



THE EFFECT OF MANDATORY PAID SICK LEAVE POLICIES

REVIEWING THE EVIDENCE

A report by the Freedom Foundation | Max Nelsen, Labor Policy Analyst



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THE EFFECT OF MANDATORY PAID SICK LEAVE POLICIES REVIEWING THE EVIDENCE

EXECUTIVE SUMMARY

Mandatory paid sick leave laws are employment benefit regulations that require employers to provide certain amounts of paid sick leave to employees to use at their discretion. The laws frequently contain other measures, such as establishing comprehensive new record-keeping requirements for employers, preventing employers from seeking to influence the use of sick leave, granting enforcement and investigative authority to a public agency, increasing employers' legal liability and permitting labor unions to waive the law's requirements in collective bargaining.

Since San Francisco's implementation of a citywide paid sick leave law in 2007, at least seven cities and the state of Connecticut have adopted similar laws requiring employers' to provide paid sick leave. Campaigns for mandatory paid sick leave laws are under way in dozens of other jurisdictions around the country.

Proponents of mandatory paid sick leave laws argue that they benefit all parties involved, contending that employees will no longer have to choose between going to work sick and foregoing pay, public health will improve by keeping sick workers from spreading illness at work, and businesses will profit from healthier employees and lower turnover.

On the opposite side, employers argue the measures make it that much harder to remain competitive and hire new employees. Further, business groups contend that requiring firms to provide sick leave benefits will force them raise prices and consider reducing employees' hours or other benefits.

Despite the relatively recent adoption of most mandatory paid sick leave laws, labor and business advocacy groups have already produced many studies about the effects of such laws. Some city auditors have also produced reports seeking to evaluate the effects of their cities' ordinances. Comprehensive academic studies about the effect of sick leave mandates on businesses and employees are nearly nonexistent, however.

This paper is the first to undertake a comprehensive review and critique of the most significant and frequently cited studies of mandatory paid sick leave policies. Several important conclusions and trends emerge from this analysis.

1. Most studies of mandatory paid sick leave laws are conducted by supporters of the policy. Five of the 10 studies reviewed were conducted by paid sick leave advocates, two were conducted by paid sick leave opponents and three were conducted by city auditors.

2. Studies examining the effects of mandatory paid sick leave policies generally survey employers after the law has been in place for at least one year. Eight of the 10 studies reviewed conducted an employer survey. One study by the University of Washington on behalf of the Seattle City Auditor included both an employer survey and a regression analysis. Poorly constructed survey questions hampered several studies and the two studies that did not conduct a survey had serious methodological shortcomings.

3. Workplace illness does not appear to be a widespread problem. Of the five studies that touched on sickness in the workplace prior to the passage of a paid sick leave mandate, four gave indications that it was infrequent or insignificant.

4. Most firms voluntarily offer paid sick leave benefits without being required to do so by law. Each of the six studies that examined whether employers provided workers with paid sick leave before implementation of a mandatory paid sick leave law found that a majority did so, with the rate ranging from 50 to 89 percent.

5. Studies tend to exaggerate employer support for mandatory paid sick leave laws. All four of the studies that asked employers whether they supported the mandate found a majority of employers were supportive. In each case, however, a majority of employers were already mostly or completely in compliance with the law and had to make few changes in response. Most businesses that had to create new or modify existing policies appear to be opposed to paid sick leave mandates. Many of these businesses also report significant difficulty implementing the mandates.

6. Consumers, workers and employers are all negatively affected by mandatory paid sick leave policies. Employer surveys indicate that affected businesses frequently respond to paid sick leave laws by increasing prices, decreasing employee benefits and hours, and limiting expansion. Even after taking steps to offset the additional expenses, many businesses report reduced profitability. Unsurprisingly, the negative consequences of paid sick leave mandates are concentrated among firms that have to implement new or modify existing paid sick leave policies.

7. Mandatory paid sick leave laws do nothing to reduce turnover. The evidence used by advocates to assert that mandatory sick leave laws reduce employee turnover, thus saving businesses money, is surprisingly weak. One questionable study of Connecticut's paid sick leave law reported a slight

decrease in turnover, while a more credible study of Seattle's paid sick leave ordinance reported effectively no changes in turnover.

8. Workers come to work sick just as often with a mandatory paid sick leave policy as they do without one. Of the five studies to examine the effect of mandatory paid sick leave laws on presenteeism, defined as the frequency of employees coming to work sick, four found no reduction. Only one questionable study of Connecticut's law found any reduction in presenteeism.

9. Some paid sick leave laws are designed to promote union organizing. Paid sick leave statutes in at least San Francisco, Seattle and Washington, D.C., contain provisions that allow labor unions to waive sick leave requirements in collective bargaining. Such statutes allow unions to approach non-union employers and offer to waive the sick leave requirements in exchange for the employer's cooperation in unionizing employees. Studies of San Francisco and Seattle's sick leave ordinances indicate the waivers are frequently used.

EXECUTIVE SUMMARY: CONTINUED

Overall, mandatory paid sick leave laws consistently have moderate negative consequences for affected businesses. At the same time, such laws do not produce the benefits promised by supporters. Government sick leave mandates even fail to prevent employees from coming to work sick, ostensibly the most basic goal of such requirements. While a generally well-intentioned public policy prescription, policymakers should be wary of adopting counterproductive and ineffective paid sick leave mandates.

CHART I

COMPARISON OF MANDATORY PAID SICK LEAVE STUDIES

STUDIES	IWPR	DRUM MAJOR	COLLA	DC AUDITOR	CEPR	EPI CONNECTICUT	SEATTLE AUDITOR 1	SEATTLE AUDITOR 2	MSAW	EPI SEATTLE
Organization Supports PSDs	Y	Y	Y	N/A	Y	N	N/A	N/A	Y	N
Conducted Employer Survey	Y	N	Y	Y	Y	Y	Y	Y	N	Y
Poor Survey Question[s]	Y	N/A	?	N	Y	N	N	N	N/A	N
Workplace Illness Frequent	Y	N/A	N/A	N/A	N/A	N	N	N	N/A	N
Most Firms Offered PSDs Voluntarily	Y	N/A	Y	Y	Y	N/A	Y	Y	N/A	N/A
Most Firms Support PSDs Mandate	Y	N/A	Y	N/A	Y	N/A	N/A	Y	N/A	N/A
Negative Effects for Affected Firms	Y	N/A	Y	Y	Y	Y	N/A	Y	N/A	Y
Turnover Decreased	N/A	N/A	N/A	N/A	Y	N/A	N/A	N	N/A	N/A
Presenteeism Decreased	N	N/A	N	N/A	Y	N/A	N	N	N/A	N/A

PSDs - Paid Sick Days | Y - Yes | N - No | N/A - Not Applicable



INTRODUCTION

“*One of the great mistakes is to judge policies and programs by their intentions rather than their results.*”

– Nobel Prize winning economist Milton Friedman¹

Good intentions are important but not sufficient on their own to produce positive policy outcomes. The temptation for activists, policymakers and the public to support policy ideas based on their perceived intentions makes critical, clear-eyed evaluations of the effectiveness of such policies all the more important. Laws requiring employers to provide paid sick leave for employees are a timely and increasingly popular example.

Mandatory paid sick leave laws are a type of employment regulation that requires some or all employers in a given jurisdiction to provide some or all employees with designated amounts of paid time off each year specifically to be used for personal or family illness. While the basic requirements of such laws are similar, the details vary significantly by jurisdiction.

Though mandatory sick leave laws are relatively new, they are proliferating quickly. San Francisco was the first city to implement such a policy in 2007. Since that time, the cities of Newark, New York, Jersey City, Portland, SeaTac, Seattle, Washington, D.C., and the state of Connecticut have adopted their own sick leave laws. Multiple labor-backed campaigns for mandatory paid sick leave remain underway in states and cities across the country.²

It is difficult to imagine a more well-intentioned-sounding policy than requiring employers to provide paid sick leave for employees. The declaration by labor activists that “no person should have to choose between going to work sick and losing their job” appeals directly to a sense of fairness.

Furthermore, supporters of mandatory paid sick leave contend that the economic benefits are universal. Workers will no longer have to come to work sick, producing benefits for public health and profiting businesses through decreases in employee turnover. Allegedly, everybody benefits.

Business groups and free-market advocates, however, contend that such laws are actually a burden on employers, causing them to reduce staff and benefits while making it harder for firms to start or expand. Firms which benefit for offering employees paid sick leave benefits do so voluntarily. Consequently, universal mandates tend to have largely negative consequences. In the end, the net costs outweigh the benefits, they contend.

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1 Milton Friedman, in an interview with Richard Heffner on *The Open Mind*. Aired December 7, 1975
bfi.uchicago.edu/post/milton-friedman-his-own-words

2 National Partnership for Women and Families. “State and Local Action on Paid Sick Days.” Apr. 2014.
www.nationalpartnership.org/research-library/campaigns/psd/state-and-local-action-paid-sick-days.pdf



- About a dozen employer surveys and studies have been conducted in several jurisdictions following passage of mandatory sick leave laws. Most studies examining the consequences of mandatory paid sick leave have come from advocates of the measure. Media reports on paid sick leave research tend to uncritically reiterate activists' claims.

One recent *New York Times* headline proclaimed, “Despite Business Fears, Sick-Day Laws Like New York’s Work Well Elsewhere.”³ The reporter cited three studies to argue that mandatory paid sick leave laws are inconsequential for businesses that must provide the benefit. A similar headline on CNN cut right to the point: “Paid sick leave won’t hurt businesses.” Such laws “have worked... without hurting small business” and have actually been “good for business” editorialized the reporter, citing two studies.⁴

But does using the force of government to make employers provide mandated sick leave benefits achieve the promised results for businesses and employees?

Quite frequently, the actual data and conclusions from sick leave studies do not back up the assertions made by labor activists. Even studies from organizations that support sick leave laws indicate the mandates are startlingly ineffective at achieving their basic goal of reducing the frequency of employees coming to work sick.

As the debate over mandatory paid sick leave laws continues to spread and intensify, a comprehensive and accurate evaluation of the research on the issue becomes increasingly important. This paper attempts to provide just such an analysis.

This report examines the mandatory paid sick leave laws in each of the four jurisdictions that have been the subject of study. Most jurisdictions have been the focus of several studies. Policies are addressed in the chronological order in which they were adopted. Studies attempting to project the hypothetical effects of a mandatory paid sick leave law in a given jurisdiction are not included in this review. Only studies seeking to document the actual effects of implemented laws are examined. Overall, this report evaluates 10 of the most important and widely cited studies from both supporters and opponents of mandatory paid sick leave.

3 Swarns, Rachel. “Despite Business Fears, Sick-Day Laws Like New York’s Work Well Elsewhere.” *New York Times*. 26 Jan. 2014. www.nytimes.com/2014/01/27/nyregion/despite-business-fears-sick-day-laws-like-new-yorks-work-well-elsewhere.html

4 Lobosco, Katie. “Paid sick leave won’t hurt businesses.” *CNN Money*. 5 Feb. 2014. money.cnn.com/2014/02/05/smallbusiness/paid-sick-leave/



OVERVIEW

- Employers must provide all employees working within the city one hour of paid sick leave for every 30 hours worked.
- Workers at businesses employing fewer than 10 workers each week can accrue up to 40 hours of paid sick leave, while all other employees may accrue up to 72 hours at one time. Leave may be carried from year to year.
- Individual employees may use leave for themselves or to take care of family members or designated persons.
- Employers must retain records of employee hours worked and sick leave taken for up to four years.
- The sick leave requirements may be waived in a union collective bargaining agreement.⁵

THE INSTITUTE FOR WOMEN'S POLICY RESEARCH STUDY

A 2011 study released by the Institute for Women's Policy Research (IWPR) sought to examine the effects of San Francisco's first-in-the-nation mandatory paid sick leave ordinance (PSLO).⁶ The IWPR paper is likely the best known and most referenced study on mandatory paid sick leave. However, the data gathered in the survey of San Francisco employers and workers has too often been falsely portrayed as proof that mandatory paid sick leave policies are good for businesses, workers and the public. A close examination of the data proves the study does not support this conclusion.

IWPR conducted two scientific surveys, one including 727 employers and another including 1,194 employees. The survey of businesses found that 65.1 percent of employers voluntarily offered paid sick leave before the ordinance was enacted in 2007. At the time of the 2009 survey, 82.1 percent of employers reported offering paid sick leave. As the study's authors note, "most employers (two out of three) were unaffected by the PSLO."



⁵ San Francisco Office of Labor Standards Enforcement. "Key Components of the Paid Sick Leave Ordinance." 11 Jan. 2007. sfgsa.org/modules/ShowDocument.aspx?documentid=1309

⁶ Drago, Robert and Vicky Lovell. "San Francisco's Paid Sick Leave Ordinance: Outcomes for Employers and Employees." Institute for Women's Policy Research. Feb. 2011. www.iwpr.org/publications/pubs/San-Fran-PSD



- The businesses affected by the PSLO can be divided into two groups: those that had enacted a new paid sick leave policy at the time of the survey and those that had not yet enacted such a policy and remained out of compliance with the law. Of the employers surveyed, 34.9 percent were newly covered or affected by the PSLO in some way, and only 17 percent had started providing paid sick leave for the first time.

Policy research examining paid sick leave laws should focus primarily on the effect such laws have on newly covered businesses, since employers already in compliance will experience little change with or without the policy. In this case, the focus of study should be the effect of the PSLO on the 34.9 percent of surveyed employers not already providing paid sick leave at the time of the law's implementation.

The study's authors appear to agree. They contend quite reasonably that, "Employer reports of cost savings or improved employee performance [due to the PSLO] should be limited to the minority of employers who implemented or improved policies in response to the PSLO."

But if it is to be assumed that the benefits of the PSLO accrued primarily to those businesses providing sick leave for the first time, it should also be assumed that the negative consequences of the PSLO were primarily visited upon the same set of employers. Measured in such terms, IWPR's data indicates that the negative consequences of the PSLO for San Francisco businesses outweighed the benefits.

While the data in IWPR's study does not allow for the connection to be made explicitly, it does offer evidence of a strong correlation between businesses providing paid sick leave for the first time and businesses reporting difficulties with the PSLO.

For instance, comparing firms by size indicates that the categories that saw the greatest expansion of paid sick leave were also the most likely to report decreased profitability, reduced employee benefits and opposition to the PSLO.

CHART II

SECTORS WITH BIGGEST INCREASES IN SICK LEAVE COVERAGE HAD MOST DIFFICULTY WITH PSLO

Responding Firms by Number of Employees	Adopted New PSD Policy	Rank	Profitability Declined	Rank	Reduced Employee Benefits	Rank	Not Supportive of PSLO	Rank
1 to 9	15.1%	4	12.0%	4	10.1%	4	22.0%	4
10 to 24	25.9%	1	22.7%	1	22.7%	1	31.5%	1
25 to 49	23.2%	2	19.9%	2	21.5%	2	24.3%	2
50-Plus	15.8%	3	18.4%	3	17.7%	3	23.0%	3

Notes: The data in this chart was compiled from the data in tables 8, 11, 12 and 13 in the IWPR report.



DIFFICULTY OF IMPLEMENTATION

Of all employers surveyed, many reported difficulties comprehending and complying with various aspects of the PSLO. Of the businesses surveyed,

- 34.6 percent reported it was “somewhat difficult” or “very difficult” to understand the PSLO requirements;
- 31.4 percent said it was “somewhat difficult” or “very difficult” to administer the PSLO; and,
- 42.7 said it was “somewhat difficult” or “very difficult” to reassign or delay work because of the PSLO.

In each case, the percentage of businesses reporting difficulties with the PSLO corresponds closely to the 34.9 percent of surveyed businesses newly affected by the ordinance, likely indicating most or all such businesses experienced difficulty understanding and administering the ordinance.

IMPACT ON PROFITABILITY, PRICES AND WORKERS

While the IWPR study emphasizes the finding that “six out of every seven San Francisco employers did not report negative profitability effects from the PSLO,” it must be remembered that most surveyed businesses faced little to no increase in costs because they were already providing sufficient paid sick leave.

Only 17 percent of surveyed employers reported implementing a new paid sick leave policy in response to the ordinance. A similar number, 14.2 percent, reported that the PSLO negatively impacted their profitability. Furthermore, employers were far more likely to report that the PSLO had harmed their profitability (14.2 percent) than they were to report that their profitability had improved (0.6 percent).

While the authors acknowledge that the industries most likely to report “adverse profitability effects” were “the same industries where new paid sick days were implemented most frequently in response to the PSLO,” they contend that “profitability declines were not associated with reports of policy change in response to the PSLO” since “three-quarters of respondents reporting policy change also reported no impact on profits.”

But employers took several actions to compensate for the increase costs associated with the PSLO, which may have allowed some to avoid decreased profitability. According to the study, 10.9 percent of surveyed employers increased prices because of the ordinance. The study’s authors admit that “these employers were concentrated in the same industries where the PSLO led to the most dramatic expansion in coverage, and where employers reported adverse profitability effects.”



➤ Additionally, 12.8 percent of businesses reported:

- decreasing workers' vacation time;
- converting vacation time to paid sick days; and/or,
- reducing raises or bonuses.

Similarly, while only 11.4 percent of surveyed workers reported an increase in their paid sick time, 32.2 percent reported:

- layoffs or reduced hours;
- reductions in bonuses, raises or benefits; and/or,
- increased work demands from their employer.

Increasing prices and reducing employee benefits may have allowed some businesses to avoid profit losses, but doing so simply transferred the economic costs of the PSLO onto consumers and workers instead of businesses. A smaller study of San Francisco's PSLO conducted by the Urban Institute noted, "A large body of research on employer mandates shows that businesses will generally pass on any increased costs to their employees through reduced wages and benefits, or to their customers through increased prices."⁷

In addition to decreasing employer profitability, increasing prices and reducing employee benefits, the IWPR survey indicates that the PSLO produced other consequences for businesses. Firms were more likely to report that the PSLO made predicting employee absences more difficult (6.9%) than they were to indicate greater predictability (3.8%). Surprisingly, while employers had a greater tendency to report improved employee morale (3.2%) than worse morale (0.9%), employers were more likely to report decreased customer service (2.6%) than improved customer service (1.2%). Still, the vast majority of businesses reported no changes in any of these areas and the differences are minor enough to conclude that the PSLO did not significantly harm or benefit employers in these respects.

LEVEL OF BUSINESS SUPPORT

Much has been made of the study's finding that most firms supported the PSLO. Overall,

- 33.9 percent of employers surveyed were "very supportive";
- 34.5 percent were "somewhat supportive"; and,
- 23.6 percent were "not supportive" of the ordinance.

Again, the percentage of "not supportive" employers is sufficient to comprise a significant majority of businesses actually affected by the PSLO. Presumably, many of the 65.1 percent of firms voluntarily providing paid sick leave would be supportive of an ordinance placing additional regulations on their competitors.

Furthermore, the structure of the question is stacked in favor of the ordinance. Survey takers are given three choices: (1) very supportive, (2) somewhat supportive and (3) not supportive. By framing and counting the middle-ground option as "supportive" instead of "neutral," IWPR likely inflated the number of businesses appearing to support the PSLO.

⁷ Boots, Shelley Waters, Karin Martinson, and Anna Danziger. "Employers' Perspectives on San Francisco's Paid Sick Leave Policy." The Urban Institute. Mar. 2009. www.urban.org/UploadedPDF/411868_sanfrancisco_sick_leave.pdf

EFFECT ON TURNOVER

The study's authors argue that employers should benefit from the PSLO in two ways: lower turnover and healthier employees. According to IWPR, "workers with paid sick days are less likely than others to switch jobs," which produces large savings for businesses through reduced turnover. The authors cite three studies to back up their claim.

The first study has little to do with paid sick leave. The 1993 Blue Cross-Blue Shield paper examined "the relationship between employment-related health insurance and job mobility."⁸ After analyzing now decades-old National Medical Expenditure Survey data from 1987, the authors found "support for the hypothesis that employment-related health insurance inhibits job mobility." The only time paid sick leave comes up in the report is in the finding that "other nonportable fringe benefits [paid sick leave being one] on an initial job also may inhibit job mobility." From this narrow finding, mandatory paid sick leave supporters extrapolate the broad conclusion that inhibited job mobility means reduced turnover and savings for businesses. Such is hardly the intent of the study. Far from advocating for mandatory paid sick leave policies as a way to decrease turnover, the study's authors argue in favor of greater job mobility, contending:

"Perfect mobility in labor markets enables workers to determine their value in any employment situation and, therefore, to seek and obtain employment in industries and occupations where they are most productive... [Barriers to job mobility] can affect labor productivity and income and, ultimately, the volume and quality of goods and services produced in the economy."

The paper's data and conclusion — "Informed health care policy should ensure that work-related health insurance does not pose a barrier to job mobility" — simply does not support the idea that mandatory paid sick leave policies save employers money by reducing turnover.

Second, IWPR cites a 2006 paper in the *Journal of Women's Health* that examined whether "working conditions predict whether women who experience angina or a myocardial infarction (MI) [heart attacks] return to work."⁹ The study concluded by positing, "policies to promote paid leave for female workers who experience a serious health condition are likely to help these workers return to their jobs." The study's extremely narrow scope and limited findings simply do not support the broad proposition that mandatory paid leave laws benefit employers through decreased turnover. Even if mandating paid sick leave benefits helps some employees return to work after experiencing significant health issues, the paper provides no indication that health issues are responsible for any significant portion of overall turnover. Health concerns are conspicuously absent from a major meta-analysis of studies examining the causes of employee turnover, which could indicate that it is likely not a significant enough factor in overall turnover to warrant serious examination.¹⁰

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- The third study cited by the IWPR report is a 1990 paper in the *Personnel Journal* discussing the costs allegedly associated with high turnover.¹¹ But the study is of little use without proof that mandatory paid sick leave laws actually result in lower turnover for employers. Additionally, other studies dispute the idea that turnover is always harmful for businesses. While acknowledging that turnover can be costly, the authors of a 2004 study in the *Academy of Management Journal* note that, “there seems to be no tradition of empirical research into the effects of employee turnover” and conclude, “both researchers and textbook writers cannot safely assume that a lower rate of turnover is always preferable to a higher rate.”¹²

A 2010 paper observed that “many managers hold important misconceptions about turnover,” one of which is “that turnover is uniformly bad.”¹³ While acknowledging, “Employee turnover can certainly be problematic,” the authors observe that, “turnover is a complex phenomenon that comes in many shapes and sizes. It is not always harmful, and in some cases may even be beneficial for organizations.” Harboring misconceptions about turnover is harmful, they contend, because it “may lead managers to enact ineffective retention strategies that fail to reduce turnover” or “are not cost-effective.” By assuming that turnover is necessarily detrimental and expensive, paid sick leave advocates are over-simplifying a complex issue and advocating an ineffective solution.

Continued on page 12 ➤

8 (Page 10) Cooper, Philip and Alan Monheit. “Does Employment-Related Health Insurance Inhibit Job Mobility?” *Inquiry* 30.4 (1993): 400-416. www.jstor.org/discover/10.2307/29772411?uid=3739960&uid=2129&uid=2134&uid=2474858967&uid=2&uid=70&uid=3&uid=2474858957&uid=3739256&uid=60&sid=21103736818287

9 (Page 10) Earle, Alison, John Ayanian, and Jody Heymann. “Work Resumption After Newly Diagnosed Coronary Heart Disease: Findings on the Importance of Paid Leave.” *Journal of Women's Health* 15.4 (2006): 436. connection.ebscohost.com/c/articles/20932272/work-resumption-after-newly-diagnosed-coronary-heart-disease-findings-importance-paid-leave

10 (Page 10) Griffeth, Roger, Peter Hom and Stefan Gaertner. “A Meta-Analysis of Antecedents and Correlates of Employee Turnover: Update, Moderator Tests, and Research Implications for the Next Millennium.” *Journal of Management* 26.3 (2000): 463-488.

11 Phillips, Douglas. “The Price Tag on Turnover.” *Personnel Journal* 69 (1990): 58.

12 Glebbeek, Arie and Erik Bax. “Is High Employee Turnover Really Harmful? An Empirical Test Using Company Records.” *Academy of Management Journal* 47.2 (2004): 277-286.

13 Allen, David, Phillip Bryant and James Vardaman. “Retaining Talent: Replacing Misconceptions With Evidence-Based Strategies.” *Academy of Management Journal* 24.2 (2010): 48-64. misweb.cbi.msstate.edu/~COBI/faculty/users/jvardaman/files/files/AllenAMP.pdf

EFFECT ON TURNOVER: CONTINUED

The weakness of the evidence marshalled by IWPR has not prevented the organization from issuing a series of formulaic reports—commonly titled “Valuing Good Health in X”—anywhere mandatory paid sick leave is under consideration. Using nearly verbatim language from one report to the next, each alleges that businesses stand to save hundreds of millions of dollars “largely due to savings from reduced turnover.”¹⁴

Even if an employer can reduce turnover by voluntarily providing benefits like paid sick leave, a policy mandating all employers provide the benefit would not have the same effect. The primary reason an employer might be able to reduce turnover by providing paid sick leave is if it makes him look good in comparison to his competitors. If all employers must provide paid sick leave, however, and workers can expect essentially the same sick leave benefits from any employer, then paid sick leave is effectively nullified as a factor in employees’ decisions about where to work.

A separate and smaller survey of San Francisco employers conducted by the Urban Institute indicated that the PSLO failed to reduce turnover for this very reason:

“Employers noted that turnover and retention seem less relevant to a mandated benefit, since now the same sick leave benefits are available across companies. As one small business owner observed, ‘The policies I had in place before were there to reduce turnover and get better employees—and they did have an effect. But now, since the new ordinance, employees will have the same benefit no matter where they work. There’s less of an incentive to stay and work for me.’”¹⁵

Perhaps for this reason, no credible study has ever found that mandatory paid sick leave laws play any significant role in decreasing turnover.

To summarize, mandatory paid sick leave advocates rely on faulty research, falsely assume turnover is necessarily harmful, confuse the important difference between individual employers providing the benefit voluntarily and all employers being required to, and present no evidence that mandatory leave policies succeed in reducing turnover in any meaningful way.

14 Griffin, Jasmine and Jeff Hayes. “Valuing Good Health in Oregon: The Cost and Benefits of Earned Sick Days.” Institute for Women’s Policy Research. May 2013. www.iwpr.org/publications/pubs/valuing-good-health-in-oregon-the-costs-and-benefits-of-earned-sick-days

15 The Urban Institute study surveyed 26 San Francisco employers who had been affected by the ordinance. While the study offers some valuable insights into employers’ responses, the sample size was simply too small to warrant a detailed examination in this paper. Boots, Shelley Waters, Karin Martinson, and Anna Danziger. “Employers’ Perspectives on San Francisco’s Paid Sick Leave Policy.” The Urban Institute. March 2009. www.urban.org/UploadedPDF/411868_sanfrancisco_sick_leave.pdf

EFFECT ON PRESENTEEISM

Not only does the IWPR study fail to prove that mandatory paid sick leave laws reduce turnover, but IWPR's data indicate that San Francisco's PSLO failed to decrease "presenteeism," or the frequency of employees coming to work sick. The finding is buried in the fourth appendix on the last page of the report and is not referenced by the authors. According to the survey, 3.3 percent of employers reported that presenteeism decreased due to the PSLO, while 3.4 percent reported that presenteeism had worsened. Despite arguing in the body of the paper that "paid sick days improve public health," the data in IWPR's survey provides no evidence the PSLO achieved its signature goal of reducing the frequency of employees working sick.

DRUM MAJOR INSTITUTE FOR PUBLIC POLICY STUDY

A 2010 analysis of San Francisco's PSLO prepared by the Drum Major Institute argued that the mandatory paid sick leave ordinance did not negatively affect the city's business or job growth.¹⁶

Using employment data from the California Employment Development Department, the study compared job growth in San Francisco before and after the PSLO's passage to job growth in the six surrounding counties, finding that both employment and business growth in San Francisco "consistently outperformed neighboring counties."

But while noting the study "cannot determine causality" and that "there is not sufficient evidence" to support the claim that the PSLO produced the growth, the author still argues that the "lack of any evidence of negative effects" is proof that businesses growth and employment are at least not harmed by mandatory paid sick leave laws. On the contrary, the most that can be said from the study is that San Francisco's PSLO did not have a sufficiently negative effect on business and employment to entirely reverse growth trends.

It is also worth noting that the study did not control for any outside factors, such as population growth, when comparing San Francisco's growth to outlying counties, significantly undermining its usefulness.

THE COLLA STUDY

In January 2014, the *American Journal of Public Health* published a study by researchers Carrie Colla, William Dow, Arindrajit Dube and Vicky Lovell (co-author of the IWPR study), analyzing the effects of San Francisco's PSLO.¹⁷ Similar to the earlier IWPR study, the Colla study gathered its data from a scientific telephone survey of 727 San Francisco employers, conducted by U.C. Berkeley in 2009.

As studies typically find, the Colla study determined that a majority of employers (73 percent) were voluntarily providing paid sick leave benefits at the time the PSLO was passed in 2007. By 2009, 91 percent of firms were providing sick leave benefits as required by the ordinance, while the remaining 9 percent not offering leave "were likely not in compliance with the ordinance."

Overall, about 18 percent of San Francisco employers began offering a new sick leave policy in response to the PSLO, 17 percent had to make "a major change" in their existing sick leave policies, and 57 percent made no major changes.

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16 Petro, John. "Paid Sick Leave Does Not Harm Business Growth or Job Growth." Drum Major Institute for Public Policy. 2010. paysickdays.nationalpartnership.org/site/DocServer/Petro_DMI_Paid_Sick_Leave_Does_Not_Harm_2010_Unabbr_.pdf?docID=7721

17 Colla, Carrie, William Dow, Arindrajit Dube and Vicky Lovell. "Early Effects of the San Francisco Paid Sick Leave Policy." *American Journal of Public Health*. 16 Jan. 2014. ajph.aphapublications.org/doi/abs/10.2105/AJPH.2013.301575



- Researchers asked employers a range of questions about the effect of the PSLO on their business, employees and customers. The report's authors tend to focus on the results that include all San Francisco businesses with sick leave policies, even though a majority of these employers made no changes to comply with the PSLO. Including businesses not affected by the PSLO does little to inform an evaluation of the law's costs and benefits. However, the Colla study provides sufficient data to examine the effect of the ordinance on only those businesses which either had to create a new sick leave policy or substantially modify an existing policy.

The results for only those employers adding or making major changes to their sick leave policies are included in the chart below.

CHART III

CONSEQUENCES OF PSLO FOR AFFECTED BUSINESSES

Variables	New Policy [n=132]	Raw	Major Policy Change [n=194]	Raw	% of Affected Firms [n=326]
Reduced compensation	38.6%	51	17.1%	33	25.8%
Reduced vacation time	30.1%	40	13.7%	27	20.3%
Decreased pay raises or bonuses	13.8%	18	6.5%	13	9.5%
Better employee morale	16.5%	22	7.2%	14	11.0%
Decreased presenteeism	7.9%	10	4.9%	10	6.1%
Support the Paid Sick Leave Ordinance	70.8%	93	76.0%	147	73.9%
Better profitability	0.0%	0	0.3%	1	0.2%
Worse profitability	32.4%	43	20.5%	40	25.3%
Any difficulty with the Paid Sick Leave Ordinance	65.0%	86	68.2%	132	66.9%
Difficulty understanding legal requirements	25.4%	34	46.3%	90	37.8%
Difficulty administratively complying	48.8%	64	45.0%	87	46.5%
Difficulty delaying or reassigning work responsibilities	49.8%	66	48.5%	94	49.0%
Hire outside replacement when employees take sick leave	5.7%	8	12.4%	24	9.7%
Change in predictability of employee absenteeism	35.3%	47	27.7%	54	30.8%
Better predictability of absenteeism	13.2%	17	4.2%	8	7.8%
Worse predictability of absenteeism	22.1%	29	23.5%	46	22.9%
Any negative consumer effect	23.9%	32	13.9%	27	17.9%
Raise prices	18.2%	24	7.6%	15	11.9%
Worse consumer service	9.4%	12	6.0%	12	7.4%
Better consumer service	3.0%	4	1.8%	3	2.3%

Notes: The data in this chart was extracted from Table 2 in the Colla paper.

Focusing on newly affected businesses indicates that the PSLO resulted in moderate consequences for sizable minorities of affected businesses while producing few benefits. Employers were significantly more likely to report: worsened profitability (25.3%) than improved profitability (0.2%); less predictability of absenteeism (22.9%) than more predictability (7.8%); and worse customer service (7.4%) than better service (2.3%).

The study's authors acknowledge that nearly one-third of businesses implementing a new sick leave policy reported decreased profitability, but conclude, "This implies that even in this high-impact group, the majority of firms did not report lower profits because of the mandate."

Four reasons for the supposedly small impact on profitability are provided by the authors. First, they note that "some firms modified the composition of compensation." Indeed, of newly affected businesses, 25.8 percent reduced employee compensation, 20.3 percent reduced vacation time and 9.5 percent reduced pay raises or bonuses.

Second, the authors observe that "some firms passed on any added costs to customers." Overall, 17.9 percent of affected businesses report some "negative consumer effect," while 11.9 percent reported raising prices and 7.4 percent reported decreased customer service.

Thirdly, the researchers argued that "there may be beneficial effects on productivity," but this does not appear to be a significant factor. About 11 percent of affected businesses reported increased employee morale and only about 6 percent of employers experienced reduced presenteeism. The authors note elsewhere that, although "firms that made a major change to their policy were more likely to report a decrease in presenteeism than were firms that did not make major changes... the difference was not statistically significant."

Furthermore, when survey questions give them the option, employers are just as likely report worsened presenteeism as they are to report improvements.¹⁸ The Colla study does not include the survey questions used, so it cannot be concluded with certainty that employers were prevented from reporting increases in presenteeism. However, even if employers were asked whether workplace presenteeism had increased, the results were omitted from the paper.

Fourth, the Colla study contends that the broad support of the ordinance among San Francisco businesses "substantiates the idea that any adverse effects on businesses were small." This is not an explanation of why the number of employers reporting decreased profits was allegedly small, but simply a re-statement of the argument that the law's impact was minimal.

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18 IWPR's San Francisco study, which also used 2009 survey data and was written in part by Colla study co-author Vicky Lovell, found employers were just as likely to report increases in presenteeism as they were to report decreases. The second University of Washington study of Seattle's paid sick leave ordinance reached the same conclusion.



- Most businesses did not have to change their policies to comply with the PSLO, so their high support for the ordinance is unsurprising. Still, the finding that so many affected businesses (73.9%) supported the PSLO is noteworthy. One reasonable interpretation of the data is that the three-quarters of affected employers that were able to avoid decreased profitability by passing on their costs to consumers or reducing employee compensation expressed support for the ordinance, while the 25.3 percent of employers faced with decreased profitability remained opposed.

Lastly, it is possible that the study does not capture the full ramifications of the law. Two years after the PSLO's implementation, nearly one in 10 San Francisco employers remained out of compliance. The Colla study found 99 percent compliance at medium and large businesses but only 87 percent compliance at businesses with fewer than 20 employees. As the study's authors observe, these small employers were "more likely to report worse profitability, more difficulty delaying or reassigning work responsibilities, and more negative consumer effects (raising prices or worse customer service) than were large firms." If compliance continues to increase among the small employers most affected by the PSLO, then the negative effects of the ordinance are likely to increase as well.

Furthermore, any employers that may have moved operations out of the city or closed down entirely during the two years between the PSLO's passage and the study would not have been included in the survey.

Taken together, the Colla study's findings are not particularly surprising. San Francisco's PSLO was insignificant for the majority of businesses already providing sufficient paid sick leave. Among the minority of affected businesses, some employers responded by passing on costs to consumers and reducing other employment benefits. Despite these countermeasures, about a quarter of affected firms still reported decreased profitability. The ordinance appears to have produced moderately negative consequences for affected businesses while failing to produce any appreciable benefits.



OVERVIEW

- As originally implemented, the ordinance required employers to provide one hour of paid sick leave for every 37 to 87 hours worked, depending on firm size, to all workers employed for 12 months. Employees may accrue up to three to seven days, depending on firm size. Originally, independent contractors, students, certain health care workers and bar and restaurant workers earning a combination of tips and wages were exempt.¹⁹
- In January 2014, the law was expanded to include bar and restaurant workers, the 12-month employment requirement was reduced to 90 days and enforcement mechanisms were strengthened.²⁰
- The amended law also allowed labor unions to waive certain requirements of the law in collective bargaining and established a requirement that employers maintain records on sick leave accrual and use for up to three years.
- Employers with more than 100 employees must provide one hour of paid sick leave for every 37 hours worked, up to seven days per year.
- Employers with 25 to 99 employees must provide one hour of paid sick leave for every 43 hours worked, up to five days per year.
- Employers with 24 or fewer employees must provide one hour of paid sick leave for every 87 hours worked, up to three days per year.

19 “Accrued Sick and Safe Leave Act of 2008.” District of Columbia Department of Employment Services.
does.dc.gov/sites/default/files/dc/sites/does/publication/attachments/ASSLA.pdf

20 “Earned Sick and Safe Leave Amendment Act of 2013.” District of Columbia Department of Employment Services.
does.dc.gov/sites/default/files/dc/sites/does/page_content/attachments/Earned%20Sick%20and%20Safe%20Leave%20Amendment%20Act%20of%202013.pdf

THE CITY AUDITOR'S REPORT

Washington, D.C., became the second city in the nation to mandate employer-provided paid sick leave when the city council passed the Accrued Sick and Safe Leave Act of 2008. At the request of paid sick leave supporters, the D.C. Auditor's Office conducted a study of the effects of the law, which it released in June 2013.²¹

Paid sick leave advocates seized on the auditor's conclusion that "the Act did not discourage owners from basing businesses in the District or encourage owners to move their businesses from the District."²² Some went so far as to claim that the law "had no negative effect on businesses" whatsoever.²³ A close reading of the study indicates that the data only supports a much narrower conclusion.

The portion of the auditor's report examining the impact on businesses was based on a three-question survey sent to 800 D.C. employers. The response rate is not provided and the auditor does not note whether the surveyed businesses constituted a randomized sampling.

Question One:

Would the requirement to provide paid sick leave benefits cause you to move your business from the District of Columbia?

Yes: 12.5 percent

No: 87.5 percent

Question Two:

In 2007 did your business provide paid sick leave benefits?

Yes: 50 percent

No: 50 percent

Question Three:

In 2012 did your business provide paid sick leave benefits?

Yes: 68 percent

No: 31 percent

21 Halzack, Sarah. "D.C. paid sick leave law should be audited, advocates say." *The Washington Post*. 23 Sep. 2012. www.washingtonpost.com/business/capitalbusiness/dc-paid-sick-leave-law-should-be-audited-advocates-say/2012/09/23/bca68b7e-fb86-11e1-8adc-499661afe377_story.html

22 Branche, Yolanda. "Audit of the Accrued Sick and Safe Leave Act of 2008." Office of the District of Columbia Auditor. 19 June 2013. dcauditor.org/reports/audit-accrued-sick-and-safe-leave-act-2008

23 Covert, Bryce. "REPORT: DC's Paid Sick Leave Law Had No Negative Effect On Businesses." Think Progress. 20 June 2013. thinkprogress.org/economy/2013/06/20/2187761/dc-paid-sick-leave/#

Mandatory paid sick leave supporters seized on the finding that 87.5 percent of businesses said they would not move out of the District because of the Act and extrapolated it to mean that District businesses were not harmed by the law. There are three problems with this conclusion.

First, the finding that 12.5 percent (more than one in 10) D.C. businesses would be driven out of the District by the paid sick leave law is extraordinary. Businesses and free-market advocates typically point out the economic harm paid sick leave laws may cause. Few opponents of mandatory paid sick leave, however, would go so far as to assert that over a tenth of a city's businesses would leave because of a mandatory paid sick leave law.

Half of district employers voluntarily provided paid sick leave before the law took effect. Presumably, these businesses experienced little to no increase in costs because of the law. Furthermore, 31 percent of employers still did not offer paid sick leave at the end of the survey period and also would have experienced little to no increase in costs. Consequently, the only businesses newly affected by the paid sick leave requirement were the 18 percent that began offering paid sick leave for the first time between 2008 and 2012.

If only 18 percent of surveyed employers were affected by the law, and 12.5 percent of employers said the law could cause them to move, then most of the newly affected businesses expressed a willingness to potentially cease their operations in the District because of the mandate.

Second, while the previous finding is startling enough, it must also be noted that the auditor's survey was conducted several years after D.C.'s law was enacted in 2008. Consequently, any businesses that closed or left the District in the years between the law's enactment and the auditor's report would not have participated in the survey. In other words, the one in 10 finding most likely understates the true impact of the District's mandatory paid sick leave policy.

Third, the report did not take into account the full range of business responses to the law, like raising prices, decreasing employment or limiting other employee benefits. Even if most businesses would not go so far as to leave the District entirely, the auditor's report does not support that the conclusion that remaining businesses were unaffected by the mandate.

Fourth, the city council has both expanded the scope of the Act and increased enforcement measures since the auditor's survey, meaning that more District businesses will likely come into compliance and the burden on existing businesses will increase. Both factors will magnify and expand the consequences of the original 2008 law.



- Furthermore, the auditor noted that, while the Act directed the Mayor to develop hardship exemption rules for businesses particularly burdened by the mandate, the proposed exemptions were never approved by the council.

One potential beneficiary of a hardship exemption referenced in the audit was the Alliance for Construction Excellence (ACE), which claimed the Act “created an administrative hardship” due to the difficulty in tracking mobile employee hours as they worked in and around the D.C. metropolitan area.

However, “in the absence of finalized Accrued Sick and Safe Leave hardship exemption rules,” noted the auditor, “there is no process for ACE or any other entity to seek an exemption from the requirements of the Act.”

The auditor’s claim in the report is a narrow one: most businesses did not leave the District because of the new law. While technically accurate, it obscures the fact that, far from having no harmful impact on businesses, D.C.’s mandatory paid sick leave law appears to have had noticeably negative consequences for newly affected businesses in the District.

CONNECTICUT

Date Implemented: January 1, 2012



OVERVIEW

- Employers with 50 workers or more must provide each service worker with one hour of paid sick leave for every 40 hours worked, up to five days per year.
- Both full-time and part-time workers are covered, though employees must work at least 680 hours before being eligible to use accrued leave.
- Part-time employees must work at least an average of 10 hours per week each calendar quarter in order to be able to use accrued leave.
- Up to 40 hours of unused leave may be carried over from one year to the next.
- Certain manufacturing employers and nonprofits are exempt.
- Connecticut's law does not place any specific record-keeping requirements on covered businesses.²⁴

THE CENTER FOR ECONOMIC AND POLICY RESEARCH STUDY

Connecticut is currently the only state to require employers to provide paid sick leave. Early in 2014, the Center for Economic and Policy Research (CEPR), a left-leaning D.C. think-tank, released the results of a randomized survey of 251 Connecticut employers on the state's paid sick leave law.

CEPR's research came out in two stages. In January, CEPR released the results of its survey in an informal blog post and PowerPoint presentation.²⁵ Two months later, CEPR released its formal report.²⁶



24 DeVine, Jennifer and Heidi Lane. "An Overview of the Paid Sick Leave Law." Connecticut Department of Labor, Office of Program Policy. Jan. 2012. www.ctdol.state.ct.us/wgwkstnd/12-15%20PSLfinal2011.pdf

25 Kroeger, Teresa. "Is Paid Sick Leave Good for Business?" Center for Economic and Policy Research. 6 Jan. 2014. www.cepr.net/index.php/blogs/cepr-blog/is-paid-sick-leave-good-for-business

26 Appelbaum, Eileen, Ruth Milkman, Luke Elliott, and Teresa Kroeger. "Good for Business? Connecticut's Paid Sick Leave Law." Center for Economic and Policy Research. March 2014. www.cepr.net/documents/good-for-buisness-2014-02-21.pdf



- The AFL-CIO claimed that the results of CEPR's study show that the law did not harm businesses and "pretty soundly reject the conservative arguments against paid sick leave."²⁷ In reality, CEPR's study confirms many of the concerns expressed about mandatory paid sick leave prior to the law's passage.

Of the employers surveyed, the vast majority (88.5 percent) already offered at least five days of paid sick leave per year to some or all employees before the Connecticut law was passed. Two years after the law's implementation, the percentage had increased by 5.2 points to 93.7 percent. In addition to the businesses that began offering paid sick leave for the first time, Connecticut's law required an unspecified number of businesses to expand their paid sick leave policies to include part-time workers.

The fact that so many employers voluntarily offered paid sick leave could undermine the case for needing to make such leave a mandatory benefit. Supporters of Connecticut's law cited the high percentage of employers voluntarily providing paid sick leave to support their contention that the law would not negatively affect the state's economy.

In 2011, the left-leaning Economic Policy Institute argued:

“Debate about the full impact of the legislation on the Connecticut economy as a whole must consider that the majority of employees in the state already receive sick leave benefits that comply with the measure. For the employers of workers who already receive paid sick days, there would be no cost increase at all.”²⁸

Presumably, the 5.2 percent of surveyed businesses offering paid sick leave for the first time would be most likely to be burdened by the requirement, followed by those employers expanding their existing paid sick leave policies. As CEPR's informal report notes, employers voluntarily providing paid sick leave prior to the 2011 mandate had to make “minimal or no adjustments” in response to the law.

But CEPR's survey indicates that many businesses faced increases in their costs, even though many already offered paid sick leave before the law's passage. Of the employers surveyed:

- 19.1 percent reported an operating cost increase of less than two percent due to the law,
- 11.2 percent reported an increase of two percent,
- 4.5 percent reported an increase of between three and four percent,
- 6.5 percent reported an increase of five percent or more,
- 11.9 percent reported an unknown increase in costs, and
- 46.8 percent reported no increase in their operating costs.

27 Quinnell, Kenneth. “Oops, So Much for the Right-Wing Arguments Against Paid Sick Leave.” AFL-CIO. 7 Jan. 2014. www.aflcio.org/Blog/In-The-States/Oops-So-Much-for-the-Right-Wing-Arguments-Against-Paid-Sick-Leave

28 Gould, Elise, and Doug Hall. “Paid Sick Days: Measuring the small costs for Connecticut businesses.” Economic Policy Institute. 31 March 2011. www.epi.org/publication/pm177/

Overall, 53.2 percent of employers reported a cost increase, and the percentage reporting the largest increase in costs (6.5%) closely corresponds to the percentage of businesses offering paid sick leave for the first time (5.2%). The other businesses reporting cost increases likely had to restructure existing leave policies in order to comply with the new law, or they were simply misattributing the cost increases to the sick leave law.

The fact that so many businesses voluntarily offered paid sick leave allows CEPR to claim that a large majority was relatively unaffected by and supportive of the mandatory paid sick leave law, but it obscures the more significant challenges faced by newly-covered businesses. Nearly all of the study's findings are distorted by the inclusion of so many businesses which voluntarily provided sick leave.

One-third of surveyed businesses reported an increase in unscheduled absences, 10.6 percent reduced employee hours and 15.5 percent increased prices. In each case, presumably most or all of the newly covered businesses, and some of the employers previously providing leave, were adversely impacted.

Similarly, CEPR's finding that 76.5 percent of surveyed employers were either "very supportive" or "somewhat supportive" of Connecticut's law is unsurprising, given that almost nine out of 10 voluntarily offered paid sick leave.

Still, CEPR claims employers did report some benefits. Most notably:

- 3.3 percent reported decreased employee turnover;
- 18.8 percent reported a decrease in the number of employees coming to work sick; and
- 14.8 percent reported a reduced spread of illness.

While no real decrease in turnover should be expected from a universal mandatory paid sick leave law, the slight decrease in turnover in this case may not be unreasonable. In order for an employer to decrease turnover by providing paid sick leave, there must be other businesses not providing the benefit that look less attractive to workers by comparison. As the CEPR report notes, the coverage of Connecticut's law "is limited, affecting only establishments with 50 or more workers and excluding manufacturing businesses as well as nationally chartered non-profit organizations," meaning some employers still will not offer paid sick leave. The reported decrease in turnover, however, is quite small.

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- Furthermore, CEPR's survey is also the only one to find a significant decrease in presenteeism following a mandatory paid sick leave law. Each of the other three studies that address the question have found that mandatory paid sick leave failed to noticeably decrease the frequency of employees coming to work sick.²⁹

CEPR's construction of the survey question about the benefits of the law for employers could explain the difference in results. The other surveys asked employers whether presenteeism (1) got better, (2) stayed the same or (3) got worse. When employers were given this range of options, roughly equal minorities said presenteeism worsened and improved, while the vast majority reported no change.

Instead of giving employers a range of possible responses, the CEPR survey asked respondents a series of "yes" or "no" questions:

Has the paid sick leave law had any of the following effects on your organization?

- a. Has it reduced employee turnover?*
- b. Reduced the number of employees who come to work sick*
- c. Reduced the spread of cold or flu-like symptoms in the workplace*
- d. Improved employee productivity?*
- e. Increased unscheduled employee absences?*
- f. Improved employee morale?³⁰*

Had they been given the option, some employers may have responded, as did some in San Francisco and Seattle, that the sick leave law had worsened presenteeism in their workplace. Furthermore, some employers in the CEPR survey who responded that the law had decreased the number of employees coming to work sick may have indicated that there was essentially no change, if given the option. Without knowing how many employers would have reported worsened presenteeism or no change at all, CEPR's finding that 18.8 percent of employers reported decreased presenteeism is of little use. The one-sided questions taint each of the claims made by CEPR about the alleged benefits of Connecticut's law.

29 Both the IWPR study of San Francisco's PSLO and the second U.W. study of Seattle's PSST found that employers were just as likely to report increases in presenteeism as decreases. The Colla study of San Francisco's ordinance found that employers offering paid sick leave for the first time were more likely to report decreases in presenteeism than employers that had already been offering paid sick leave, but the difference was not statistically significant and the structure of the survey question may have affected the results.

30 Question B26. The full text of CEPR's survey questions is available online here:
www.myfreedomfoundation.com/sites/default/files/CEPR%20PSD%20Survey%20Questions.pdf

Lastly, CEPR's report exhibits a distinct lack of concern for businesses attempting to adjust to the new law. For instance, the text of the survey question about increased payroll costs informed survey-takers that their "payroll costs could increase by a maximum of 2 percent." Apparently a number of businesses disagreed, since 10 percent of businesses reported a payroll increase of greater than 3 percent because of the new mandate. Furthermore, in the informal report, CEPR dismisses employers' concerns about the law as simply "anti-regulation rants."

Far from definitively settling the debate over paid sick leave, CEPR's survey confirmed that mandatory paid sick leave laws come with certain trade-offs. While most businesses may be only minimally affected by such laws, it is only because so many businesses voluntarily provide paid sick leave benefits to their employees. But mandatory leave laws have definite consequences and few benefits for businesses not voluntarily providing leave, which are most likely smaller firms.³¹ Connecticut's law failed to generate "substantial savings to employers by reducing turnover" as proponents predicted, but it did succeed in increasing employers' costs and decreasing employees' hours at affected businesses.³²

THE EMPLOYMENT POLICIES INSTITUTE STUDY

In the year following passage of Connecticut's sick leave mandate, the right-leaning Employment Policies Institute (EPI) conducted a survey involving 156 Connecticut employers about the effect of the law on their businesses.³³

The study comes with several caveats. First, EPI notes that "the response rates for the survey were low – roughly 20 percent." Second, instead of using a random sampling like the CEPR study, EPI worked with the Connecticut Business and Industry Association and the Connecticut Restaurant Association to identify and survey businesses most likely to be affected by the mandate. Consequently, EPI notes that its study "makes no claim of being representative of the broader Connecticut business population." Still, the survey provides a more detailed look at the consequences of mandatory paid sick leave for the businesses most likely to be affected.

Of the 156 businesses responding to the survey, 149 had heard of Connecticut's law. Of these 149, 86 had begun to offer sick leave policies to comply with the mandate. As the study notes, however:

“Not providing sick leave does not necessarily mean that the business was not in compliance with the law. The law applies to a very specific set of occupations, so not all businesses that received the survey were covered by its provisions. Other businesses already provided the benefit to their employees.”



➤ As with the CEPR study, the results should be interpreted with the understanding that 55.1 percent of responding businesses were affected by the mandate. When the 86 businesses offering paid sick leave for the first time were asked whether they thought the law was good for their business:

- 68.7 percent of the responding employers said it was not good for business;
- 22.9 percent believed that it was; and,
- 8.4 percent were unsure.

EPI asked employers two sets of detailed questions about how they had responded to the state mandate and how they anticipated they would have to adjust in the future. Of the 86 businesses affected by the mandate:

- 44.2 percent reduced vacation leave, required employees to pay more for health insurance, or reduced other benefits;
- 27.9 percent laid off workers, reduced wages or reduced employee hours;
- 24.4 percent restricted expansion in Connecticut or expanded elsewhere instead;
- 22.1 percent increased prices;
- 7.0 percent took other actions like converting part-time positions to full-time, replacing workers with temporary employees or reducing operating hours; and,
- 53.4 percent took none of these actions.

Employers were asked about the likelihood of taking such steps in the future. Businesses were reportedly about twice as likely to take mitigating action in the future as they were to have already taken such action. Empirically, however, responses about how an employer may or may not respond in the future are of little weight.

Lastly, of the 156 businesses responding to the survey, few reported that workplace illness was a significant problem:

- 85.6 percent reported that workplace illness was “not at all serious”;
- 9.0 percent reported that it was “somewhat serious”; and,
- 1.9 percent said it was “serious.”
- 2.6 percent did not respond.

Overall, although EPI’s survey is limited in scope, it indicates that mandatory paid sick leave policies can produce appreciable negative consequences for businesses forced to provide sick leave benefits for the first time.

31 (Page 26 top) Both the IWPR study and the UW baseline survey found that, the more workers a business employed, the more likely it was to provide paid sick leave.

32 (Page 26 top) Miller, Kevin and Claudia Williams. “Valuing Good Health in Connecticut: The Costs and Benefits of Paid Sick Days.” Institute for Women’s Policy Research. Apr. 2010. www.iwpr.org/publications/pubs/valuing-good-health-in-connecticut-the-costs-and-benefits-of-paid-sick-days

33 (Page 26 middle) Saltsman, Michael. “Paid Sick Leave in Connecticut: A Pilot Study of Businesses’ Responses to the Law.” Employment Policies Institute. Feb. 2013. www.epionline.org/studies/2013_EPI_PaidSickLeaveInConnv4.pdf



OVERVIEW

Seattle's paid sick and safe time (PSST) ordinance divides employers into three tiers.

- Tier One employers with between five and 49 full-time equivalents (FTEs) must offer one hour of PSST for every 40 hours worked. Up to 40 hours may carry over from a previous year.
- Tier Two employers with between 50 and 249 FTEs must offer one hour of PSST for every 40 hours worked. Up to 56 hours may carry over from a previous year.
- Tier Three employers with 250 or more FTEs must offer one hour of PSST for every 30 hours worked. Up to 72 hours may carry over from a previous year.
- Tiers are determined by the total number of the company's employees, not the number of employees working in Seattle.
- Employees may begin to use accrued PSST after 180 days of employment.
- The ordinance covers workers who telecommute in Seattle, as well as workers who stop within Seattle city limits as part of their job.
- Paid sick leave benefits may be waived in a collective bargaining agreement between an employer and a union.
- Employers must keep records of employee hours worked, sick leave accrued and sick leave taken for up to two years.³⁴

³⁴ Seattle Office for Civil Rights. "Seattle Paid Sick and Safe Time Ordinance." Accessed 31 March 2014.
www.seattle.gov/civilrights/spssto.htm



THE FIRST CITY AUDITOR SURVEY

As directed by the ordinance, the Seattle City Auditor commissioned a series of reports examining the effects and implementation of the PSST law in the city. The first report was released in July 2013.

The auditor contracted with the University of Washington (UW), which surveyed a random sampling of 551 Seattle businesses covered by the ordinance about the state of their paid sick leave policies prior to the implementation of the ordinance.³⁵ The survey produced several noteworthy findings which undermine common arguments in favor of mandatory paid sick leave.

First, most of the establishments covered by the law are small, locally owned businesses, not large corporations. Of the businesses surveyed, almost two-thirds are locally owned and almost 70 percent employ fewer than 50 workers.

Second, many employers already voluntarily offered paid sick leave or equivalent paid time off to their employees before the ordinance was enacted. Overall, 72.9 percent of businesses provided paid sick leave to full-time employees and 34.6 percent of employers provided leave to part-time workers.

Third, most businesses reported that employees did not typically work while sick. Almost 80 percent of employers reported that sick employees most frequently stay home. Only 5.9 percent of surveyed businesses reported that sick workers most frequently work anyway.

Fourth, and most interesting, the survey found that employers voluntarily offering paid sick leave were more likely to report employees working sick than establishments that did not offer such leave. The report noted:

“Overall, employers who offer paid sick leave are more likely to report that their employees come to work while sick. Of employers that offer paid sick leave, 44 percent report that employees come to work while sick, whereas only 31.3 percent of employers who do not offer paid sick leave report working while sick. This seemingly contradicts the intent of the ordinance.”

³⁵ Romich, Jennifer, Cori Mar, and Chiho Song. “City of Seattle Paid Sick and Safe Time Ordinance Evaluation Project Findings from the Initial Employer Survey.” City of Seattle, Office of City Auditor. 8 July 2013.
www.seattle.gov/Documents/Departments/CityAuditor/auditreports/SickSafeLeaveBaselineReport070213.pdf

The UW report does not attempt to explain the counterintuitive result. One possible explanation, however, is that workers with paid sick leave use it for other purposes, leaving them with no option but to go to work when genuinely sick. While difficult to prove with certainty, the explanation is within the realm of possibility. In one survey, more than half of U.S. workers reported having called in sick when they were not actually ill.³⁶ Regardless of the cause, the finding indicates that offering paid sick leave may not decrease workplace illness or improve public health as intended.

Finally, the UW report indicated that the ordinance received little support from Seattle businesses. While not a scientific sampling, almost 200 employers voluntarily included comments about the ordinance with their survey. The researchers noted that “the preponderance of substantive comments expressed opinions about the ordinance,” and these “ran 8:1 in opposition.”

One employer explained:

“*As a small young business, we already do our best to create a fair and living wage employment. However, there is high turnover in our field, and we generally start benefits after 1 year of employment. We cannot afford to pay new employee’s sick leave, though we can unpaid at first [sic]. Though I agree with worker’s rights enhancements, I believe this will hurt small businesses like FIRM NAME REDACTED and discourage our employees from staying with us for long-term employment.*”

Another business owner put it bluntly:

“*Liberal as I am and as much as I try to be an ‘enlightened’ employer, this city ordinance is the dumbest, most unrealistic law I’ve ever encountered in my 35 years of owning a ‘closely held’ company.*”



36 Souza, Laura. “Kronos Global Absence Survey Shows Employees around the World Playing Hooky with China Leading the Pack.” Kronos. 31 Aug. 2011. www.kronos.com/pr/kronos-global-absence-survey-shows-employees-around-the-world-playing-hooky-with-china-leading-the-pack.aspx



- In addition to the initial survey, the auditor conducted follow-up interviews with 24 Seattle employers in the months following the implementation of the ordinance.³⁷ More than half of the employers complying with the ordinance had faced administrative difficulties and expenses due to the law's record-keeping requirements. The report explained:

“All complying employers reported needing at least some additional owner or staff time to initially put systems in place. Four employers mentioned that they were concerned about the cost of administering the policy on an ongoing basis, namely through the additional staff time needed to educate employees and track hours. One employer also mentioned that the business had to upgrade its payroll system to be able to track the PSST for their different categories of employees. Three business owners mentioned costs associated with the payroll company that they use.”

Despite the breadth of the study and the significance of its findings, the UW report has received relatively little attention in the debate over mandatory paid sick leave in Washington State.

³⁷ Romich, Jennifer and Jennifer Morton. “Initial Findings From Employer Interviews.” University of Washington. 20 Sep. 2013. www.seattle.gov/Documents/Departments/CityAuditor/auditreports/PSSTEmployerInterviewReportFinal091913.pdf

THE SECOND CITY AUDITOR SURVEY

In April 2014, the Seattle City Auditor’s office released the results of a second survey of Seattle businesses conducted by UW researchers a year after the implementation of the ordinance.³⁸

The second survey followed up with the employers from the original survey. Of the original 551 participants, 345 responded and still fell under the requirements of the ordinance.

In their summary of the survey’s findings, the authors made the following statements:

- “Costs to employers and impact on businesses have been modest and smaller than anticipated.”
- “Many employers support the Ordinance.”
- “Workers view the Ordinance as helpful.”

Some supporters of the ordinance quickly seized on the summary of the results and proclaimed the ordinance a success.³⁹ Examining only the authors’ broad observations is quite misleading, however. A deeper look at the data collected by the survey not only shows that support for the PSST ordinance is overstated, but that the law has failed to achieve its primary goal of reducing illness in the workplace.

A proper understanding the impact of the ordinance requires a proper understanding of how businesses changed their operations in response to the new law. The initial survey found that 67 percent of Seattle employers were offering paid sick leave both their full-time and part-time employees before the ordinance took effect. One year after the law’s implementation, the follow-up survey determined that 76 percent of employers were providing such leave. The second survey also found that, while about 11 percent of employers stopped offering sick leave between the surveys, approximately 22 percent began offering leave for the first time.

In addition to those employers providing leave for the first time, some businesses had to modify existing leave policies to comply with the ordinance, but most employers were unaffected. All told, only 37 percent of surveyed employers reported changing their policies in response to the PSST ordinance.

Since so many employers already offered paid sick leave, it is unsurprising that a majority of surveyed businesses expressed some level of support for the law. While 67 percent of Seattle businesses voluntarily provided sick leave benefits before the ordinance, the second survey found that 70 percent were either “somewhat” or “very supportive” of the ordinance. The remaining 30 percent were either “not too supportive” or “not supportive at all” of the law.



38 Romich, Jennifer, Wes Bignell, Tracy Tracy Brazg, Chantel Johnson, Cori Mar, Jennifer Morton, and Chiho Song. “Implementation and Early Outcomes of the City of Seattle Paid Sick and Safe Time Ordinance.” University of Washington. 23 Apr. 2014. www.seattle.gov/Documents/Departments/CityAuditor/auditreports/PSSTOUWReportwAppendices.pdf

39 Herz, Ansel. “Contrary to Dire Business Predictions, Paid Sick Leave Is Great for Seattle.” *The Stranger*. Apr. 24, 2014. slog.thestranger.com/slog/archives/2014/04/24/contrary-to-dire-business-predictions-paid-sick-leave-is-great-for-seattle



- Presumably, the unsupportive employers were the ones forced to offer new or modified sick leave benefits. For instance, the report notes that “the accommodation and food services industry made the largest gains in [paid sick leave] coverage” in response to the ordinance. Employers in this industry were also “less likely to be supportive” of the law than employers in other industries.

CONSEQUENCES FOR BUSINESSES

Since, as the study’s authors note, “employers who offered paid leave to many or all of their employees before the ordinance saw little or no change” in their operations, any benefits or consequences of the ordinance should occur among the minority of surveyed employers that had to change their operations as a result of the law.

Many of the employers impacted by the law reported difficulties implementing the necessary changes and took steps to cut employee benefits and raise prices to cover their increased costs.

Difficulty of Implementation:

- 31.5 percent of all surveyed employers reported it was either “somewhat difficult” or “very difficult” to keep records to administratively comply with the PSST ordinance.
- 28.9 percent reported that it was either “somewhat difficult” or “very difficult” to understand the law’s legal requirements.
- 24.0 percent reported it was either “somewhat difficult” or “very difficult” to work with a payroll vendor to report accrued sick and safe time.

Response to Increased Costs:

- 16.5 percent of all surveyed employers reported decreased profitability.
- 7.1 percent raised prices.
- 5.5 percent decreased employee pay raises or bonuses.
- 4.7 percent decreased employee vacation time.
- 2.3 percent reduced the number of employees in Seattle locations or moved employees outside of Seattle.
- 0.6 percent closed or moved locations outside Seattle.

While the report notes that, “most employers reported none of these changes,” it is important to bear in mind that only 37 percent of employers changed their policies because of the ordinance and only 22 percent of employers began offering paid sick leave for the first time.

Several further caveats are in order. First, many businesses are not yet fully in compliance with the ordinance, meaning they are not yet realizing the full costs of providing the legally mandated paid sick and safe leave. According to the study’s authors, “Only 61% of employers—and only 30% of the largest employers—cover part-time and full-time workers as required and provide enough hours of leave to their full-time workers.” The costs to businesses will continue to rise as more employers come into compliance with the ordinance’s requirements.

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CONSEQUENCES FOR BUSINESSES: CONTINUED

Second, the report does not accurately assess the number of establishments which have gone out of business due to the ordinance. Of the 345 employers surveyed, only two (0.6 percent) reported closing or moving operations out of Seattle, leading the authors to conclude, “there is no evidence that the Ordinance caused employers to go out of business or leave Seattle.” But the survey did not, and could not, measure employers that went out of business because of the ordinance during the first year of its implementation.

During the process of attempting to follow up with the employers from the first survey, the study’s authors note that “15 were determined to have gone out of business.” No further mention of these employers is made. These 15 employers represent 2.7 percent of the 551 businesses from the original survey. If 2.7 percent of employers from the baseline survey closed in the first year following the ordinance, and the same rate applies to all 11,174 Seattle businesses estimated to be covered by the law, then as many as 300 businesses closed in the interim period between the two surveys. Any or all of these could have potentially closed due to the ordinance.

The only effect the survey can measure is whether currently existing employers shut down or moved any of their Seattle-based operations in response to the new requirements. Again, if the 0.6 percent ratio in the survey holds up for all 11,174 covered employers, then the ordinance caused more than 60 businesses to move or shut down locations in Seattle in the year following the ordinance. Given these realities, it is more than a little misleading for the study’s authors to claim that the ordinance did not cause businesses to close.

Overall, while the ordinance did not reverse economic growth in the city, it has had a noticeably negative impact on the minority of businesses that were required to implement changes in response to the law.

BENEFITS FOR BUSINESS?

In addition to the negative consequences of the ordinance for businesses, it is important to also consider any positive outcomes resulting from the new mandates. The Center for American Progress argues that by allowing sick employees to stay home, mandatory paid sick leave laws actually benefit businesses overall, since “sick employees who come to work rather than staying home may infect their coworkers and reduce productivity, damaging businesses’ bottom lines.”⁴⁰

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40 Calderon Machicado, Claudia. “The Business Case for Paid Leave and Paid Sick Days.” Center for American Progress. 17 Apr. 2014. www.americanprogress.org/issues/labor/news/2014/04/17/88243/the-business-case-for-paid-leave-and-paid-sick-days/



- The first auditor's survey found and the second confirmed, however, that employees do not typically come to work sick.

CHART IV

WHAT HAPPENS MOST OFTEN WHEN AN EMPLOYEE IS SICK?

OUTCOME	BASELINE SURVEY	FOLLOW-UP SURVEY
The employee stays home	79.7%	77.1%
The employee comes in anyhow	5.9%	5.1%
The employee gets sent home	2.4%	2.5%
Other	2.6%	4.2%
Don't know	9.3%	11.0%

Notes: The data in this chart is drawn from Table 3 in the first city auditor report and Appendix D, Part 3, No. 10 in the follow-up report.

Furthermore, the follow-up survey found little evidence that the ordinance produced any tangible benefits for employers. While the majority of employers reported no changes in any category, businesses were: (1) more likely to report decreased profitability, customer service, employee honesty and predictability of employee absenteeism; (2) about equal in their reporting of increased and decreased presenteeism and turnover; and (3) more likely to report improved employee morale.

One of the primary ways in which businesses are purported to benefit from mandatory paid sick leave laws is through reductions in turnover, a claim repeated by supporters of Seattle's ordinance.⁴¹

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⁴¹ Watkins, Marilyn. "Evaluating Paid Sick Leave: Social, Economic and Health Implications for Seattle." Economic Opportunity Institute. May 2011. www.eoionline.org/wp/wp-content/uploads/paid-sick-days/evaluating-paid-sick-leave-may11.pdf

BENEFITS FOR BUSINESS?: CONTINUED

No credible study, however, has ever documented noteworthy decreases in turnover because of mandatory paid sick leave laws. The UW study confirmed again that employers should not expect noticeable turnover reductions from a mandate that eliminates the ability of workers to differentiate among prospective employers on the basis of whether they provide paid sick leave.

CHART V

EFFECT OF PSST ORDINANCE ON SEATTLE BUSINESSES

How has complying with the ordinance affected your business'...	MUCH BETTER		BETTER		NO CHANGE		WORSE		MUCH WORSE	
	Raw	Weighted	Raw	Weighted	Raw	Weighted	Raw	Weighted	Raw	Weighted
Customer service	1	0.2%	3	0.7%	233	95.7%	12	2.9%	2	0.5%
Employee morale	1	0.3%	26	7.6%	219	90.2%	7	1.8%	1	0.1%
Employee honesty	0	0.0%	8	3.8%	222	89.9%	19	5.6%	2	0.7%
Employee turnover	0	0.0%	2	1.1%	243	98.3%	3	0.5%	1	0.1%
Number of sick employees on the job	0	0.0%	11	3.5%	232	94.4%	7	1.3%	4	0.8%
Predictability of absenteeism	0	0.0%	1	1.1%	222	91.0%	21	4.5%	10	3.3%
Profitability	0	0.0%	1	0.9%	191	82.6%	47	14.0%	10	2.5%

The most striking finding was that employers reported essentially no change in the number of employees working while sick one year after the ordinance took effect. Advocates typically argue that workers, businesses and public health will all benefit from mandatory paid sick leave laws. But if such mandates fail to reduce the frequency of employees coming to work sick, the promised benefits for business and improvements to public health will fail to materialize. Workers may benefit from being paid to stay home while sick, but many will see reductions in hours, pay or other benefits to compensate.

REGRESSION ANALYSIS

One unique element to the second UW report was its comparison of trends in employment, business growth and wages in Seattle to the nearby cities of Bellevue, Everett and Tacoma (BET).

First, the study noted that:

“In terms of the number of employers, Seattle moved ahead of the comparison cities just before the Ordinance was implemented, and this growth differential continued after the Ordinance took effect... This evidence contradicts fears that the Ordinance may reduce the number of employers in the City. If anything, the Ordinance seems to have had a positive effect on the hiring sector.”

Later in the paper, however, the authors note that the increase in employers “could be due to the Ordinance or other Seattle-specific factors that coincided with the Ordinance taking effect” and admit “it is not clear how the Ordinance would have increased the number of businesses” in the city.

Second, the study determined that, in terms of job growth, “Seattle [was] not significantly different from the BET comparison in the post-Ordinance period, suggesting the Ordinance had no discernible effect on the number of jobs.” Thus, even though Seattle saw businesses opening at a greater rate than BET, job growth remained in line with the comparison cities, perhaps indicating that Seattle establishments were less likely to expand than BET counterparts.

Thirdly, the report found that “total wages appeared to grow more slowly in Seattle than in the comparison cities after the Ordinance took effect,” which “is consistent with the hypothesis that employers reduce (or do not expand) wage compensation to balance out” the cost of providing paid sick leave, though “the effect is not strong statistically and may be due to other factors.”

It is important to also remember that many employers remain out of compliance with the ordinance, meaning the effects of the law should become more pronounced as more employers begin to offer appropriate leave. Furthermore, just because Bellevue, Everett and Tacoma are relatively close to Seattle geographically does not necessarily make them similar enough to compare economically. With a population of 635,000, Seattle has 200,000 more residents than all three comparison cities combined.⁴² Seattle is the regional economic hub by virtue of its size alone.

All told, the results of the regression analysis are not surprising. By virtue of its size and economic significance, Seattle saw more new employers than comparison cities, but its existing employers were more reluctant to expand hiring and increase compensation than their less regulated counterparts.

⁴² The U.S. Census Bureau estimates that in 2012 Seattle’s population totaled 634,535, Tacoma’s totaled 202,010, Bellevue’s totaled 126,439, and Everett’s totaled 104,655. U.S. Census Bureau: State and County QuickFacts. Seattle: quickfacts.census.gov/qfd/states/53/5363000.html. Tacoma: quickfacts.census.gov/qfd/states/53/5370000.html. Bellevue: quickfacts.census.gov/qfd/states/53/5305210.html. Everett: quickfacts.census.gov/qfd/states/53/5322640.html.

THE MAIN STREET ALLIANCE OF WASHINGTON STUDY

The Main Street Alliance of Washington (MSAW) is the state chapter of a national organization of progressive business owners. For the one-year anniversary of Seattle's mandatory paid sick leave ordinance, MSAW released a study examining a handful of economic indicators in Seattle and arguing that the ordinance did not negatively affect businesses.⁴³

A number of local news outlets and progressive think tanks touted the study as proof that opponents were wrong about the Seattle ordinance.⁴⁴ The Seattle Coalition for a Healthy Workforce claimed the study proved “paid sick days are good for workers and good for business.”⁴⁵

However, nothing in the study examined the actual impact of Seattle's ordinance. Instead, the study cited continued economic growth and activity in Seattle as proof that the PSST law did not have a “wide-spread negative economic impact.”

Specifically, the paper noted that:

- “Job growth was stronger in 2013 after the Seattle ordinance went into effect than it was during the first part of 2012.”
- “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.”
- “Between June 2012 and June 2013, the overall rate of inflation fell in the Seattle area from 2.4% to 1.7%.”

None of these points, however, is directly linked to the implementation of the paid sick leave ordinance in Seattle. National and state economic trends have been improving for several years.⁴⁶ Noting that certain aspects of Seattle's economy improved does not mean that the sick leave ordinance was the source of the improvement. The real question is: how well would Seattle's economy be doing if the law had not been passed?

The best that can be said of the impact of Seattle's law based on the MSAW study is that any negative impact on business was not sufficient to halt or reverse positive economic trends already underway.

In some respects, the study's authors acknowledge its limitations, noting there is “very little city-specific data to analyze yet,” and that “any suggestions of economic impacts” from the ordinance should be considered “extremely preliminary.” Nevertheless, many commentators citing the study commit a classic logical fallacy by assuming, since Seattle's economy grew after the ordinance was passed, the ordinance was what caused the growth.⁴⁷

Unfortunately, the weak data in the MSAW paper contributes effectively nothing to the debate about mandatory paid sick leave laws.

Footnotes available on page 39 >



THE EMPLOYMENT POLICIES INSTITUTE SURVEY

Released just prior to the one-year anniversary of the implementation of Seattle’s PSST ordinance, a survey conducted by the Employment Policies Institute (EPI) provided yet another look at the effect of Seattle’s policy on businesses.⁴⁸

EPI conducted a non-random survey of 301 service industry employers in Seattle, 191 of which had begun offering paid sick leave in order to comply with the ordinance. According to the EPI survey, the affected businesses took a variety of steps to mitigate the increase in costs caused by the ordinance:

- 18.3 percent of employers reduced hours and staff;
- 17.3 percent either cut back on employee benefits or increase their cost; and,
- 15.7 percent of businesses increased prices in response to the law.

Overall, 19.4 percent of surveyed businesses took one or more of these cost-cutting measures. Additionally, about 83 percent thought workplace illness “was not serious at all,” while nearly 10 percent responded that workplace illness was “serious.”

Lastly, EPI also asked employers about the anticipated effect of the law on their cost of business. A majority predicted the PSST ordinance would increase their costs by varying degrees though, since expectations alone are not always a meaningful measure of actual impact, these results should not be taken as authoritative.

Like EPI’s survey of Connecticut employers, the Seattle survey was limited in scope and the findings are preliminary, with the report acknowledging that “more time is needed before a final verdict can be rendered on its effect on the business community.” The focus on businesses directly affected by the ordinance, however, indicates that mandatory paid sick leave laws do produce noticeably negative consequences for firms newly required to provide paid sick leave.

43 (Page 38) The 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.” Sep. 2013. washington.mainstreetalliance.org/files/2013/09/PSD-1-Year-Report-Final.pdf

44 (Page 38) Humphreys, Maggie. “Paid Sick Days report makes local headlines: ‘Everyone wants to operate in a community where people are thriving.’” Economic Opportunity Institute. 11 Sep. 2013. www.eoionline.org/blog/business-owners-for-paid-sick-days-everyone-wants-to-operate-in-a-community-where-people-are-thriving/

45 (Page 38) Seattle Coalition for a Healthy Workforce. “One year after Seattle’s Paid Sick Days law, business formation and job growth remain strong.” 10 Sep. 2013. seattlehealthyworkforce.org/2013/09/10/one-year-after-seattles-paid-sick-days-law-business-formation-and-job-growth-remain-strong/

46 (Page 38) U.S. Department of Commerce, Bureau of Economic Analysis. “Widespread Economic Growth in 2012.” 6 June 2013. www.bea.gov/newsreleases/regional/gdp_state/2013/gsp0613.htm

47 (Page 38) “Post hoc, ergo propter hoc,” Latin for, “after x, therefore because of x.” Observers making this fallacy falsely assume that simply because one phenomenon occurred after another, the second occurred because of the first, and ignore the possibility that other factors caused the second phenomenon.

48 Saltzman, Michael. “Paid Sick Leave in Seattle: Examining the Impact on the Service Industry.” Employment Policies Institute. 14 Aug. 2013. www.epionline.org/wp-content/uploads/2013/08/130801_EPI_PolicyBrief_final1.pdf

COLLECTIVE BARGAINING WAIVERS

Several cities — including Seattle, San Francisco and the District of Columbia—include collective bargaining waivers in their ordinances. While individuals are explicitly forbidden from waiving their right to paid sick and safe leave, unions are allowed to do so on behalf of their members. Seattle’s ordinance, for example, states:

“ *The provisions of this chapter shall not apply to any employees covered by a bona fide collective bargaining agreement to the extent that such requirements are expressly waived in the collective bargaining agreement in clear and unambiguous terms.* ”⁴⁹

A Seattle City Auditor memo about the use of the collective bargaining waiver indicates that unions take advantage of the waivers on a regular basis. The Auditor’s Office contacted 69 unions it believed represented Seattle workers covered by the ordinance. Of these, 13 did not actually represent any covered workers. Of the remaining 56 unions, 37 reported waiving the paid sick leave benefits in some or all of their contracts.⁵⁰

A study of San Francisco’s PSLO noted that, although union and non-union employers offered paid sick leave at similar rates before the passage of the ordinance, two years after its passage “nonunionized firms were significantly more likely to offer sick leave” than union firms, implying that many San Francisco unions took advantage of the ordinance’s waiver provision.⁵¹

The union waiver is somewhat ironic, given that labor unions are typically key backers of mandatory paid sick leave laws. SEIU Local 1199NW, for instance, has publicly supported mandatory paid sick leave⁵² and contributed \$10,000 to pass a 2013 initiative in SeaTac, Wash., establishing mandatory paid sick leave benefits.⁵³ But SEIU 1199NW’s 2012-15 contract with the University of Washington waives these rights for represented workers.⁵⁴

Similar collective bargaining waivers are increasingly common in local minimum wage and employment standards laws around the country.⁵⁵ Unions support the waivers because they “[provide] an incentive for employers to collectively bargain with their employees.”⁵⁶ The waivers give unions the ability to approach non-union employers and offer to waive the sick leave or minimum wage requirements in collective bargaining if the employer assists the union in organizing employees.⁵⁷ If the employer refuses, they must fully comply with the requirements of the law, which makes unionization a more attractive alternative.

PAGE 40 - COLLECTIVE BARGAINING WAIVERS

FOOTNOTES

- 49 Seattle Municipal Code 14.16.120.
www.seattle.gov/civilrights/documents/SeattlePaidSickSafeTimeOrdinancefulltext.pdf
- 50 Jones, David. "Memorandum re: Union Waivers of Seattle's Paid Sick and Safe Time Regulations."
City of Seattle, Office of City Auditor. 28 May 2014. www.seattle.gov/Documents/Departments/CityAuditor/auditreports/UnionWaiversFinalReport.pdf
- 51 Colla, et al.
- 52 Riesen, Linnae. "Vote YES for SeaTac and Prop 1!" SEIU Healthcare 1199NW. 30 Oct. 2013.
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- 53 According to Washington State Public Disclosure Commission campaign finance records.
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- 54 "Agreement Between SEIU Healthcare 1199NW and UW Medicine/Northwest Hospital & Medical Center."
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- 55 Nelsen, Maxford. "The 'Living Wage' Strategy for Unions." *Labor Watch*, Capital Research Center. Feb. 2014.
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- 57 Rodriguez, Aaron. "Milwaukee County living wage law a boon to unions." *Milwaukee Journal Sentinel*. 11 Feb. 2014. www.jsonline.com/blogs/purple-wisconsin/245098591.html

CONCLUSION:

If intentions equaled results, then mandatory paid sick leave laws should proliferate across the country. Unfortunately, crafting productive public policy is more complicated than having the right goals. Mandatory paid sick leave policies are no exception. While promoters of paid sick leave mandates assure policymakers, business owners and the public that forcing firms to provide mandatory paid leave is not only cost-free, but universally beneficial, the research they frequently rely on says just the opposite. Reaching accurate conclusions about the effect of such policies requires digging deeper than executive summaries and the simplified slogans of labor activists.

Most employers provide their employees with paid sick leave voluntarily and are not likely to oppose a mandate that places additional costs on their competitors. The businesses actually affected by sick leave mandates, however, experience moderate negative consequences as they seek to comply. Consumers are hit with higher prices. Employees are likely to see reductions in pay, hours or other benefits. And, despite these measures, some businesses will still face reduced profitability. While they may not be as onerous for businesses as other employment regulations, neither is the effect of paid sick leave regulations on affected employers inconsequential.

At the same time, the promised benefits of mandatory sick leave laws fail to materialize. Turnover remains unaffected and the alleged savings for employers are illusory. If all employers are required to offer paid sick leave benefits, then it is effectively nullified as a factor in employees' decisions about where to work.

Even if advocates of mandatory paid sick leave are correct that workplace illness is a serious public health risk, establishing that a problem exists does not mean a particular policy will solve it. Critically, no evidence indicates that paid sick leave regulations noticeably reduce presenteeism. If the policy fails to achieve a reduction in the frequency of employees coming to work while sick, then all of the public health justifications offered by labor activists, however persuasive, are invalid.

A proper understanding of the research on mandatory paid sick leave policies—from both supporters and opponents—provides policymakers with strong reasons to approach such requirements with a healthy dose of caution and skepticism.

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