

Addendum to Testimony on Paid Sick Days Bill H.208

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February 4, 2014

I would like to offer additional testimony on several issues not covered in my written testimony of January 30, 2104.

1. **The gender effects of paid sick days.**
2. **Research on the effects of paid sick days** in Connecticut and Seattle; and projected on costs and benefits in Vermont.
3. **Trends in wages and profits** to address the affordability of paid sick days for businesses.

1. Gender Effects of Paid Sick Days

Paid sick leave is a key gender issue, since women are increasingly the primary breadwinners for many families, and are still the primary caregivers for children, the elderly, and ill family members. The Kaiser Foundation reports, for example, that 80 percent of mothers have primary responsibility for selecting their children's doctors and accompanying children to appointments. Women thus will differentially benefit from this law due to these care responsibilities. They will also benefit significantly because they are more concentrated in jobs that currently do not have paid sick days: part-time jobs, low-wage jobs, and sectors without paid sick days—childcare and food services.

- More than 1/3 of women are not able to take paid sick days in firms with more than 15 employees. And yet, more than 25% of Vermont households are headed by lone parents, and 32% of children reside with a single parent.
- 2/3 of single mothers lose pay when a child is sick.
- The effects of household stress, lack of care, and lack of income are severe for poor families, especially pronounced where there is only one caregiver and provider. The long-term effects on children are well documented, affecting cognitive development and future earnings. The result then is costly not only to families but to society as a whole.
- Paid sick days will provide greater economic security for these families because: 1) pay will not be lost on a sick day, and b) they will be less likely to be disciplined or fired when taking sick time.
- This can help to overcome a problem we are seeing nationally—"family responsibility" discrimination, whereby those perceived as having family responsibility are less likely to be hired, or promoted, once hired. This helps to explain why the unemployment rate of single mothers is double that of married women and men. In January of 2011, for example, single mothers' unemployment rate was 11.2%, compared to 6.7% for married men and women.

2. Research on the effects of paid sick days

States and cities that have adopted paid sick days give us some interesting information on how employers adapt to this change, and the costs of this change.

Connecticut

Connecticut adopted paid sick days two years ago. Eileen Appelbaum and Ruth Milkman (forthcoming) conducted an analysis of the effects of this policy based on surveys¹ to 251 businesses ("Good for Business? Connecticut's Paid Sick Leave Law," Washington, DC: Center for Economic and Policy Research, February). Major findings are:

- Eight in 10 employers reported no increase or a small increase in labor costs due to Connecticut's paid sick leave law.
- By mid-2013, more than three-quarters of the employers responding to the survey indicated that they now supported the new law.
- Most employers (85%) cover the work of employees absent due to illness by assigning it to other employees, putting it on hold, or allowing employees to swap shifts. These methods of covering the work do not increase costs. Nearly half (48%) of employers report no increase in costs.
- Employers reported minimal abuse of the paid sick leave law, with 86 percent of respondents reporting no known cases of abuse and another 6 percent reporting only 1-3 cases of abuse in the past year.
- The big gainers from the CT law are part-time employees - many establishments with paid sick leave provided paid time off to full-time but not to part-time workers. Women workers tend to be the majority of part-time workers.

Seattle

Seattle passed a paid sick leave law for businesses with more than 4 employees. The most affected are those in the bottom quarter of the wage distribution—98% of food service and 93% of retail employers did not provide paid sick days. Major findings are of a study by the Main Street Alliance of Washington² are:

- A preliminary report found no evidence of negative effects on employment or inflation. Seattle's job growth and business growth under its law have been strong.

Vermont Projections

The highly regarded Institute for Women's Policy Research (IWPR) in Washington recognizes paid sick days can promote greater gender equality, by improving women's

¹ This was based on a random sample, stratified by firm size.

² Main Street Alliance of Washington, *"Paid Sick Days and the Seattle Economy: Job growth and business*

formation at the 1-year anniversary of Seattle's Paid Sick and Safe Leave law (2013). Other cities have evaluated the impact with similar findings of positive effects. I know of no study that has found negative effects on job or business growth, or inflation.

income and ability to stay in the labor force. IWPR analyzed Vermont's proposed legislation to assess cost and benefits.³ Major findings:

- Net employer savings are estimated to be \$3.8 million.
- Community savings (related to reduced health costs from contagion) are estimated to be \$8 million.
- The total net benefit to the state (ignoring impacts on schools and children's learning) are projected to be \$11.9 million

The reasons that the benefits would appear to outweigh the costs to businesses are several.

- Paid sick days reduce the spread of illness and therefore contribute to higher productivity than otherwise would be the case.
- Turnover costs are reduced. Workers cannot be fired for staying home to care for a sick child or elder. This reduces the cost of searching for a new employee and training.
- The effects on school children have not been assessed, although it is very likely to reduce absenteeism and improve school performance.

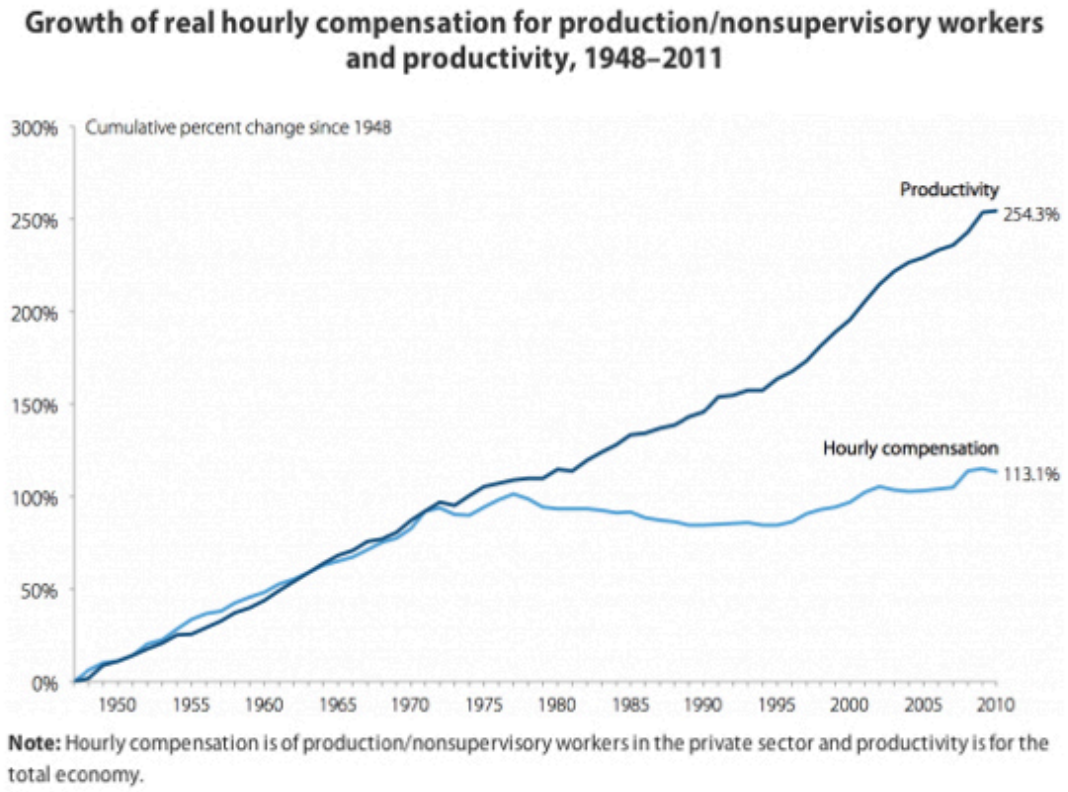
3. Trends in Profits and Wages

Opposition to the enactment of paid sick days is usually based on the argument firms cannot afford to fund paid sick days. A claim is sometimes made that this will hurt jobs since firms will locate to states where there is no requirement to cover paid sick days. There are two reasons that paid sick days is a viable policy:

- Most firms that do not offer paid sick days are in services. These firms are not mobile. In Washington, DC, which enacted similar legislation, the DC auditor found that firms were not discouraged to locate to DC by the law, nor were DC firms incentivized to move out of DC. This could be both due to the low costs of this law, and the fact that such firms are not very mobile.
- More importantly, firm profits in the US have risen substantially since the onset of the crisis and for decades prior to that, even as real wages have stagnated (See Figure 1 below). Just since 2009, the top 1% of Americans saw their incomes rise over 30% while the bottom 99% saw incomes rise a mere 0.4% over a 4 year period. The steady rise in profits is the case not only for corporations but also for small and medium sized firms (see Figure 2 below). Given the dramatic increase in inequality and wage stagnation, even as productivity has risen, firms are well positioned to absorb whatever modest costs might arise from this legislation.
- But perhaps more importantly, the evidence suggests the costs are negligible and there may in fact be **net benefits** for firms as well as communities. Firms tend to have an overly short-run focus, while discounting the future as well as the society-wide implications of legislation such as paid sick days. Policy makers are, however, better positioned to overcome this myopia to see a broader array of effects, and take into account the long-run benefits to children.

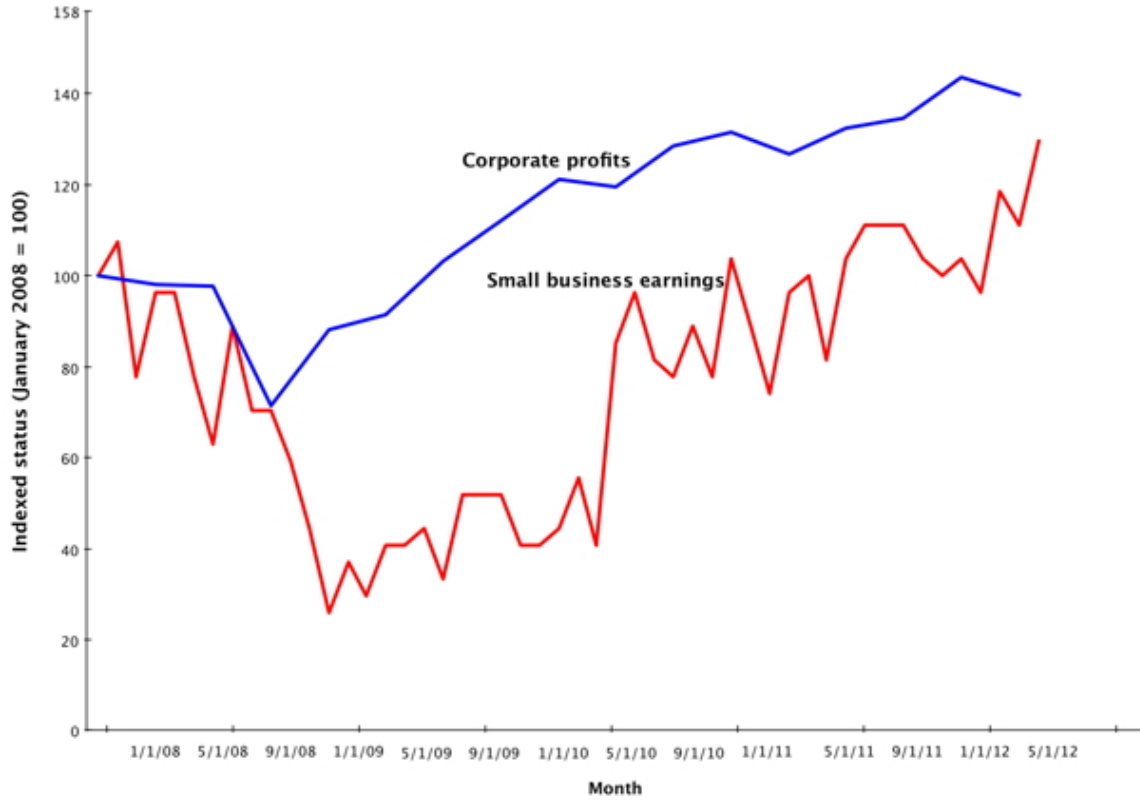
³ IWPR Briefing Paper #B320, "Valuing Good Health: The Costs and Benefits of Earned Health Care Time (2013).

Figure 1.



Source: Economic Policy Institute.

Figure 2. US corporate and small business earnings since the Great Recession



Source: Bureau of Economic Analysis and National Federation of Independent Businesses.