

Testimony on Legislation in Support of Paid Sick Days

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My thanks to members of the committee for this opportunity to testify. I am here to strongly support legislation expanding paid sick days to Vermont workers.

I am a labor economist with a PhD in Economics, on the faculty at the University of Vermont since 1995. I have 25 years of experience, studying the economy-wide effects of poverty and inequality. I have consulted with government officials in numerous countries and with international organizations such as the World Bank and various branches of the United Nations.

My empirical conclusions in this testimony are based both on my own research and on my review of studies assessing the impact of paid sick leave legislation in the U.S.

I would like to make three points about the proposed legislation.

First, paid sick days will benefit women, and especially women in low-wage jobs and single mothers. Consequently, children will disproportionately benefit.

Second, other cities and states that have implemented similar legislation have seen no or minimal adverse effects on job creation or inflation.

Third, there is a business case for this legislation, in terms of increased productivity and reduced labor turnover.

Before I discuss each of these issues, it is worth highlighting the need for this legislation. According to the Bureau of Labor Statistics (BLS), more than a third of workers do not have paid sick leave. Among those that do, the benefit is distributed very unevenly. While 84 percent of management and professional

workers have this benefit, only 46 percent of service workers have paid sick leave.¹

Three quarters of full-time workers have paid sick leave, but only 25 percent of part-time workers get it. The lack of paid sick leave is acute amongst the lowest paid workers—those with hourly earnings are less than \$8.99 an hour, putting them in the 10th percentile of wage earners. Only 29 percent of this group of workers has paid sick leave.²

The 2009 Employee Benefits Survey tells us that among workers with an average of 8 paid sick days, an average of only 2 to 4 days are used. This is important since any estimate of the proposed legislation's impact that assumes workers will take all of the allowed days will overestimate the potential costs.³

Let me turn now to my three key points.

First, paid sick leave is a gender issue. Today, women make up almost half the workforce and two-thirds of mothers work outside the home. Women are less likely than men to have paid sick days. And that is because women are more concentrated in part-time jobs, low-wage jobs, and service industries—jobs that are least likely to offer paid sick leave.⁴

Despite women's increased work outside the home, mothers still bear primary responsibility for children's health. For example, 80 percent of mothers assume primary responsibility in the family for taking their children to doctor's appointments. Half of all working mothers who do stay home with sick children report that they do not get paid when they must do so. Access to paid sick leave is thus of particular importance for working women because of the double burden they face—for both family care and paid work.

The challenge of the double burden is particularly acute for single parents. In Vermont, lone parents head more than 25% of households, and 30% of Vermont's children live with a single parent. These are among the poorest

¹ See U.S. Department of Labor, Bureau of Labor Statistics, *Employee Benefits Survey, Paid Time-Off Benefits* (Table 6), March 2014. <http://www.bls.gov/news.release/ebs2.t06.htm>

² See U.S. Department of Labor, Bureau of Labor Statistics, *Employee Benefits in the United States – March 2014*. <http://www.bls.gov/news.release/pdf/ebs2.pdf>

³ Barthold, Ross and Jason Ford. 2012. *Paid Sick Leave: Prevalence, Provision, and Usage among Full-Time Workers in Private Industry*. Bureau of Labor Statistics. <http://www.bls.gov/opub/cwc/cm20120228ar01p1.htm>

⁴ U.S. Government Accountability Office. 2011. "Progress Made, but Women Remain Overrepresented Among Low-Wage Workers." <http://www.gao.gov/products/GAO>

families with one-third living below the poverty line.⁵ Single mothers face the impossible choice of sending a sick child to school or losing a day's pay when they are the sole provider.

Paid sick leave is not only important for single parents. Eldercare is a growing responsibility for prime age workers for the important reason that we are living longer. Unpaid family care is the most common source of long-term care, with almost half provided by the “sandwich generation”—meaning those that care for both children and elderly parents.

Parents' fear of losing their job or income if they take time off to care for sick family members or themselves affects children. A large body of research documents the long-term effects on children's cognitive and emotional development and future earnings when money is in short supply and financial insecurity threatens the family. A mother's well-being has been shown to have negative effects on her children's future earnings and productivity, as documented in numerous studies.⁶

Second, several reputable studies indicate that paid sick leave has been successfully implemented in a number of jurisdictions without adverse effects on jobs or inflation and there is little evidence of significant implementation problems for employers. Amongst these, I will briefly summarize the evidence on the impacts in Connecticut, San Francisco, and Seattle.

Connecticut

A survey of 251 employers conducted after Connecticut implemented a paid sick leave program found that employees did not abuse the policy by taking unnecessary sick days. About two-thirds of employers reported no increase in cost (47 percent) or an increase of less than 2 percent (19 percent) and the report's authors, Eileen Appelbaum and Ruth Milkman, conclude that there is no business case for opposing paid sick days. (Connecticut does have larger

⁵ U.S. Census Bureau. 2010. “American Community Survey: Annual Income, Earnings and Poverty” Report. Cited in: http://www.spotlightonpoverty.org/data_on_your_community.aspx#sthash.211MIC1L.dpuf

⁶ See Agénor, Pierre-Richard, Ottavio Canuto, and Luis da Silva. 2010. “On Gender and Growth: The Role of Intergenerational Health Externalities and Women's Occupational Constraints.” World Bank Policy Research Working Paper No. 5492; and Sandstrom, Heather and Sandra Huerta. 2013. “The Negative Effects of Instability on Child Development: A Research Synthesis.” Low-Income Working Families Discussion Paper 3, Urban Institute.

carve-outs than other cities and states; the legislation applies only to those firms with 50 or more workers).⁷

San Francisco

In San Francisco, which is the city with the longest experience with paid sick leave (since 2007), economic growth has been faster since the legislation was passed than other counties in its region that do not provide paid sick leave. The San Francisco law does not exempt firms of any size, granting a minimum of five days of paid sick leave to all workers.

Despite the availability of either five or nine sick days, 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. Parents with paid sick days were more than 20 percent less likely to send a child with a contagious disease to school than parents who did not have paid sick days.⁸

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. 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.⁹

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.

Third, there is a business case for paid sick leave.¹⁰ Paid sick days reduce the spread of illness and therefore contribute to higher productivity than otherwise

⁷ Appelbaum, Eileen. 2014. “Paid Sick Days in Connecticut Not a Burden for Employers.” Center for Economic and Policy Research. <http://www.cepr.net/index.php/op-eds-&-columns/op-eds-&-columns/paid-sick-days-in-connecticut-not-a-burden-for-employers>

⁸ Drago, Robert and Vicky Lovell. 2011. “San Francisco’s Paid Sick Leave Ordinance: Outcomes for Employers and Employees.” Institute for Women’s Policy Research.

⁹ Main Street Alliance of Washington. 2013 “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.” <http://www.thestranger.com/images/blogimages/2013/09/10/1378841347-psd-1-year-report-final.pdf>

¹⁰ Council of Economics Advisors. 2014. “The Economics of Paid and Unpaid Leave.” http://www.whitehouse.gov/sites/default/files/docs/leave_report_final.pdf

would be the case. Steps to promote work-family balance also reduce employee turnover because 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. A review of 27 separate case studies found that the median cost of replacing an employee was 21 percent of that employee's annual salary (or roughly 10 weeks of pay).¹¹ Moreover, family stress declines and worker productivity rises.

The effects of paid sick leave on school children have not been quantified, although it is likely to reduce absenteeism due to contagion and as a result, improve educational outcomes.

One might ask why, if such practices can be beneficial to employers, they have not already been adopted. In practice, businesses may be slow to experiment with new initiatives, even if they are potentially profitable. One reason is that they lack a full information on the long-run benefits, focusing only on easily quantified short-run costs. While it is often typical for firms to have a short-term focus on profits, policy makers are in a better position to take a long run, society-wide view. This is an example of the scope for government to take a leadership role in spreading information about best management practices, with both workers and businesses benefitting as a result.

In conclusion, the legislation under consideration, to provide paid sick days for workers, is a carefully crafted bill that can benefit workers and businesses in Vermont. This is a sensible policy that would assist families while simultaneously helping employers' bottom lines. Moreover, it has the effect of improving women's economic opportunities and incomes, contributing to closing the gender income gap. Finally, this legislation differentially affects children's well-being by increasing the ability of parents to provide care for children without incurring the cost of lost wages or jobs.

¹¹ Boushey, Heather and Sarah Glynn. 2012. "There Are Significant Business Costs to Replacing Employees." Center for American Progress. <http://cdn.americanprogress.org/wp-content/uploads/2012/11/CostofTurnover.pdf>