

CBIZ Government Contracting Practice Benefit Bulletin



Subject: **Executive Order Establishing Paid Sick Leave**
Date: September 9, 2015

On Monday, September 7, 2015, President Obama issued an Executive Order establishing paid sick leave for federal contractors. The order is intended to be effective for contracts entered into after January 1, 2017. The Secretary of Labor is directed to issue regulations regarding the order by September 30, 2016.

The order provides for the accrual of 1 hour of paid sick leave for every 30 hours worked, up to a minimum accrual of 56 hours or 7 days. Paid sick leave may be used for time off resulting from:

- A physical or mental illness, injury or medical condition.
- Obtaining diagnosis, care or preventive care from a health care provider.
- Caring for a child, a parent, a spouse, a domestic partner or any other individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship.
- An absence resulting from domestic violence, sexual assault or stalking.

Unused accrued sick leave is to be carried over from one year to the next, although there is no requirement that accrued sick leave be paid out upon separation from employment. However, unused accrued sick leave that was not paid out must be reinstated if the employee returns to service within 12 months.

The order states that the required sick leave is in addition to any wage or benefit requirements under the Service Contract Act or Davis-Bacon Act. Therefore, contractors currently taking credit against the hourly H&W fringe amount for any paid sick leave offered will need to review their current policies and either add the required sick leave time to the current policy or change the amount charged against the fringe to be consistent with the order.

Steps to Take

Given that regulations regarding the order are not expected for possibly more than a year from now and that the effective date is delayed until 2017, contractors should not make any immediate changes in their current sick leave or PTO policies as a result of the order. They should begin reviewing current policies and be prepared to make changes once final regulations are issued.

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Contractors bidding on contracts that will go into effect after January 1, 2017 should take the order into account when estimating labor costs on those contracts. Assuming the order will also be effective for renewal options in 2017, contractors should be prepared to submit requests for contract modifications due to the increased labor costs resulting from the order.

A copy of the order can be found [here](#).

If you have questions about specific situations or contracts, please contact your CBIZ Government Contracting Practice consultant.

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