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### Publication Date

2011-06-21



## **Fact Sheet: Analysis of Domestic Workers Bill of Rights (AB 889)**

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 June 21, 2011

The Domestic Workers Bill of Rights, Assembly Bill 889, would expand the rights of domestic workers in California. This fact sheet analyzes the benefits and costs associated with the bill provisions requiring household employers to provide paid vacation leave, overtime pay and workers' compensation, and also discusses the potential impact on domestic worker employment.

### Paid Vacation Leave

Under AB 889, workers would accrue one hour of vacation leave per every 30 hours worked. The bill would limit the number of accrued hours of vacation that a worker would be allowed to use each year. This provision of the bill would cost employers an additional \$0.30 per hour for the employment of a minimum wage worker, equivalent to 3.75 percent of minimum wage. This cost estimate includes employer payroll taxes on the vacation leave pay.<sup>i</sup>

### Overtime

AB 889 would extend to domestic workers the same right to overtime pay already held by other California workers. The purpose of overtime laws is to provide a disincentive to employers scheduling workers for more than 8 hours a day or 40 hours a week. A review of the literature on mandatory overtime found that the short-term benefits to employers of overtime work are offset by decreased quality, increased mistakes and reduced productivity.<sup>ii</sup> A longitudinal survey found that working in jobs with overtime schedules is associated with a 61 percent higher injury rate than in jobs without overtime schedules and that the injury rate increases with the number of hours worked per day.<sup>iii</sup> Long work hours are also associated with increased stress, depression, high blood pressure and cardiovascular disease. Job stress results in increased absenteeism, reduced productivity and higher healthcare costs.<sup>iv</sup>

It is difficult to predict how many hours of overtime would be paid under the bill because limited data is available on the work schedules of domestic workers. Employers can be expected to adjust workers' schedules in response to the bill by reducing daily overtime hours.<sup>v</sup> Therefore, in practice, this provision would be unlikely to increase costs for household employers to the extent that they are able to adjust workers' schedules to avoid overtime. To the degree that employers continue to use overtime in certain emergency situations they would incur some increase in costs.

### Workers' Compensation

Employers of certain types of household workers and those with employees working less than 52 hours or earning less than \$100 in the previous 90 days are currently excluded from the requirement to carry workers' compensation insurance.<sup>vi</sup> AB 889 would end that exclusion. This provision would improve some domestic workers' access to treatment for their work-related injuries. Injured workers with access to treatment are likely to have more rapid and complete recovery, reduced risk of long-term disability and increased productivity and well-being. Expanding workers' compensation to these workers would benefit employers by providing protection against financial liability from civil suits over injuries on the job. It may also serve to reduce worker turnover.<sup>vii</sup>

Agencies employing domestic workers are already required to provide workers' compensation insurance, as are households employing individuals whose work and pay exceed the thresholds described above. To put this in perspective, household employees working four or more hours a week for ninety days are already entitled to workers compensation insurance under current law. Under the California Insurance Code homeowners' and renters' liability insurance policies are required to include a provision for workers' compensation insurance for those domestic workers entitled to coverage.<sup>viii</sup> Expanding coverage to employees with limited work hours, as proposed in the bill, may increase the number of claims paid by insurance companies which may result in higher premiums for homeowners and renters who already have insurance. We cannot predict the premium increase amount though it is unlikely to be significant if spread among all policy-holders. In order to comply with the law, renters who do not currently have renters insurance that hire domestic workers for limited hours would either need to purchase a policy or hire workers through an agency which provides that coverage.

#### Administrative Costs of Compliance

Agency employers typically already have systems in place for tracking leave time and for replacing workers when they are on leave resulting in limited to no new administrative costs. However, the bill would involve some small administrative costs for individual household employers who employ domestic workers directly. In order to ensure compliance with the bill, these employers would need to keep written documentation tracking the amount of leave time accrued and taken. Some employers may choose to establish an account to set aside funds each pay period for accrued vacation leave time so that the funds are readily available when the worker uses the leave time. Employers would also incur some administrative costs finding replacements for workers on leave, though employers may already incur some of these costs to the extent that domestic workers currently take unpaid leave.

#### Impact on Employment

The increase in cost to employers associated with complying with these provisions is similar in scope to the employer cost for a typical minimum wage increase. Research has shown that minimum wage increases on this scale or greater have minimal or no impact on employment. For example, a study by Michael Reich and colleagues found that employment growth was not affected by implementation of a citywide minimum wage in San Francisco, which was set nearly 26 percent higher than the California minimum wage.<sup>ix</sup> Studies on increases in the California minimum wage ranging from 9 percent to 35 percent in 1988, 1996-1998 and 2001 found no measurable effect on employment.<sup>x</sup> Additionally, research suggests that requiring overtime pay could increase employment as employers would spread out hours among a larger pool of workers.<sup>xi</sup> The workers' compensation provision in the bill may result in a shift to hiring through agencies for short-term and low-hour projects by renters who currently do not have renters' insurance.

## Sources

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<sup>i</sup> Employer payroll taxes of 11.05 percent include 6.2 percent Social Security taxes, 1.45 percent Medicare taxes and 3.4 percent for unemployment insurance (the rate for new employers).

<sup>ii</sup> Golden, Lonnie, and Helene Jorgensen, "Time after time: Mandatory overtime in the U.S. economy." Briefing Paper Number 20, Washington, DC: Economic Policy Institute (2002).

<sup>iii</sup> Dembe, Allard.E., J. Bianca Erickson, Rachel G. Delbos and Seven M. Banks, "The impact of overtime and long work hours on occupational injuries and illnesses: new evidence from the United States," *Journal of Occupational and Environmental Medicine* Volume 62, Number 9 (2005): 588-97.

<sup>iv</sup> Golden and Jorgensen 2002. Dembe et al 2005.

<sup>v</sup> Hamermesh, Daniel S. and Stephen J. Trejo 2000. "The Demand for Hours of Labor: Direct Evidence from California." *Review of Economics and Statistics* Volume 82, Number 1: 38-47. Buchmueller, Thomas and Sarah Senesky 2002. "The Effect of California's Daily Overtime Law on Hours of Work: A Re-examination.," Working Paper, UC Irvine.

<sup>vi</sup> California Labor Code Section 3352(h)

<sup>vii</sup> Gaydos, Megan, Hoover C, Lynch JE, Weintraub JM, Bhatia, R. "A Health Impact Assessment of AB 889, the California Domestic Work Employee Equality, Fairness, and Dignity Act of 2011: Draft for public review." San Francisco Department of Public Health, March 2011.

<sup>viii</sup> California Insurance Code Section 11590.

<sup>ix</sup> Michael Reich, Arindrajit Dube and Suresh Naidu, "Economics of Citywide Minimum Wages: The San Francisco Model," UC Berkeley Institute of Industrial Relations Policy Brief, September 2005.

<sup>x</sup> David Card, "Do Minimum Wages Reduce Employment? A Case Study of California, 1987- 1989," *Industrial and Labor Relations Review* Volume 46: 22-37 (1992). Michael Reich and Peter Hall, "A Small Raise for the Bottom," in P. Ong and J. Lincoln eds. *The State of California Labor*, Institute of Industrial Relations Press (2001). Jeffrey Woods, "Minimum Wages: the Economic Impact of the 2001 California Minimum Wage Increase," Research Report 2002-1, Division of Labor Statistics and Research, Department of Industrial Relations (2002).

<sup>xi</sup> Hamermesh and Trejo 2000. Buchmueller et al. 2002.