

# Generous paid sick leave provisions boost company productivity and profitability

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New research from Bayes Business School (formerly Cass) shows companies that offer effective paid sick leave entitlement can significantly increase employee productivity and become more

profitable.

"Help Your Employees, Help Your Firm: Evidence from U.S. Paid Sick Leave Mandates," co-authored by Liangrong Chunyu, Finance Ph.D. candidate and Dr. Xingchen Zhu, Finance Ph.D. alumnus at Bayes, investigated the fortunes of a total of 37,930 publicly-traded US firms across the period between 2004 and 2019—prior to the beginning of the pandemic. Firms who introduced paid sick leave into their company policies during this time saw productivity growth, on average, of between six and eight percent based on regression results, as well as a two percent increase in profits margins.

Other key findings from the study show:

- Employees with better access to sick pay achieve higher productivity due to better in-work health and higher morale as a result of being able to stay away from the workplace when unwell to avoid spreading contagious diseases.
- Positive effects of paid sick leave are more pronounced for firms with more expensive, higher-capital employees. This is because staff who earn [higher salaries](#) are more likely to favor sick pay and other additional benefits over incremental pay increases for tax purposes.
- Provision of paid sick leave can exert positive health benefits to workers sharing the same workplace and therefore protect public health. The improvement in performance is higher for firms in industries that have fewer job roles that can be performed remotely, are more susceptible to viral outbreaks and have headquarters in areas of high social capital such as major cities.
- Accordingly, paid sick leave increases firm leverage because the extra labor costs to firms in covering for sickness may increase their motivation to borrow more.

Results from the study unequivocally support the universal adoption of statutory paid sick leave in firms across the US, with more generous benefits leading to a more profitable organization.

Miss Chunyu said the study provided a compelling case for such provisions—from both incentive and health points of view—and that sick leave was an essential social insurance tool.

"At a time where COVID and the risk of severe illness are still dictating much of the world's productivity, our study sheds light on the positive effects of remunerating staff who need to take time away from work," Miss Chunyu said.

"From a health standpoint, paid sick leave ensures employees are able to work in good health and carry out their roles effectively without being impaired by illness. It also means they are less likely to spread germs and infection around the office or place of work, which in turn reduces the likelihood of viral outbreaks.

"Indeed, in this study we find a more pronounced effect of introducing paid sick leave among workers who are less able to carry out their roles from home. Roles of this nature most likely involve manual labor or jobs that require face-to-face interaction, requiring peak physical health to carry out effectively. It is therefore natural for productivity to improve with provisions.

"A healthy workforce is a happy workforce, and a workforce that feels valued and cared for is a productive workforce. This very much applies to [employee](#) satisfaction as well, which has also become a much more prominent topic of conversation in the last decade."

"Help Your Employees, Help Your Firm: Evidence from U.S. Paid Sick Leave Mandates" is a working paper by Liangrong Chunyu, Bayes

Business School and Dr. Xingchen Zhu, Vrije Universiteit Amsterdam.

**More information:** Help Your Employees, Help Your Firm: Evidence from U.S. Paid Sick Leave Mandates: [drive.google.com/file/d/1EytaY...LB8aNHqAeENTjl /view](https://drive.google.com/file/d/1EytaY...LB8aNHqAeENTjl/view)

Provided by City University London

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