

Department of Legislative Services
 Maryland General Assembly
 2017 Session

FISCAL AND POLICY NOTE
 Third Reader - Revised

Senate Bill 230
 Finance

(Senator Middleton, *et al.*)

Economic Matters

Labor and Employment - Maryland Healthy Working Families Act

This bill requires an employer with more than 14 employees to have a sick and safe leave policy under which an employee earns at least 1 hour of *paid* sick and safe leave, at the same rate as the employee normally earns, for every 30 hours an employee works. An employer with 14 or fewer employees, based on the average monthly number of employees during the preceding year, must have a sick and safe leave policy that provides an employee with at least 1 hour of *unpaid* sick and safe leave for every 30 hours an employee works. An employer is not required to allow an employee to earn or carry over more than 40 hours of earned sick and safe leave in a year, use more than 72 hours of earned leave in a year, accrue more than 72 hours at any time, or use earned sick and safe leave during the first 106 calendar days worked.

The bill takes effect January 1, 2018.

Fiscal Summary

State Effect: Expenditures increase (all funds), potentially by several million dollars, to provide contractual employees throughout State government with earned sick and safe leave. General fund expenditures increase by \$487,400 in FY 2018 due to additional staffing needs for the Department of Labor, Licensing, and Regulation (DLLR) to enforce the bill and due to programming costs within the Department of Budget and Management (DBM). Out-year expenditures reflect annualization and elimination of contractual staff and one-time start-up costs. General fund revenues increase minimally as a result of the bill’s monetary penalty provision and from cases heard in the District Court. **This bill establishes a new entitlement.**

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
GF Revenue	-	-	-	-	-
GF Expenditure	\$487,400	\$600,500	\$618,200	\$555,500	\$577,800
GF/SF/FF Exp.	-	-	-	-	-
Net Effect	(\$487,400)	(\$600,500)	(\$618,200)	(\$555,500)	(\$577,800)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local government expenditures increase significantly for certain local jurisdictions to allow temporary or part-time employees to earn sick and safe leave. Local revenues are not affected. **This bill may impose a mandate on a unit of local government.**

Small Business Effect: Meaningful.

Analysis

Bill Summary:

Eligibility

An “employer” includes the State or local governments and a person who acts directly or indirectly in the interest of another employer with an employee. The bill does not apply to employees who regularly work less than 12 hours a week, specified independent contractors, specified associate real estate brokers and real estate salespersons, individuals younger than age 18 before the beginning of the year, workers in a specified agricultural sector, construction workers (not including specified employees) covered in a collective bargaining agreement, specified employees who work on an as-needed basis in a health or human services industry, or specified employees of a temporary services or employment agency. The bill defines who qualifies as a “family member.”

Use and Accrual of Leave

Earned sick and safe leave begins to accrue the later of January 1, 2018, or the date that an employee begins employment with the employer.

An employer must allow an employee to use earned sick and safe leave:

- to care for or treat the employee’s mental or physical illness, injury, or condition;
- to obtain preventive medical care for the employee or employee’s family member;
- to care for a family member with a mental or physical illness, injury, or condition;
- for maternity or paternity leave; and
- for specified circumstances due to domestic violence, sexual assault, or stalking committed against the employee or the employee’s family member.

An employer is not required to allow an employee to accrue earned sick and safe leave during (1) a two-week pay period in which the employee worked fewer than 24 hours total; (2) a one-week pay period if the employee worked fewer than a total of 24 hours in the

current and immediately preceding pay period; or (3) a pay period in which the employee is paid twice a month and the employee worked fewer than 26 hours in the pay period.

An employer is not required to compensate an employee for unused earned sick and safe leave when the employee leaves the employer's employment. An employer who rehires an employee within 37 weeks after leaving employment is required to reinstate any unused earned sick and safe leave that had accrued at the time of separation unless the employer voluntarily paid out the unused earned sick and safe leave. The bill does not require an employer to modify an existing paid leave policy if (1) the terms and conditions are at least equivalent to those under the bill or (2) the paid leave policy does not reduce employee compensation for an absence due to sick or safe leave. The bill does not affect specified workers' compensation benefits. The bill does not affect any other law enacted before January 1, 2017, that provides more generous sick and safe leave benefits. The bill does not prevent an employer from establishing a policy that allows employees to voluntarily exchange assigned work hours. The bill may not be construed to prohibit an employer from adopting and enforcing a policy that prohibits the improper use of earned sick and safe leave, including prohibiting a pattern of abuse of earned sick and safe leave.

The bill includes processes and conditions, including notice and verification requirements, under which an employee may accrue and use earned leave. The bill specifies the circumstances under which an employer may deny a request to take earned sick and safe leave related to the disruption of the employer's business or provision of services to an individual with a developmental disability or mental illness.

If a unit of State or local government's sick leave accrual and use requirements meet or exceed the sick and safe leave provided under the bill, employees who are part of the unit's personnel system are subject to the unit's laws, regulations, and procedures for accruing and using sick leave, grievances, and disciplinary actions. State employees who are entitled to sick and safe leave under the bill and are not covered by the unit's sick leave accrual and use requirements are subject to specified provisions of the bill.

An employer may not be required to pay a tipped employee more than the applicable minimum wage for earned sick and safe leave. If a tipped employee in the restaurant industry needs to take earned sick and safe leave, prefers and is able to work additional hours or trade shifts with another employee, and requires the employer to arrange coverage of the shift, the employer has the discretion to pay the employee the minimum wage for the absence or to offer the employee a choice of being paid the minimum wage for the employee's absence or working an equivalent shift. An employer is not required to consent to an employee's request to work additional hours or trade shifts if it would result in overtime pay. An employer may deduct an absence taken from the employee's accrued earned sick and safe leave.

The bill applies only prospectively and may not be interpreted to apply or have any effect on or application to any bona fide collective bargaining agreement entered into before June 1, 2017, for the duration of the contract term, excluding any extensions, options to extend, or renewals of the term of the original agreement.

Requirements for the Commissioner of Labor and Industry

The commissioner may adopt implementing regulations and investigate violations upon receiving a written complaint by an employee. The commissioner must, to the extent practicable, keep the complainant's identity confidential unless the employee waives confidentiality. The commissioner must provide technical assistance to an employer requesting assistance on implementing earned sick and safe leave.

Notice and Model Policy to Employees

An employer must notify its employees that they are entitled to earned sick and safe leave by providing a specified notice to employees. The Commissioner of Labor and Industry must create and make available a free poster and a model notice that may be used by employers, which includes specified information on earned sick and safe leave and the rights of employees. The commissioner must also develop a model paid sick and safe leave policy that an employer may use as written guidance to employees. The notice and model paid sick and safe leave policy must be posted on DLLR's website in a downloadable format.

Enforcement

The bill preempts the authority of a local jurisdiction to enact a law on or after January 1, 2017, that regulates sick and safe leave provided by an employer other than the local jurisdiction, but it does not preempt a local jurisdiction from amending an existing law. The bill may not be construed to preempt any federal law or regulation governing employees subject to federal law or regulations.

An employer must keep relevant records for at least three years, and the commissioner may inspect an employer's records regarding earned sick and safe leave. The bill creates a rebuttable presumption that an employer has violated the earned sick and safe leave provisions if the employer fails to either keep records or allow the commissioner to inspect records. An employer may not be assessed a civil penalty due to an unintentional payroll error or written notice error caused by a third-party payroll service provider. A payroll service provider is liable for any penalties and costs incurred by the employer if the employer is found in violation of the bill as a result of the payroll service provider's actions.

If an employee believes that an employer has violated a provision of the bill, the employee may file a written complaint with the commissioner. The commissioner must conduct an investigation and attempt to resolve the issue informally through mediation within 90 days of the written complaint. If the commissioner is unable to resolve the issue through mediation and determines that an employer has violated a provision of the bill, the commissioner must issue an order, subject to the hearing and notice requirements of the Administrative Procedure Act. The order must describe the violation and direct the payment of the full monetary value of any unpaid earned sick and safe leave and any actual economic damages. The order may, in the commissioner's discretion, direct the payment of an additional amount of up to three times the value of the employee's hourly wage for each violation and assess a civil penalty of up to \$1,000 for each employee for whom the employer is not in compliance with provisions of the bill. If an employer does not comply with an order within 30 days of the issuance of the order, the commissioner may ask the Attorney General to bring an action – either on behalf of the employee (with the employee's written consent) or to enforce the order for the civil penalty – in the county where the employer is located.

In addition, within three years of the order, an employee may bring a civil action to enforce the order in the county where the employer is located. If an employee prevails in such an action to enforce an order, the court may award three times the value of the employee's unpaid earned sick and safe leave, punitive damages in an amount determined by the court, reasonable legal fees, injunctive relief if appropriate, and any other appropriate relief.

A person may not interfere with the exercise of, or the attempt to exercise, any right given under the bill. An employer may not take adverse action or discriminate against the employee because the employee exercised in good faith the rights granted by the bill. Additionally, an employer may not interfere with, restrain, or deny an employee exercising rights provided under the bill or apply a specified absence control policy that could lead to adverse action. An employee who mistakenly, but in good faith, alleges a violation under the bill is protected. An employee may not, in bad faith, file a complaint with the commissioner alleging a violation, bring an action, or testify in an action regarding earned sick and safe leave. An employee who violates these provisions is guilty of a misdemeanor and on conviction is subject to a maximum \$1,000 fine.

Current Law: Maryland law does not require private-sector employers to provide employees with paid or unpaid sick leave.

Federal Family and Medical Leave Act of 1993

The Federal Family and Medical Leave Act of 1993 (FMLA) requires covered employers to provide eligible employees with up to 12 work weeks of unpaid leave during any 12-month period under the following conditions:

- the birth and care of an employee’s newborn child;
- the adoption or placement of a child with an employee for foster care;
- to care for an immediate family member (spouse, child, or parent) with a serious health condition;
- medical leave when the employee is unable to work due to a serious health condition; or
- any qualifying circumstance arising out of the fact that the employee’s spouse, son, daughter, or parent is a covered military member on “covered active duty.”

Generally, an FMLA-covered employer is an entity engaged in commerce that employs at least 50 employees. Public agencies and public or private elementary or secondary schools are considered to be covered employers, regardless of the number of individuals they employ.

An eligible employee is an individual employed by a covered employer who has been employed for at least 12 months; however, these may be nonconsecutive months. Among other criteria, the individual must have been employed for at least 1,250 hours of service during the 12-month period immediately preceding the leave.

Maryland Flexible Leave Act

A private-sector employer who provides paid leave to its employees must allow an employee to use earned paid leave to care for immediate family members, including a child, spouse, or parent, with an illness. An employer is prohibited from taking action against an employee who exercises the rights granted or against an employee who files a complaint, testifies against, or assists in an action brought against the employer for a violation of these provisions.

An employer is considered a person that employs 15 or more individuals and is engaged in a business, industry, profession, trade, or other enterprise in the State, including a person that acts directly or indirectly in the interest of another employer. State and local governments are not included.

Employees who earn more than one type of paid leave from their employers may elect the type and amount of paid leave to be used in caring for their immediate family members.

Maryland Parental Leave Act

Firms with 15 to 49 employees are required to provide employees with unpaid parental leave benefits. An eligible employee may take unpaid parental leave up to a total of six weeks in a 12-month period for the birth, adoption, or foster placement of a child.

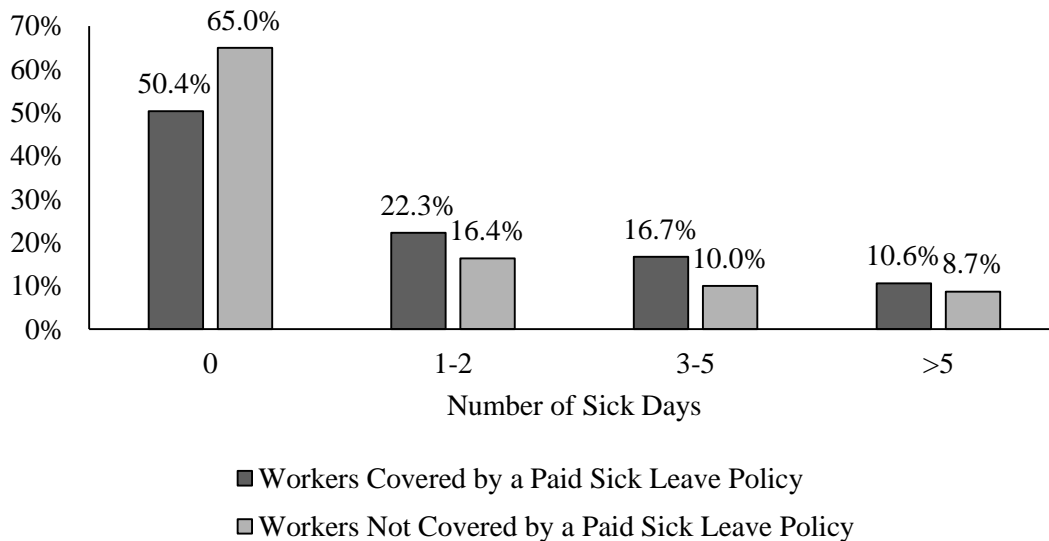
During parental leave, the employer must maintain existing coverage for a group health plan and, in specified circumstances, may recover the premium if the employee fails to return to work. State and local governments are not included.

To be eligible for the unpaid parental leave, an employee must have worked for the employer for at least one year and for 1,250 hours in the previous 12 months. An eligible employee does not include an independent contractor or an individual who is employed at a work site at which the employer employs fewer than 15 employees if the total number of employees employed by that employer within 75 miles of the work site is also fewer than 15. An eligible employee has to provide the employer with 30-day prior notice of parental leave. However, prior notice is not required if the employee takes leave because of a premature birth, unexpected adoption, or unexpected foster placement.

Background: According to the U.S. Bureau of Labor Statistics, in Maryland's region (South Atlantic) in 2016, 61% of workers in private-industry businesses have paid sick leave, while 92% of workers in state and local governments have paid sick leave. Among employees of private-industry businesses with fewer than 100 workers, 55% earn paid sick leave. Private-industry businesses provided on average seven days of paid sick leave to an employee with one year of service in 2016. Private-sector employers with fewer than 100 workers on average offered six days of paid sick leave, while employers with at least 100 workers provided on average eight days of paid sick leave to employees after one year of service.

Based on the 2015 National Health Interview Survey, approximately half of all workers who are covered by paid sick leave plans do not take any days off for illness or injury in a given year (not including maternity leave) while approximately 65% of workers who are not covered by paid sick leave plans do not take any days off for illness or injury. **Exhibit 1** shows the percent of workers who miss work at a job due to illness or injury by whether the worker has access to paid sick leave. Employees on average took 3.5 days off work for an illness or injury. Based on a sample of the survey respondents that the Department of Legislative Services (DLS) analyzed, the average number of sick days employees with a paid sick leave policy took is not statistically significantly different from the average number of sick days employees took without a paid sick leave policy.

Exhibit 1
Percent of Workers that Take Sick Days



Source: 2015 National Health Interview Survey; Department of Legislative Services

Paid Sick Leave in Other Jurisdictions

In 2011, Connecticut became the first state to require private-sector employers to provide paid sick leave to their employees. The District of Columbia, Arizona, California, Massachusetts, Oregon, Vermont, and Washington have also enacted paid sick leave policies. **Exhibit 2** summarizes the paid sick leave policies of these states and the District of Columbia.

Local jurisdictions have also enacted paid sick leave laws. Montgomery County enacted paid sick leave legislation in June 2015 (Montgomery County Bill 60-14), which generally requires employers in the county to provide 1 hour of earned sick and safe leave for every 30 hours an employee works in the county, up to 56 hours in a calendar year. An employer with 5 or more employees must provide paid leave while an employer with fewer than 5 employees must provide 32 hours of paid leave and 24 hours of unpaid leave in a year. A person who regularly works in Montgomery County more than 8 hours each week, including a domestic worker, for an employer that employs one or more persons in the county in addition to the owners is covered. An employer includes the county government, but not the federal, State, or any other local government. The law does not cover an independent contractor or a person who does not have a regular work schedule.

Exhibit 2 Paid Sick Leave Policies

	Arizona	California	Connecticut	Massachusetts	Oregon	Vermont	Washington	Washington, D.C.
Who is covered?	Most workers, except state or federal government employees, employees employed by a parent or sibling, or casual babysitters	Most workers who are employed in the state for at least 30 days	Hourly workers in certain service occupations if the business has at least 50 employees	Workers employed in the state; employers with fewer than 11 workers receive only unpaid sick leave	Most workers except certain employees covered by a collective bargaining agreement; generally employers with fewer than 10 (6 in Portland) workers receive only unpaid sick leave	Most workers, except those who work fewer than 18 hours a week on average, federal government employees, certain state employees, employees younger than age 18, and other specified temporary employees; new employers are not subject to the law for one year after hiring their first employee; small businesses are not subject to the law until 1/1/2018	Beginning 1/1/2018, most workers, except those who are exempt from the state's minimum wage law	Most workers, except independent contractors, students, certain health care workers, unpaid volunteers, and casual babysitters
Rate of paid sick time accrual?	1 hour for every 30 hours worked	1 hour for every 30 hours worked	1 hour for every 40 hours worked	1 hour for every 30 hours worked	1 hour for every 30 hours worked	1 hour for every 52 hours worked	1 hour for every 40 hours worked	1 hour for every 87 hours worked if business employs fewer than 25 employees; 1 hour for every 43 hours worked if a tipped restaurant/bar employee or if business employs 25 to 99 employees; 1 hour for every 37 hours worked for businesses with 100 or more employees
Amount of paid sick time that can be earned per year?	Up to 40 hours a year if the business has at least 15 employees; otherwise up to 24 hours a year	Generally up to 24 hours	Up to 40 hours a year	Up to 40 hours a year	Up to 40 hours a year	Beginning in 2019, up to 40 hours a year; in 2017 and 2018, up to 24 hours a year	Employers are not required to allow more than 40 hours to carry over to the following year	Up to 24 hours a year if business employs fewer than 25 employees; up to 40 hours per year if tipped restaurant/bar worker or business employs 25 to 99 employees; up to 56 hours per year for businesses with 100 or more employees

Source: The Industrial Commission of Arizona; California Division of Labor Standards Enforcement; Connecticut Department of Labor; Massachusetts Office of the Attorney General; Oregon Bureau of Labor and Industries; Vermont Department of Labor; Washington State Department of Labor and Industries; District of Columbia Department of Employment Services; Department of Legislative Services

Domestic Violence in Maryland

According to the *2015 Uniform Crime Report*, 30,534 domestic violence crimes were reported in Maryland. Assault was by far the most frequently reported crime, with 25,996 incidents in calendar 2015. Of reported assaults, simple assaults comprised 21,054 incidents. There were 68 domestic violence homicides.

State Revenues: General fund revenues increase – likely minimally – as a result of the bill’s monetary penalty provisions and from cases heard in District Court.

State Expenditures:

Administrative Costs

The Commissioner of Labor and Industry Employment Standards Service unit currently handles claims for unpaid sick leave. By creating a sick and safe leave policy for almost all employers, the bill creates additional enforcement responsibilities for DLLR’s Division of Labor and Industry. DLLR cannot absorb the additional workload within existing resources and requires additional staffing to respond to the increase in inquiries and complaints prompted by a sick and safe leave policy.

The regular staff needed to respond to and manage the additional workload created by the bill includes one assistant Attorney General, one administrator, three administrative officers, and one office clerk. DLLR needs two additional contractual administrative officers until June 30, 2020, when the number of inquiries and complaints decreases due to greater employer awareness of the bill’s requirements. DLLR advises that inquiries into sick and safe leave violations are expected to increase significantly due to the bill because the State has never had such a policy before. DLLR estimates it could receive as many as 18,000 additional inquiries each year and 800 complaints alleging violations. Based on prior experience, DLLR advises that the majority of employers in violation will voluntarily come into compliance with the bill’s provisions after being contacted by division staff. However, a significant number of new formalized complaints must likely be investigated and processed each year by the division.

In addition to analyzing employer leave policies and processing complaints, DLLR advises that the additional staff will develop employee notification and model materials and conduct outreach efforts to inform employers of the new sick and safe leave policy. Additional administrative support is needed to handle phone and email inquiries, prepare and file wage orders, handle equipment and supplies, and manage complaint files. Legal staff is needed to provide advice, review wage orders, and plead cases. DLLR advises that the Employment Standards database must be modified, increasing expenditures by \$96,961 in fiscal 2018, and by \$44,900 annually thereafter.

General fund expenditures increase for DLLR by \$412,411 in fiscal 2018, which assumes that DLLR staff are in place as of January 1, 2018, concurrent with the effective date of the bill. This estimate reflects the cost of hiring three regular and two contractual administrative officers, one office clerk, and one assistant Attorney General as well as one regular administrator to investigate complaints and enforce the State’s sick and safe leave policy. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Regular Positions	6.0
Contractual Positions	2.0
Regular Salaries and Fringe Benefits	\$208,672
Contractual Salaries and Fringe Benefits	42,508
One-time Start-up Costs	134,081
Operating Expenses	<u>27,150</u>
Total FY 2018 DLLR Expenditures	\$412,411

Future year expenditures reflect the elimination of the contractual positions, full salaries with annual increases and employee turnover, and ongoing operating expenses. If the volume of inquiries or complaints exceeds expectations, one or both of the contractual positions could be extended or converted to regular status.

This estimate does not include any health insurance costs that could be incurred for specified contractual employees under the State’s implementation of the federal Patient Protection and Affordable Care Act.

Additionally, administrative expenses associated with recordkeeping, documentation, and notification requirements may increase. For example, DBM general fund expenditures increase by \$75,000 for programming costs to reconfigure its timekeeping system to track sick and safe leave time. Likewise, other agencies with their own independent personnel systems may incur additional costs to track sick and safe leave time.

The Office of Administrative Hearings can handle hearings on earned sick and safe leave with existing resources.

Labor Costs

DLS assumes the State will expand and modify its existing sick leave policies to comply with the bill rather than implement sick and safe leave in addition to existing sick leave policies.

State employees in both the State Personnel Management System (SPMS) and the Maryland Department of Transportation (MDOT) Transportation Service Human

Resources System currently accrue paid sick leave at the rate of 1.5 hours for every 26 hours worked in nonovertime status, which exceeds the bill's minimum requirement. Employees earn a maximum of 15 days or 120 hours of sick leave each year. Employees may use paid sick leave for the following:

- for illness or disability of the employee;
- for death, illness, or disability of the employee's immediate family member;
- following the birth of the employee's child;
- when a child is placed with the employee for adoption; or
- for a medical appointment of the employee or the employee's immediate family member.

The bill expands the possible uses of earned sick and safe leave, particularly for leave related to domestic violence and related crimes, and defines a "family member" more broadly. As a result of the expanded authorization to use earned sick and safe leave for all SPMS employees, sick and safe leave may be used more frequently, which could disrupt some State operations, affect productivity, and/or require additional expenditures for overtime.

Providing earned sick and safe leave to State employees who currently do not receive any leave benefits increases expenditures (all funds) significantly. For example, DBM estimates that expanding earned sick and safe leave to contractual, seasonal, and temporary employees within SPMS who currently do not earn leave could increase expenditures by as much as \$4.0 million on an annual basis. Likewise, the Judiciary estimates expenditures could increase by up to \$560,000 on an annual basis for employees currently ineligible for paid leave. MDOT estimates expenditures could increase by approximately \$143,000 on an annual basis to provide leave to contractual and temporary employees who do not currently earn leave. The actual impact depends on how many additional hours of earned sick and safe leave State employees use. The impact in fiscal 2018 would be approximately one-half the annual amount due to the bill's January 1, 2018 effective date.

The University System of Maryland (USM) reports various categories of contractual short-term or intermittent employees do not receive leave benefits, including Contingent Category I (temporary) employees, adjunct faculty who are typically hired to teach a single course for a term, and student employees. In addition, Contingent Category II (typically longer-term contractual) employees only receive limited leave benefits, including three days of sick leave at many institutions. Providing five days of earned sick and safe leave to these employees increases USM expenditures by \$5.8 million on an annual basis, with approximately one-half that amount in fiscal 2018.

The impact is greater for agencies with 24/7 operations because the expanded leave opportunities may increase overtime costs. Agencies with 24/7 operations include MDOT and, within SPMS, DLLR, the Department of General Services, the Department of Health and Mental Hygiene, the Department of Juvenile Services, the Department of State Police, the Department of Natural Resources, and the Department of Public Safety and Correctional Services. DBM estimates expenditures increase by \$2.9 million on an annual basis (and by one-half that amount in fiscal 2018) to cover overtime for agencies within SPMS with 24/7 operations.

Local Expenditures: Many local jurisdictions do not offer seasonal, part-time, grant-funded, or contractual workers earned sick and safe leave, so many local jurisdictions incur significant increases in expenditures. For example, Calvert County estimates 300 employees do not earn leave as required by the bill. Caroline County estimates expenditures could increase by more than \$10,000 annually to provide 55 temporary, part-time, contractual, and seasonal employees with earned sick and safe leave, and the county's largest departments are ones that require coverage if an employee does not show for a shift, such as emergency first-responders. Howard County expects the bill to have a material fiscal impact on the county and estimates expenditures increase by more than \$70,000 annually to provide sick and safe leave to contingent, seasonal, and temporary employees. The impact in fiscal 2018 is approximately one-half those amounts.

Additionally, as most local jurisdictions do not define family members as broadly as the bill does, they may only allow a portion of earned sick days to be used to care for sick family members. The Maryland Municipal League notes that there may be significant increased costs associated with increased absenteeism. Providing earned sick and safe leave to essential personnel may strain response systems, overburden other employees, and create additional overtime expenses for local jurisdictions. Furthermore, administrative expenses associated with recordkeeping, documentation, and notification requirements increase for providing earned sick and safe leave.

However, some local jurisdictions only incur minimal or no fiscal impact for allowing earned safe leave, such as Prince George's County, since they provide the earned sick leave required by the bill. Since Montgomery County recently enacted an earned sick and safe leave law, it is not as significantly affected – as most employees are covered under the county legislation. The existing law is not affected by the bill's preemption provision. However, Montgomery County public schools incur a substantial cost – approximately \$0.7 million annually (and approximately one-half that amount in fiscal 2018) – for providing 3,500 short-term substitute teachers and temporary part-time workers earned sick and safe leave.

Small Business Effect: The bill has a significant impact on small businesses. Based on U.S. Census data, DLS estimates that approximately 311,400 employees work for

Maryland employers with 14 or fewer employees and approximately 1.9 million employees work for Maryland employers with 15 or more employees. Employees who regularly work less than 12 hours a week, specified independent contractors, specified associate real estate brokers and real estate salespersons, individuals younger than age 18 before the beginning of the year, workers in a specified agricultural sector, specified construction workers, specified employees that work on an as-needed basis in a health or human services industry, or specified employees of a temporary services or employment agency are ineligible for earned sick and safe leave. Approximately 64% of employees already receive paid sick leave, so based on all of this information, DLS estimates that fewer than 114,800 employees are eligible for unpaid sick and safe leave, while fewer than 677,300 employees are eligible for paid sick and safe leave under the bill. **Exhibit 3** shows the estimated number of Maryland workers by industry without paid sick leave and those who may become eligible for earned sick and safe leave under the bill.

Nationally, private-sector employees in the finance, insurance, information, and utilities industries are the most likely to have access to paid sick leave, while only 31% of private-sector employees in the accommodation and food services industry have access to paid sick leave. Thus, employers in the accommodation and food services industries are likely to be the most affected by the bill, as shown in Exhibit 3.

Additionally, employers who employ low-wage earners (average wage in the lowest quartile) are likely to be affected more than those employers who employ high-wage earners (average wage in the highest quartile), because only 39% of low-wage workers receive paid sick leave compared with 84% of high-wage workers in 2016, and lower-income workers on average tend to take more sick days than higher-wage workers. Workers with family income of less than \$35,000 on average missed 4.5 days of work due to an injury or illness, while workers with family income of \$100,000 or more on average missed 2.7 days of work due to an injury or illness.

Approximately 84,000 businesses have fewer than 15 employees and would be required to provide unpaid sick and safe leave to employees while approximately 20,000 businesses have at least 15 employees and would be required to provide paid sick and safe leave. Fewer than 20% of businesses in the State have 15 or more employees, but they employ 86% of workers.

Businesses may benefit by experiencing reduced turnover, increased productivity, and reduced spread of illnesses. The Institute for Women's Policy Research estimates that a similar prior-year bill equates to a 26-cents-per-hour savings in wages for employees receiving new leave as a result of lower turnover and reduced spreading of illnesses in the workplace.

Exhibit 3
Estimated Number of Maryland Employees without Paid Sick Leave by Industry

<u>Private-sector Industry</u>	<u>Number of MD Employees</u>	<u>% of Workers without Paid Sick Leave Nationally</u>	<u>Estimated MD Employees without Paid Sick Days</u>	<u>Estimated MD Employees Eligible for Unpaid Leave Under this Bill*</u>	<u>Estimated MD Employees Eligible for Paid Leave Under this Bill*</u>
Accommodation and Food Services	212,153	69%	146,386	19,461	126,925
Admin., Support, Waste Man., and Rem. Services	180,658	58%	104,782	10,632	94,150
Agriculture, Forestry, Fishing and Hunting	1,267	58%	735	0	0
Arts, Entertainment, and Recreation	40,796	66%	26,925	2,887	24,039
Construction	144,248	53%	76,451	17,551	48,198
Educational Services	81,421	25%	20,355	1,307	19,049
Finance and Insurance	99,391	9%	8,945	980	7,965
Health Care and Social Assistance	360,751	27%	97,403	11,496	85,907
Information	54,379	8%	4,350	242	4,108
Management of Companies and Enterprises	51,881	36%	18,677	29	18,648
Manufacturing	96,939	30%	29,082	2,409	26,673
Mining, Quarrying, and Oil and Gas Extraction	1,098	58%	637	45	592
Other Services (except Public Administration)	113,241	43%	48,694	18,064	30,630
Professional, Scientific, and Technical Services	280,028	20%	56,006	8,607	47,398
Real Estate and Rental and Leasing	43,658	19%	8,295	744	2,801
Retail Trade	291,866	42%	122,584	15,686	106,898
Transportation and Warehousing	66,051	26%	17,173	1,987	15,186
Utilities	9,687	8%	775	0	775
Wholesale Trade	87,035	23%	20,018	2,683	17,335
All Industries	2,216,867	36%	808,272	114,809	677,276

*Among other requirements, employees must work at least 12 hours per week and be at least 18 years old, so fewer workers than estimated may be eligible for earned sick and safe leave.

Source: U.S. Bureau of Labor Statistics; Statistics of U.S. Businesses, U.S. Census; Department of Legislative Services

Additional Information

Prior Introductions: A similar bill, HB 580 of 2016, passed the House and was referred to the Senate Finance Committee, but no further action was taken. Similar bills, SB 472 of 2016, SB 40 of 2015, SB 753 of 2014, and SB 698 of 2013, received a hearing in the Senate Finance Committee, but no further action was taken. HB 385 of 2015 and HB 968 of 2014, both cross files, received a hearing in the House Economic Matters Committee, but no further action was taken. HB 735 of 2013, another cross file, received a hearing in the House Economic Matters Committee and was subsequently withdrawn.

Cross File: HB 1 (Delegates Clippinger and Davis) - Economic Matters.

Information Source(s): Baltimore City; Calvert, Caroline, Howard, Montgomery, and Prince George's counties; Maryland Association of Counties; cities of Annapolis and Bowie; Maryland Municipal League; Judiciary (Administrative Office of the Courts); University System of Maryland; Department of Budget and Management; Department of Labor, Licensing, and Regulation; Maryland Department of Transportation; Institute for Women's Policy Research; U.S. Department of Labor; U.S. Bureau of Labor Statistics; U.S. Small Business Administration; U.S. Census Bureau; The Industrial Commission of Arizona; California Division of Labor Standards Enforcement; Connecticut Department of Labor; Massachusetts Office of the Attorney General; Oregon Bureau of Labor and Industries; Vermont Department of Labor; Washington State Department of Labor and Industries; District of Columbia Department of Employment Services; 2015 National Health Interview Survey; Department of Legislative Services

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