

Insights

CHICAGO PAID LEAVE AND PAID SICK AND SAFE LEAVE: WHAT EMPLOYERS NEED TO KNOW ABOUT THE FINAL RULES

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The City of Chicago's Department of Business Affairs and Consumer Protection has issued [final rules](#) under the Chicago Paid Leave and Paid Sick and Safe Leave Ordinance (the "Ordinance"). The Final Rules took effect on June 1, 2026. The rules provide critical operational guidance across several areas where the Ordinance left room for interpretation. Employers should review these developments carefully and update their policies accordingly.

Below is a breakdown of the most significant updates.

Remote Workers and Telecommuters: Coverage Is Broad, but Accrual Is Location-Specific

The Ordinance provides leave entitlements to "Covered Employees." Covered Employees are those employees (i) physically present in the geographic boundaries of Chicago and (ii) who work at least 80 hours within any 120 day period.

Remote workers and telecommuters who meet the definition of a Covered Employee (essentially, individuals who physically work in Chicago) are covered by the Ordinance, even if the *employer* is physically located outside the City. However, Covered Employees do not accrue Paid Leave or Paid Sick Leave for hours they are **not physically working** within the geographical boundaries of the City, even if the employer is located within those boundaries. Only hours worked within the City of Chicago count toward the accrual of Paid Leave and Paid Sick Leave.

Practical Takeaway: Employers with hybrid or remote workforces must track where employees physically perform their work on a day-by-day basis. Accrual systems should be configured to credit only in-city hours and not total hours worked.

"Place of Care" Defined

The Ordinance allows use of Paid Sick Leave whenever a Covered Employee's family member's "place of care" experiences an unscheduled closure. The rule clarifies that in addition to

professional and formal organizations (e.g., afterschool programs, childcare centers, summer camps), places of care include informal arrangements, such as paid babysitters, family or friends supervising children.

The rules provide two concrete examples of qualifying unscheduled closures:

- An at-home babysitter cancels on a day when school is not in session and the covered employee is scheduled to work.
- The unplanned cancellation of after-school programming for the child of a covered employee who is scheduled to work.

Practical Takeaway: While the rule clarification may not require policy revisions, managers, human resources representatives, and leave administrators must be made aware that permissible sick leave use includes leave to accommodate unscheduled closures of informal care arrangements.

Paid Leave Denial

The rules impose procedural requirements on employers that deny Paid Leave requests, while also clarifying the permissible scope of pre-approval policies:

Denial Requirements

Paid Leave policies may require a Covered Employee to give reasonable notice, not to exceed seven days before using Paid Leave. Any denials of Paid Leave requests must be in writing. Such denials must state a pre-established policy rationale and be issued to the covered employee immediately upon the denial.

Pre-Approval Policies: Permissible Factors

Paid Leave policies may require a Covered Employee to obtain pre-approval from the employer to maintain continuity of employer operations. When denying a request on operational grounds, the rules identify relevant factors an employer should consider:

- Whether granting Paid Leave during a particular time period would significantly impact business operations.
- Whether the employer provides a need or service critical to the health, safety, or welfare of the people of Chicago.
- Whether similarly situated employees are treated the same for the purposes of reviewing, approving, and denying Paid Leave.
- Whether the Covered Employee has meaningful access to use all Paid Leave time they are entitled to use over the benefit year, meaning a reasonable ability to actually utilize accrued

Paid Leave.

The rules provide direct examples as to the reasonability of Paid Leave policies:

- A reasonable policy is one that allows a covered employee to take Paid Leave on a Friday seven days from the request; however, the policy may also provide that the covered employee may not take Paid Leave on a Friday if it is the busiest day of the employer's year.
- An example of an over-restrictive policy is one that does not allow usage of Paid Leave on any day except Tuesdays, Wednesdays, and Thursdays.

Practical Takeaway: Oral or informal denials of paid leave requests are not sufficient; employers must have a written denial process. Policies requiring pre-approval of the use of paid leave are permissible but must be calibrated against the four factors above, with an eye toward equitable treatment and meaningful access. Blanket day restrictions are not permissible.

Permissibility of Combined PTO Policy

The final rules explicitly confirm that an employer may establish a policy allowing Covered Employees to accrue up to 80 hours of paid time off as a single combined bank (rather than separate banks for paid leave and paid sick leave), provided the policy meets or exceeds all requirements of the Ordinance, which covers accrual (or frontloading), carry-over, use, notice, pre-approval, and certification. While a unified PTO policy can reduce administrative complexity, employers considering this approach should carefully weigh the following implications:

- **Carry-over requirements.** Under the Ordinance, employers with separate leave banks who use an accrual process rather than frontloading must permit carry-over into the next benefit year of up to 16 hours of accrued and unused Paid Leave and up to 80 hours of accrued and unused Paid Sick Leave. Under a combined PTO model, these carry-over obligations merge, meaning the required carry-over threshold rises to 96 hours.
- **Termination payout exposure.** Under the Ordinance, accrued and unused Paid Sick Leave does not need to be paid out upon termination, but Paid Leave does. Under the Illinois Wage Payment and Collection Act, however, all accrued and unused PTO (leave that may be used for any purpose) must be paid out at separation. Accordingly, if a combined PTO policy is adopted (with the higher 96-hour carry-over threshold) the employer's exposure to termination payouts will be correspondingly higher than under a dual-bucket structure.
- **Loss of usage restrictions.** Under a dual-bucket structure, employers can limit the use of Paid Sick Leave to the specific qualifying reasons set forth in the Ordinance (i.e., illness, family care, domestic violence, and related purposes). If leave is consolidated into a single PTO bank, employees may use that leave for any reason, eliminating the employer's ability to enforce purpose-based restrictions.

- **Notice and pre-approval complexity.** The Ordinance permits a Paid Leave policy to require up to seven days' advance notice before use and may condition Paid Leave on reasonable pre-approval for operational continuity purposes. By contrast, use of leave for a Paid Sick Leave qualifying reason is not subject to pre-approval, and the seven-day notice requirement applies only when practicable. A compliant combined PTO policy would need to include express carve-out language making clear that the notice and pre-approval requirements do not apply when the employee is using leave for a qualifying Paid Sick Leave purpose.

Practical Takeaway: A combined PTO policy is permissible under the Chicago Ordinance, and may be the right choice, particularly for larger employers who prioritize administrative efficiency and can absorb the higher termination payout exposure that comes with increased carry-over. However, it is not a one-size-fits-all solution. Employers should review current policy terms, assess workforce composition, model termination cost scenarios, and consult counsel before restructuring their leave programs. Employers who change their approach must provide advance written notice to employees.

Joint Employment: Shared Control Means Shared Responsibility

Joint employment occurs when the essential terms and conditions of an employee's work are controlled by two or more entities, meaning that more than one entity may qualify as a Covered Employee's employer. The rules make clear that this is not a narrow concept:

- Separate entities may be treated as joint employers, and those entities may have separate owners, managers, and facilities.
- Joint employment can arise in a variety of situations, including, but not limited to, when an employer uses a temporary staffing agency, lead agency, professional employer organization, or other entity serving the same or similar functions.
- If facts establish that a covered employee is jointly employed by two or more employers, all joint employers are responsible, both individually and jointly, for compliance with all applicable provisions of the Ordinance.
- Covered Employees who are jointly employed by more than one employer must be counted by each employer, regardless of whether their names appear on that employer's payroll.

Practical Takeaway: Businesses that rely on staffing agencies, PEOs, or subcontractors should audit their arrangements now. Joint employer status is determined by functional control, not by contract language, and liability exposure applies to each entity.

Successor Employer Liability

The rules impose explicit obligations and liability on both selling and acquiring employers in a business transfer. Failure to properly transfer a Covered Employee's accrued and unused Paid Leave and Paid Sick Leave to a successor employer constitutes a policy or practice of not providing meaningful access to Paid Leave and Paid Sick Leave in violation of the Ordinance. The original and successor employer, and any joint employer, are individually and jointly liable for any violation.

Practical Takeaway: In any business acquisition, sale, or transfer of employees, the allocation of accrued leave balances must be addressed explicitly in transaction documents. Both parties face liability if the transfer is not properly executed. Due diligence should include a review of the target's leave balance records and transfer obligations.

Conclusion

The Final Rules under the Chicago Paid Leave and Paid Sick and Safe Leave Ordinance clarify a number of open issues, but they also raise the compliance bar for employers operating in the City. The topics discussed above cover many of the updates from the rules, but employers should review them thoroughly, as they cover additional topics, such as recognizing patterns of employee abuse of leave policies and retainment of required information.

From joint employer liability and remote worker tracking to successor obligations, denial procedures, and the structural choice between a separate or combined PTO framework, the rules require employers to examine existing policies and practices. Employers should audit their current leave programs, update written policies, train managers, and ensure that payroll and timekeeping systems are configured to capture the right data. BCLP's Employment & Labor team is available to assist with any questions regarding how these rules apply to your organization.

Related Capabilities

- Employment & Labor

Meet The Team



Christopher L. Young

Associate, Chicago

christopher.young@bclplaw.com
+1 312 602 5115



Christy E. Phanthavong

Counsel, Chicago

christy.phanthavong@bclplaw.com
+1 312 602 5185



Patrick DePoy

Partner, Chicago

patrick.depoy@bclplaw.com
+1 312 602 5040

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