Mandated Sick Pay: Coverage, Utilization, and Welfare Effects
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ABSTRACT

This paper evaluates the labor market effects of sick pay mandates in the United States. Using the National Compensation Survey and difference-in-differences models, we estimate their impact on coverage rates, sick leave use, labor costs, and non-mandated fringe benefits. Sick pay mandates increase coverage significantly by 13 percentage points from a baseline level of 66%. Newly covered employees take two additional sick days per year. We find little evidence that mandating sick pay crowds-out other non-mandated fringe benefits. We then develop a model of optimal sick pay provision along with a welfare analysis. Mandating sick pay likely increases welfare.

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