

Memorandum on Earned Sick & Safe Time Ordinances and their Effects on Business

Purpose: The purpose of this memorandum is to summarize the available research on the effects of the provision of earned sick & safe time (ESST) benefits on employers.

Summary: This memorandum is divided into two sections. Section 1 summarizes how earned sick & safe time has been found to have the following benefits for local businesses:

- 1) Reducing costly employee turnover
- 2) Limiting “presenteeism” (when employees report to work while ill)
- 3) Improving employee morale
- 4) Lowering employer health care costs
- 5) Reducing risks to public health
- 6) Using ESST when needed / not abusing ESST
- 7) Leveling the playing field between business that provide and do not provide ESST

Section 2 summarizes research in three municipalities and one state where earned sick & safe ordinances (or statutes) have been implemented. This research consistently shows that effects of local ordinances on local economies has been minimal. Studies from the following locations are summarized:

- Washington DC
- Seattle
- San Francisco
- Connecticut

Similar studies are currently underway in New York City and Portland, OR.

Section 1: Benefits For Local Businesses

This section summarizes research documenting seven benefits to local businesses that offer earned sick & safe time benefits.

1) Reducing Costly Employee Turnover: Access to earned sick & safe time benefits lowers costly employee turnover.

Valuing Good Health: An Estimate of Costs and Savings for the Healthy Families Act. Vicky Lovell, Ph.D, Institute for Women’s Policy Research, April 2005.

“Workers with paid sick leave have lower voluntary turnover than workers without this leave (Cooper and Monheit 1993), so **expanding access to paid sick leave will reduce employers’ costs related to turnover.** Involuntary turnover for workers who are fired for taking unauthorized leave will also decrease... saving employers additional expenditures for replacement costs.”

Paid Sick Days: Good for Business, Good for Workers. National Partnership for Women & Families, August 2012.

“Paid sick days result in reduced turnover, which leads to reduced costs incurred from advertising, interviewing and training new hires.”

There Are Significant Business Costs to Replacing Employees. Heather Boushey and Sarah Jane Glynn, Center for American Progress, November 16, 2012

“Thirty case studies taken from the 11 most-relevant research papers on the costs of employee turnover demonstrate that it costs businesses about one-fifth of a worker’s salary to replace that worker. For businesses that experience high levels of turnover, this can add up to represent significant costs that can potentially be avoided by implementing workplace flexibility and earned sick days at little or no cost at all.”

Costs and benefits of paid sick leave: reviewing the research. George Awuor Ph.D. and Alec Arellano, The Bell Policy Center, October 3, 2011.

“Research also shows that firms that provide paid sick days tend to have lower turnover rates, lower recruitment and training costs, lower unnecessary absenteeism and a higher level of productivity than firms that do not offer this kind of benefit.”

2) Limiting “Presenteeism”: Access to earned sick & safe time benefits helps curtail ‘presenteeism’, the practice of workers reporting to work while sick.

CCH Survey Finds Unscheduled Absenteeism Up in U.S. Workplaces. 2006 CCH Unscheduled Absence Survey, CCH, October 26, 2006.

“The problem of presenteeism – when employees come to work even though they are ill and pose problems of contagion and lower productivity – is an area of growing concern for organizations. More than half (56 percent) of employers surveyed reported that presenteeism is a problem in their organizations, up from 48 percent last year and 39 percent the year prior.”

Presenteeism and Sick Days. Jodie Levin-Epstein, Center for Law and Social Policy, February 28, 2005.

“A study by AdvancePCS, a provider of health improvement services, found that lost productivity was significantly greater from days at work while sick (72 percent) compared to missed work days due to illness (28 percent). Thus, of the total lost productivity tab of \$250 billion annually, the estimated presenteeism cost is \$180 billion.”

Lost Productive Health Time Costs from Health Conditions in the United States: Results from the American Productivity Audit. Walter Stewart, et al., Journal of Occupational and Environmental Medicine. December 2003.

“Our results indicate that reduced performance at work was the dominant source of health-related LPT [Lost Productive Time] in the U.S. workforce. On average, 71% of all health-related LPT was the result of reduced performance... This dominant role of reduced performance LPT is supported by previous research on specific health conditions. For a variety of common conditions, a substantial share of LPT was explained by reduced performance, not work absence. Employers routinely document the time that employees are absent from work because it is tangible and has a known cost even though many cannot determine the reason for the absence. Few employers document health-related LPT while at work, making it largely invisible.”

3) Improving Employee Morale: Access to earned sick & safe time benefits improves employee morale.

Work-Family Benefits: Which Ones Maximize Profits? Christine Siegwarth Meyer, et al., Journal of Managerial Issues, 2001.

“Our results show that a sick leave option has a significant positive effect on profits, while the actual exercising of the sick leave option does not affect profits. A plausible explanation is that it is not the actual availing of sick leave that seems to be significant, but rather the knowledge of its availability that may increase productivity in various ways – **through increased job contentment, reduced worker stress, or enhanced labor market reputation.**”

Good For Business? Connecticut’s Paid Sick Leave Law. Eileen Appelbaum, Ruth Milkman, Luke Elliott, and Teresa Kroeger, Center for Economic and Policy Research, February 21, 2014.

“The employers we surveyed reported many positive effects of the new [Connecticut] law... **Over a quarter reported improved morale,** and substantial numbers reported increases in employee motivation and loyalty as well.”

4) Lowering Employer Health Care Costs: Access to earned sick & safe time benefits lowers employers’ health care costs by reducing emergency room visits, preventing the spread of infectious disease, and reducing the likelihood of on-the-job injuries.

Paid Sick Days: Attitudes and Experiences. Tom Smith and Jibum Kim, National Opinion Research Center at the University of Chicago for the Public Welfare Foundation Publication, June 2010.

“The lack of paid sick days also puts other strains on the health care system and drives up the cost of health care. As Table 23 shows, **10% of those with paid sick days have sought care in a hospital emergency room because they “were unable to take off from work to get medical care during normal job hours,” while 20% of those without paid sick days had done so.** Similarly, 7% of those with paid sick days took a family member to a hospital emergency room because they could not take off from work vs. 18% of those without paid sick days.”

Sick at Work: Infected Employees in the Workplace During the H1N1 Pandemic. Robert Drago, Institute for Women’s Policy Research publication, January 2010.

“Part of the problem with attending work while ill with H1N1 is that contagious employees will infect other employees. Lovell estimates from seasonal flu data that **each infected employee attending work while ill will infect an additional 0.9 coworkers** (2005). Given this assumption, the 7.8 million employees estimated to have attended work in September through November while infected in turn infected an additional 7 million employees.”

Paid Sick Leave and Nonfatal Occupational Injuries. Abay Asfaw, American Journal of Public Health, September 2012.

“Both the univariate and multivariate analyses demonstrated that **workers with access to paid sick leave were significantly less likely to suffer nonfatal occupational injuries than were workers without access to paid sick leave.** With all of the other variables we considered held constant, the odds of a nonfatal occupational injury were 28% lower among workers with paid sick leave.”

“Working while sick also can increase workers’ probability of suffering an injury. Sick or stressed workers who continue to work are likely to take medications, experience sleep problems, or be fatigued. These factors can impair their ability to concentrate or make sound decisions, which can in turn increase their probability of suffering an additional illness or sustaining a workplace injury.”

5) Reducing Risks To Public Health: Access to earned sick & safe time benefits reduces the public health risk to consumers in high-exposure industries, like restaurants.

Serving While Sick: High Risks and Low Benefits for the Nation’s Restaurant Workforce, and Their Impact on the Consumer. Restaurant Opportunities Centers United, September 30, 2010.

“Almost all restaurant workers we surveyed reported not having paid sick days. 87.7% of all workers surveyed reported not having access to paid sick days, and **63.6% reported working in restaurants – preparing, cooking, and serving food - while sick.**”

Busting the Myths about Paid Sick Days, National Partnership for Women & Families, December 2010.

“A single foodborne outbreak has been estimated to cost a restaurant up to **\$75,000 in direct costs, including clean-up, re-staffing, restocking, settlements, and regulatory sanctions.** The cost of an outbreak rises dramatically if it involves death or serious illness. The indirect costs of a foodborne illness outbreak for a chain restaurant—including negative public opinion—can be up to \$7 million.”

6) Using ESST When Needed / Not Abusing ESST: Employees granted access to earned sick & safe time are unlikely to abuse the benefit.

Paid Sick Leave: Prevalence, Provision, and Usage among Full-Time Workers in Private Industry. Ross O. Barthold, Jason L. Ford, Bureau of Labor Statistics, February 29, 2012.

“BLS data from the March 2009 National Compensation Survey (NCS) show that full-time private industry workers who had a paid sick leave plan with a fixed number of sick leave days earned per year **did not, on average, use all of the paid sick leave they were provided.**”

Busting the Myths about Paid Sick Days, National Partnership for Women & Families, December 2010.

“**The evidence shows that workers with paid sick days take only one additional day off per year on average than workers without paid sick days.** Workers with access to paid sick days take an average of 3.9 days per year for their own illnesses and 1.3 days to care for their family members. Workers without access to paid sick days take on average 3.0 days off for sickness per year. Among workers covered by a paid sick days policy already, half do not use any of their paid sick days.”

7) Leveling The Playing Field: Guaranteeing access to earned sick & safe time benefits in law helps to level the economic playing field between the majority of businesses that already provide ESST and the minority that do not.

San Francisco's Paid Sick Leave Ordinance: Outcomes for Employers and Employees., Robert Drago and Vicky Lovell, Institute for Women’s Policy Research, 2011.

“Most employees had access to paid sick days before the PSLO went into effect. The employer survey found that two-thirds of employers offered paid sick days prior to the PSLO (see below). These employees (and their employers) might have expected little change in sick days policies under the law.

Seen in this light, it is surprising that, among employees who had the same employer before and after the PSLO went into effect and who report access to paid sick days, more than half of workers (53.9 percent) reported one or more of the following benefits of the PSLO: their employer became more supportive of using PSD, they gained additional PSD, or they were better able to care for their own or their families’ health needs...

This evidence regarding gains from the PSLO suggests the law is generally functioning as intended to level the playing field across employers and spread the insurance benefits of paid sick days to many employees who needed, but did not have, paid sick days prior to the PSLO.”

Section 2: Studies on Local Effects on Business

This section summarizes the findings from studies on the effects of ordinances (or statutes) enacted in the following four places:

- Washington DC
- Seattle
- San Francisco
- Connecticut

Washington DC

Audit of the Accrued Sick and Safe Leave Act of 2008. Office of the District of Columbia Auditor, June 2013.

Summary: Shows decisively that the District of Columbia paid sick days law, passed in 2008, does not harm businesses.

“In conclusion, based on interviews and responses to a questionnaire it appears that the Accrued Sick and Safe Leave Act **did not have the economic impact of encouraging business owners to move a business** from the District nor did the Act have the economic impact of discouraging business owners to locate a business in the District of Columbia.”

Seattle, WA

Implementation and Early Outcomes of the City of Seattle Paid Sick and Safe Time Ordinance - Final Report. City of Seattle – Office of City Auditor, April 23, 2014.

Summary: Found that 70% of employers in Seattle supported the ordinance. After a period of transition, employers found the cost of the ordinance to be modest and smaller than anticipated.

“Implementation was easy for some employers and caused temporary hassles for others. Many employers had no trouble changing their policies and practices to comply with the Ordinance. About a third of employers (32%) had difficulties with the required administrative tasks, such as working with payroll vendors. These challenges were frustrating but transient.”

“Costs to employers and impact on businesses have been modest and smaller than anticipated. The majority of employers have seen no effect of the Ordinance on customer service, employee morale, predictability of employee absenteeism, or profitability. Anecdotal cost information puts the cost of providing leave at about four tenths of one percent of total revenue. **There is no evidence that the Ordinance caused employers to go out of business or leave Seattle.**”

“Many employers support the Ordinance. **Overall 70% of employers support the Ordinance.** These business owners, managers, and human resources professionals view paid leave as a valuable and important benefit for their workers.”

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. The Main Street Alliance of Washington, September 2013.

Summary: Shows no widespread negative economic impact as some opponents of the ordinance feared.

“The preliminary data provide no evidence of widespread negative economic impacts. Seattle and the surrounding metropolitan area are still recovering from the effects of the severe recession, but at a stronger pace than the state or the U.S. as a whole...”

“Seattle’s share of King County firms and sales remained steady or continued a slight upward trend in the first two quarters covered by the ordinance, for retail firms, food and drink places, and all sectors reporting taxable retail sales.”

“These preliminary findings are consistent with earlier studies of firms that voluntarily provide paid leave benefits and on the impacts of San Francisco’s and Washington, D.C.’s paid sick leave ordinances.”

San Francisco, CA

San Francisco's Paid Sick Leave Ordinance: Outcomes for Employers and Employees. Robert Drago and Vicky Lovell, Institute for Women's Policy Research, 2011.

Summary: The latest study of San Francisco's paid sick days law. Finds that most city workers benefited from the law, two-thirds of employers are supportive of it (and only one in six had to create a new paid sick days policy), and that the median worker uses only three paid sick days annually, out of a maximum of nine.

"Employers are supportive. **Two-thirds of employers support the PSLO [Paid Sick Leave Ordinance] and one-third are 'very supportive.'**"

"Employer profitability did not suffer. **Six out of seven employers did not report any negative effect on profitability as a result of the PSLO.**

"Most employers reported no difficulty providing sick days to their employees under the ordinance. Approximately one-third of employers reported any difficulties implementing the PSLO, and only one-sixth needed to introduce an entirely new paid sick days policy because of the law."

"Despite the availability of either five or nine sick days under the PSLO, the typical worker with access used only three paid sick days during the previous year, and one-quarter of employees with access used zero paid sick days."

Paid Sick Leave Does Not Harm Business Growth or Job Growth. John Petro, Drum Major Institute for Public Policy, October 2010.

Summary: An analysis of the impact of San Francisco's 2006 paid sick days law on city businesses, finding that business growth and employment were not harmed by the law.

"In the three years since San Francisco became the first city in the country to implement a paid sick leave law, **job growth there has consistently been higher than in neighboring counties without such a law.**

Total employment in San Francisco increased by 3.5 percent between the first two quarters of 2006, immediately before the passage of paid sick leave, and the first two quarters of 2010, the latest period for which data is available. In contrast, total employment in the five neighboring counties cumulatively fell 3.4 percent during the same time period.

The number of businesses has grown more rapidly in San Francisco than in neighboring counties since the implementation of paid sick leave.

Between 2006 and 2008, the number of business establishments in San Francisco grew by 1.64 percent while the number of establishments in the neighboring counties fell by 0.61 percent. Business growth was greater in San Francisco than in neighboring counties for both small and large businesses and in the industries widely considered to be most impacted by paid sick leave: retail and food service.”

Connecticut

Good For Business? Connecticut’s Paid Sick Leave Law. Eileen Appelbaum, Ruth Milkman, Luke Elliott, and Teresa Kroeger, Center for Economic and Policy Research, February 21, 2014.

Summary: The survey results demonstrate, and the site visits and employer interviews confirm, that the Connecticut law has had a modest impact on businesses in the state – contrary to many of the fears expressed by business interests prior to the passage of the legislation.

“Most employers reported a modest impact or no impact of the law on their costs or business operations, and they typically found that the administrative burden was minimal. Finally, a year and a half after its implementation, more than three-quarters of surveyed employers expressed support for the earned paid sick leave law.”

“In our survey, most employers reported that they covered the short absences of employees taking sick leave by temporarily assigning work to other workers, allowing employees to swap shifts, or putting the work on hold. Table 7 and Figure 3 show that 85 percent of employers relied primarily on these methods to cover the work of absent hourly-paid (non-exempt) employees. Only 15 percent of the employers reported taking more costly measures to cover the work of hourly (non-exempt) employees absent due to illness, such as increasing overtime among co-workers or hiring temporary replacements.”

“Employers reported no effects or modest effects of the new law on the bottom line: 47 percent of respondents reported no change in costs. Only 11 percent of employers reported that the new law had increased their payroll costs by 3 percent or more. Reported cost increases were greater for those employers with large numbers of part-time workers; our fieldwork suggests that in many establishments the main effect of the law was to include part-time workers in paid sick leave policies that had previously been limited to those employed full-time.”

“Only a small minority of employers reported that they had made changes in their operations due to increased costs associated with the new law, as Table 9 shows.

Virtually none reported reducing wages, nearly 90 percent did not reduce hours, and about 85 percent did not raise prices. Fewer than 4 percent reduced operating hours and fewer than 2 percent reduced the quality of their services.”

“Moreover, by the time of our survey, a year and a half after the law went into effect, employer opposition to the paid sick days law had largely dissipated. By mid-2013, **more than three-quarters of the employers responding to our survey indicated that they now supported the new law**: 39.5 percent were "very supportive" of the measure and another 37 percent were "somewhat supportive"...