KEYSTONE RESEARCH CENTER

The Economic Impact of Paid Sick Leave in Allentown, Pennsylvania

Economic estimates of the proposed ballot initiative's costs and benefits to workers, employers, and the local economy

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Introduction

On November 3, 2026, voters in the City of Allentown will face the choice of whether to establish a paid sick leave requirement for employees who work in the city. Under the initiative, employees of companies with 15 or more employees would accrue one hour of paid sick time for every 30 hours worked in Allentown, up to 72 hours per year. The initiative also establishes a lower standard of requirements for companies with fewer than 15 employees, including a 48-hour cap on paid sick time. This report examines the impact of such a mandate on Allentown's economy. We estimate that **the proposed mandate would extend paid sick leave to an additional 9,822 people employed in Allentown – meaning that about one out of every five Allentown employees would benefit from the new law. Each newly covered worker would use an average of just 19.3 hours of paid sick leave per year (fewer than three days per year), at an estimated annual wage cost to employers of $523 per worker. Altogether, the total cost to employers represents less than one-tenth of one percent of Allentown's GDP. Studies of similar laws have not found statistically significant declines in overall employment. Taken together, the evidence suggests the proposal would give many Allentown workers a valuable benefit at a modest cost relative to the size of the city's economy.**

Purpose of this Report

Proposed paid sick leave policies often prompt questions about how many workers would benefit, what it could cost local employers, and whether it would affect employment. This report examines those questions using the best available economic evidence, including the experience of Philadelphia and Pittsburgh after they adopted similar laws.

Methodology

Using the U.S. Department of Labor's Worker Paid Leave Usage Simulation (Worker PLUS) Model[1], we conducted a simulation of Allentown's proposed paid sick leave mandate to estimate how many workers are likely to take leave and project the aggregate annual cost to employers. Because the Worker PLUS Model is designed to produce simulations for state-level paid leave policies, the initial results produced a projection of the outcomes in a scenario where the Allentown mandate design was implemented for all of Pennsylvania. We then narrowed the results to the City of Allentown.[2]

The Worker PLUS Model estimates how workers might use paid leave under a specified set of rules. We set the model to estimate paid leave under the Allentown proposal and set the employee take-up rate to 100% to estimate how many workers likely had no paid sick leave at all, but who would be eligible for it under the new law. As a next step, we projected the number of paid sick leave hours these newly covered workers are likely to use each year. Because similar laws have been adopted in a wide variety of cities and states across the country, there is strong evidence to draw on in projecting the law's likely impacts. A national study of state-level paid sick leave mandates found that, on average, they increased the number of employees eligible for sick leave by 20.2 percentage points, and increased annual sick leave use by 3.906 hours across all jobs.[3] Dividing the estimated increase in hours by the estimated increase in coverage yields an average of 19.3 hours per newly covered job, so we project that newly covered Allentown workers would utilize an average of 19.3 hours of paid sick leave annually if the mandate is approved. Based on this calculation, we then project the total number of new paid sick leave hours likely to be used, as well as the annual additional wage cost that Allentown employers can expect to face.

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[1] IMPAQ International. (2021). *Worker Paid Leave Usage Simulation (Worker PLUS) Model.* Chief Evaluation Office, U.S. Department of Labor, https://www.dol.gov/resource-library/microsimulation-model-worker-leave, June 23, 2026.

[2] The smallest geography available in the model was a place-of-work Public Use Microdata Area covering Carbon, Lehigh, and Northampton counties. Using Census Bureau's OnTheMap (https://onthemap.ces.census.gov/) tool, we estimated Allentown's share of jobs in this larger area. Because lower-wage workers are the least likely to already have paid leave, we used Allentown's share of the area's lowest-wage jobs to scale the model's results.

[3] Maclean JC, Pichler S, Ziebarth NR, "Mandated Sick Pay: Coverage, Utilization, and Crowding-in," J Eur Econ Assoc. 2025 Feb 22;23(5):1868-1907. doi: 10.1093/jeea/jvaf008. PMID: 41078455; PMCID: PMC12510734, https://pubmed.ncbi.nlm.nih.gov/41078455/.

We then examined two sources of potential employer savings that would mitigate the cost to local employers. First, we examined a study of Seattle's paid sick leave mandate to estimate possible savings from lower employee turnover. The study found no overall change in job separations but estimated a 10% reduction in job separations among employees at firms with more than 50 workers.[4] We use that subgroup finding, Pennsylvania's average separation rate, and research on replacement costs to illustrate the possible savings for a hypothetical group of 1,000 newly covered workers at firms with more than 50 employees. This group is not an estimate of the number of Allentown workers at such firms.

Next, we sought to estimate the impact of increased productivity, using an analysis of Massachusetts' paid family and medical leave program. That analysis estimated potential productivity gains associated with fewer poor-health days among workers with depression and coronary heart disease (but did not distinguish between reduced absences and improved performance while at work).[5] We adjusted the Massachusetts estimates for differences in wages and the prevalence of the two conditions in Massachusetts and Pennsylvania. Because Massachusetts' program differs substantially from the Allentown proposal, we treat the resulting $1.7 million savings estimate as a potential outcome rather than a definite projection.

Finally, we examined how Philadelphia and Pittsburgh administer their paid sick leave requirements and reviewed reported compliance activity in Philadelphia.[6] Because neither city reports paid sick leave enforcement costs separately, we use this information to provide context about enforcement structure and workload rather than to estimate Allentown's administrative costs. We also reviewed research examining the effects of paid sick leave laws on employment and business survival.[7]

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[4] "Labor Market Effects of Paid Sick Leave: The Case of Seattle." W.E. Upjohn Institute Working Paper, Wething and Slopen, 2024. https://doi.org/10.17848/wp24-396.

[5] National Partnership for Women & Families, "The Impact of Paid Leave on the Health of Massachusetts", 2025, https://nationalpartnership.org/report/the-impact-of-paid-leave-on-the-health-of-massachusetts/.

[6] City of Philadelphia, "The Mayor's Operating Budget in Brief for Fiscal Year 2026," 2025, https://phlcouncil.com/wp-content/uploads/2025/03/budget-in-brief-FY2026-proposed.pdf, City of Pittsburgh, "FY2025 Operating Budget and 5 Year Plan," 2024. https://www.pittsburghpa.gov/files/assets/city/v/4/omb/documents/operating-budgets/2025-operating-budget.pdf, and "Labor Policy & Compliance Report", City of Philadelphia Department of Labor. https://www.phila.gov/media/20260916171415/dol-labor-policy-compliance-report-jan-june-2026.pdf

[7] "Labor Market Effects of U.S. Sick Pay Mandates", Pichler and Ziebarth, 2020, https://doi.org/10.3368/jhr.55.3.0117-8514R2; "The Impact of Paid Sick Leave Laws on Consumer and Business Bankruptcies", Miller, 2022. https://onlinelibrary.wiley.com/doi/full/10.1111/jels.12329; "Is Paid Sick Leave Bad for Business? A Systematic Review", Vander Weerdt, Stoddard-Dare, DeRigne. https://pubmed.ncbi.nlm.nih.gov/36815578/

Findings

We estimate that the proposed mandate would extend paid sick leave coverage to 9,822 workers who otherwise lacked access. These newly eligible workers would use an average of 19.3 hours of paid sick leave per year, or around 190,000 hours collectively. The estimated annual wage cost would average $523 per newly covered worker, for a total of $5.1 million.[8]

We estimate Allentown's annual gross domestic product (GDP) to be approximately $7.7 billion.[9] The gross cost to employers of providing the proposed benefit represents only approximately 0.07% of Allentown's estimated GDP. Review of scholarly research suggests potential savings from lower turnover and improved productivity could offset part of this cost.

A study of Seattle's paid sick leave mandate found no overall effect on job separations but estimated a 10% reduction among employees at firms with more than 50 workers.[10] The Center for American Progress (CAP) estimates that replacing an employee typically costs 20% of annual pay for workers making $30,000-$75,000 per year.[11] Pennsylvania's average monthly separation rate was 2.7% in 2025.[12] If 1,000 newly covered Allentown workers at firms with more than 50 employees experienced Pennsylvania's average separation rate and the reduced turnover estimated in Seattle, about 32 separations might be avoided over one year. Assuming these workers earn the estimated $48,444 average annual wage of newly covered Allentown workers, that would represent approximately $314,000 in potential savings.[13]

Paid sick leave could generate additional employer savings by reducing presenteeism, which occurs when employees report to work while ill and perform below their usual capacity, and other productivity losses associated with poor health. A national study of

[8] KRC Analysis of Worker PLUS simulation data.
[9] KRC analysis using data from the U.S. Bureau of Economic Analysis and the U.S. Census Bureau.
[10] "Labor Market Effects of Paid Sick Leave: The Case of Seattle." W.E. Upjohn Institute Working Paper, Wething and Slopen, 2024. https://doi.org/10.17848/wp24-396.
[11] "There Are Significant Business Costs to Replacing Employees", Boushey & Glynn, Center for American Progress, 2012. https://cdn.americanprogress.org/wp-content/uploads/2012/11/CostofTurnover.pdf
[12] U.S. Bureau of Labor Statistics, Job Openings and Labor Turnover Survey, "Annual Average Total Separations Rates for Total Nonfarm by State," 2025, https://www.bls.gov/news.release/jltst.t16.htm. Pennsylvania's average monthly rate was 2.7%.
[13] KRC calculation: 1,000 workers × 0.027 × 12 months = 324 separation events; 324 × the Seattle study's 10% reduction = 32.4 potentially avoided separations; $48,444 in estimated annual pay × CAP's 20% replacement-cost benchmark = $9,688.80 per replacement; 32.4 × $9,688.80 = $313,917. This calculation assumes the Pennsylvania rate and the Seattle subgroup result apply to these Allentown workers, that their average pay equals the estimate for all newly covered workers, and that each avoided separation would otherwise require a replacement. It is not an estimate of citywide savings.

state and local paid sick leave mandates found evidence that these policies reduce presenteeism, although it did not provide a precise dollar estimate of the resulting productivity savings.[14] To illustrate the potential scale of these benefits, we draw on a separate analysis of Massachusetts' paid family and medical leave program. That analysis translated estimated reductions in poor-health days into potential annual productivity benefits of at least $880 per employee with depression and $1,004 per employee with coronary heart disease.[15] Massachusetts' program provides longer-term family and medical leave and is not directly comparable to the short-term paid sick leave proposed in Allentown. However, if Allentown's mandate generated proportional health and productivity benefits, adjusting the Massachusetts figures for differences in average wages and the prevalence of these conditions suggests that productivity savings among newly covered Allentown workers could reach approximately $1.7 million annually. We present this figure as an illustrative scenario rather than a projected outcome.

To assess what enforcement might be required in Allentown, we examined how Philadelphia and Pittsburgh administer similar paid sick leave laws. Their experience does not suggest that enforcement requires a large dedicated staff. Philadelphia and Pittsburgh integrate paid sick leave enforcement into broader municipal departments, and neither city reports the cost of paid sick leave enforcement separately.[16] In Philadelphia, the paid sick leave mandate is enforced by the Philadelphia Department of Labor, Office of Worker Protections. Enforcement of the City of Pittsburgh's Paid Sick Leave Ordinance has been assigned to various agencies over time, currently residing in the Department of Law. Philadelphia received 47 sick leave complaints and opened 25 investigations during the first six months of 2026.[17] These figures provide useful context for likely enforcement workload and suggest that the cost of enforcement in Allentown would be relatively small.

Robust scholarly research on paid sick leave shows no meaningful aggregate employment losses or business closures after paid sick leave is implemented. One 2020

[14] "The Effect of Paid Sick Leave Mandates on Coverage, Work Absences, and Presenteeism." Callison and Pesko, https://doi.org/10.3368/jhr.57.4.1017-9124R2

[15] Majumder, Anwesha, and Jessica Mason. "The Impact of Paid Leave on the Health of Massachusetts." National Partnership for Women & Families, February 2025. https://nationalpartnership.org/report/the-impact-of-paid-leave-on-the-health-of-massachusetts/.

[16] City of Pittsburgh, "FY2025 Operating Budget and 5 Year Plan," 2024, https://www.pittsburghpa.gov/files/assets/city/v/4/omb/documents/operating-budgets/2025-operating-budget.pdf.; and City of Philadelphia, "The Mayor's Operating Budget in Brief for Fiscal Year 2026," 2025, https://phlcouncil.com/wp-content/uploads/2025/03/budget-in-brief-FY2026-proposed.pdf.

[17] "Labor Policy & Compliance Report", City of Philadelphia Department of Labor. https://www.phila.gov/media/20260916171415/dol-labor-policy-compliance-report-jan-june-2026.pdf

study that reviewed mandates in nine cities and across four states found no statistically significant effect on employment.[18] Another study that focused on employers found no significant effects on business bankruptcies, establishment exits, complete firm closures, business formation, job creation, or job destruction.[19] **Together, these findings provide strong evidence that paid sick leave mandates have not been found to produce statistically significant reductions in employment or increases in business closures**. A 2023 review of 43 U.S. studies found more evidence of favorable than unfavorable effects on businesses overall, including many of the benefits we reviewed earlier such as reductions in presenteeism, workplace contagion, and even occupational injuries.[20]

Conclusions

We estimate that the proposed Allentown paid sick leave mandate would extend coverage to 9,822 workers who previously lacked access. Each newly covered worker would use an average of 19.3 hours of paid sick leave per year, at an estimated annual wage cost of $523. Across all newly covered workers, the gross annual cost would be $5.1 million, equal to about 0.07% of Allentown's estimated GDP, or less than one-tenth of one percent.

Research suggests lower turnover and improved productivity could reduce employers' costs, although the size of any savings in Allentown remains uncertain. Our conditional one-year turnover example yields about 32 avoided separations and $314,000 in potential replacement-cost savings per 1,000 newly covered workers at firms with more than 50 employees. Because we do not know how many of Allentown's workers fall into that group, the example does not estimate citywide savings. A separate scenario based on Massachusetts' paid family and medical leave program suggests that annual productivity savings could reach approximately $1.7 million. Because the turnover example applies to a hypothetical subgroup and the productivity scenario applies to the broader, newly covered workforce, we do not combine them into a net annual cost estimate.

Philadelphia and Pittsburgh incorporate paid sick leave enforcement into broader municipal functions and do not report its cost separately. Philadelphia received 47 complaints and opened 25 investigations during the first six months of 2026. These

[18] "Labor Market Effects of U.S. Sick Pay Mandates", Pichler and Ziebarth, 2020, https://doi.org/10.3368/jhr.55.3.0117-8514R2

[19] "The Impact of Paid Sick Leave Laws on Consumer and Business Bankruptcies", Miller, 2022. https://onlinelibrary.wiley.com/doi/full/10.1111/jels.12329

[20] "Is Paid Sick Leave Bad for Business? A Systematic Review", Vander Weerdt, Stoddard-Dare, DeRigne. https://pubmed.ncbi.nlm.nih.gov/36815578/

figures provide some context for the likely enforcement workload, but the available evidence does not allow us to estimate Allentown's administrative costs directly.

Research from other jurisdictions has found no significant reductions in employment or increases in business closures after similar laws took effect. A broader review of 43 U.S. studies found more evidence of favorable than unfavorable effects on businesses. **Taken together, the evidence suggests that the proposal would provide an important benefit to nearly 10,000 Allentown workers at a very modest cost relative to the size of the city's economy**.