 22 percent of job losses are still forecast to occur at firms with fewer than 20 employees. These relative shares of the employment gap change little from 2011 to 2015.

Small Business Share of Forecast Job Losses

		Year				
		2011	2012	2013	2014	2015
Firm Size	< 20 Employees	23.2%	23.0%	22.7%	22.4%	22.2%
	< 100 Employees	41.4%	41.6%	41.4%	41.1%	40.8%
	< 500 Employees	53.9%	54.7%	54.8%	54.7%	54.5%

- As with employment, the output forecasts are presented as differences relative to a baseline forecast representing the path of the economy if H.R. 2460 is not implemented. The output gap is forecast to total over \$55 billion in 2011 and is forecast to grow in subsequent years, totaling over \$93 billion in 2015. Between 2011 and 2015, over \$382 billion in real output is expected to be lost as a consequence of the paid sick leave mandate.

Forecast U.S. Real Output Difference from Baseline (in Billions of 2000 \$s)

		Year				
		2011	2012	2013	2014	2015
Firm Size (No. of Employees per Firm)	1 to 4	-3.0	-3.6	-4.1	-4.5	-4.7
	5 to 9	-2.9	-3.5	-4.1	-4.5	-4.8
	10 to 19	-3.5	-4.3	-5.1	-5.6	-5.9
	20 to 99	-9.1	-11.2	-13.2	-14.6	-15.6
	100 to 499	-7.7	-9.6	-11.4	-12.7	-13.6
	500+	-29.2	-34.9	-40.9	-45.4	-48.9
	All Firms	-55.5	-67.1	-78.8	-87.2	-93.6

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