

TO: Senate Workforce and House Business and Labor Committees
FROM: Mary C. King, Professor Emerita, Economics Dept., PSU and Co-Signatories
DATE: February 16, 2015
RE: Economists Support Paid Sick Days for all Employees in Oregon

Despite the strong and growing economic, business and public health evidence that we're all better off when every employee has access to paid sick days, the U.S. alone among developed countries doesn't require them for all employees. The result is that 39% of private sector workers nationally lack even one paid sick day, including 47% of adult, private sector employees working in the state of Oregon between 2011 and 2013.¹

Employees--fearful of losing their jobs or a day's pay--come to work sick, are less productive at work, expose co-workers and customers to illness, may send sick children to school who perform poorly and spread disease, fail to obtain timely and relatively inexpensive medical care for themselves and their children, and ultimately generate unnecessarily high rates of employee turnover and unemployment.

Around the U.S., cities and states have been stepping in to fill the policy vacuum left by the federal government, and in so doing improving their local economies and communities. We are writing as economists to urge the state of Oregon to join them by requiring that all workers in Oregon can earn sick time while working.

It's important that public policy be based on an informed assessment of the evidence, rather than unsupported alarmist speculation. Research based on the experience of the cities and states that have passed legislation requiring that paid sick days be available for all employees clearly shows that:

- 1. The costs of extending paid sick days to employees previously without them are quite small, and much less than business lobbyists have forecasted**, particularly because employees use much less paid sick leave than they have available;
- 2. The minor direct costs to employers are outweighed by the decrease in business costs resulting from reduced employee turnover, less contagion in the labor force and increased productivity;**
- 3. Business cost projections generally don't reflect the considerable reduction in health care costs**, as the spread of disease in workplaces and schools is slowed and employees are able to obtain timely, relatively inexpensive medical care; and

¹Bureau of Labor Statistics, "Employee Benefits in the United States – March 2014" (Washington, D.C.: U.S. Department of Labor, 2014), available at <http://www.bls.gov/news.release/ebs2.nr0.htm>; "Access to Paid Sick Days in Oregon." Institute for Women's Policy Research Briefing Paper, IWPR #B346, January 2015.

4. Discussions of employer cost overlook substantial costs currently being borne by the community in the absence of paid sick days, as a result of job loss and unemployment caused by illness and outdated employment practices that do not fit the needs of working families.

1. Employer Costs are Much Smaller than Imagined by Business Lobbyists.

Business lobbyists opposing similar legislation elsewhere have imagined that this policy would be far more expensive for businesses to implement than has proved to be the case.

Research shows that even if employees took all five paid sick days now mandated in Connecticut, the cost to employers would be only 0.4% of sales revenue. But employees are taking less only 2.4 sick days a year, at a cost of less than 0.2% of sales.²

In San Francisco, which has required at least five days of paid sick leave for all workers since January 2007, employees are taking three sick days a year on average. Six of seven employers stated that they experienced no negative impact on their profitability as a result of extending paid sick leave to the 17% of San Francisco's workforce previously without it. In fact, two-thirds of employers interviewed stated that they were supportive of the new policy and one-third that they were "very supportive."³

Indeed, far from proving a drag on San Francisco's economy and employment, San Francisco's economy grew faster than surrounding cities after the Paid Sick Leave Ordinance was passed.⁴ PriceWaterhouseCoopers ranked San Francisco as the third best city in the world for business and innovation in 2011.⁵ And the Golden Gate Restaurant Association has called the city's sick leave policy "the best public policy for the least cost."⁶

² Douglas and Elise Gould Hall, "Paid Sick Days: Measuring the Small Costs for Connecticut Business" (Washington, D.C.: Economic Policy Institute, 2011), available at <http://www.epi.org/page/-/pdf/pm177.pdf?nodn=1>.

³ Robert Drago and Vicky Lovell, "San Francisco's Paid Sick Leave Ordinance: Outcomes for Employers and Employees" (Washington, D.C.: Institute for Women's Policy Research, 2011).

⁴ Kevin Miller and Sarah Towne, "San Francisco Employment Growth Remains Stronger with Paid Sick Days Law than Surrounding Counties" (Washington, D.C.: Economic Policy Institute, 2011).

⁵ Robert Drago and Vicky Lovell, "San Francisco's Paid Sick Leave Ordinance: Outcomes for Employers and Employees" (Washington, D.C.: Institute for Women's Policy Research, 2011).

⁶ James Warren. "Cough if You Need Sick Leave." (New York: Bloomberg, 2010), available at http://www.businessweek.com/magazine/content/10_24/b4182033783036.htm.

2. Employer Costs are far Outweighed by Reductions in Other Business Costs.

The evidence from the state of Connecticut shows that implementing paid sick days reduces employee turnover and the associated costs of advertising, recruitment, training and lower productivity associated with replacing employees.⁷

Paid sick days substantially reduce the cost to businesses of “presenteeism,” or the consequences of employees coming to work while sick. The Society of Human Resources Management puts the cost of “presenteeism” at \$180 billion a year nationally.⁸ When sick employees stay home and recover more quickly, productivity rises and fewer people are exposed and fall ill. Further, employees with access to paid sick days are one-third less likely to be injured on the job.⁹

Requiring all employers to provide paid sick days allows employers who’d like to offer their employees this benefit the assurance that other employers will, too, creating a level playing field, locally.

3. Paid Sick Days Reduce Health Care Costs.

When employees can take a paid sick day – without fear of losing a day’s pay or even their job – they are able to recover more quickly, are less likely to expose co-workers and customers to disease, and are more able to obtain regular, timely medical care for themselves and their dependents.

Paid sick leave facilitates employee reliance on regular primary care rather than emergency care. Economist Robert Drago estimated that access to paid sick days reduces use of hospital emergency departments by 14%.¹⁰ Employees are able to access regular primary care for themselves and take time to accompany children and elderly relatives to obtain regularly primary care, as well. Dr. Drago’s study of the state of Massachusetts

⁷ Douglas and Elise Gould Hall, “Paid Sick Days: Measuring the Small Costs for Connecticut Business” (Washington, D.C.: Economic Policy Institute, 2011), available at <http://www.epi.org/page/-/pdf/pm177.pdf?nodn=1>; Institute for Women’s Policy Research, *Valuing Good Health in Massachusetts: The Costs and Benefits of Paid Sick Days*, 2009.

⁸ Stephen Miller. “Beware the Ill Effects of Sick Employees at Work” (Alexandria, VA: Society for Human Resource Management, 2008).

⁹ Regina Pana-Cryan, Abay Asfaw and Roger Rosa. “Paid Sick Leave and Nonfatal Occupational Injuries,” *American Journal of Public Health* 102(9) 2011.

¹⁰ Robert Drago, Claudia Williams, Kevin Miller and Youngmin Yi. “Paid Sick Days and Health: Cost Savings from Reduced Emergency Department Visits.” (Washington, D.C.: Institute for Women’s Policy Research, 2011).

showed that enacting a paid sick days ordinance would save \$22.7 million in Emergency Room expenses for Massachusetts's hospitals, which included \$13.4 million in taxpayer dollars.¹¹

A high proportion of employees with significant public contact lack access to paid sick days, particularly in the hospitality and retail industries. A study assessing the results of implementing a paid sick days ordinance in San Francisco showed a marked decrease in the number of employees in positions with substantial public contact who went to work while ill. This isn't surprising when we consider that workers without access to paid sick leave are 1.5 times more likely to go to work while ill than those who have paid sick days.¹²

Paid sick days also make it more possible for parents to stay home from work to care for a sick child, and prevent ill children from exposing other children and school employees to contagion. Again the San Francisco study showed that parents without access to paid sick days were far more likely to send their children to school when their kids were ill.¹³

Employees with access to paid sick leave are more likely to obtain preventative health services, such as cancer screenings and tests, and – as mentioned above-- are nearly one-third less likely to be injured on the job.¹⁴

4. There are substantial community economic benefits to paid sick leave.

Not only are communities better off if employees can stay home while they – or their children – are sick, and access primary rather than emergency care, communities are also benefited by lower rates of job loss, poverty and unemployment with the implementation of paid sick days.

A National Opinion Research Center study reports that 23% of workers have lost a job, or have been threatened with job loss for taking time for personal care or a family illness.¹⁵

¹¹ Ibid.

¹² Robert Drago and Vicky Lovell, "San Francisco's Paid Sick Leave Ordinance: Outcomes for Employers and Employees" (Washington, D.C.: Institute for Women's Policy Research, 2011); National Partnership for Women and Families, "The Time for Paid Sick Days is Now: Survey Shows Overwhelming Public Support for Paid Sick Days Workplace Standard," (Washington, D.C.: National Partnership for Women and Families, 2010) available at http://paysickdays.nationalpartnership.org/site/DocServer/Microsoft_Word_-_The_Public_Strongly_Supports_Paid_Sick_pdf?docID=6742.

¹³ Robert Drago and Vicky Lovell, "San Francisco's Paid Sick Leave Ordinance: Outcomes for Employers and Employees" (Washington, D.C.: Institute for Women's Policy Research, 2011)

¹⁴ Regina Pana-Cryan, Abay Asfaw and Roger Rosa. "Paid Sick Leave and Nonfatal Occupational Injuries," *American Journal of Public Health* 102(9) 2011.

¹⁵ Tom W. Smith and Jibum Kim, (2010, May) *Paid Sick Days: Attitudes and Experiences*, NORC/University of Chicago.

The lack of paid sick days is particularly challenging for the lowest earning workers. According to the Economic Policy Institute, the average wage of employees without paid sick days is \$10 an hour. Three days without pay for an employee with two children earning \$10 an hour pushes that family below the poverty line, due to lost wages.¹⁶ Indeed, a few days' pay for a low wage worker can equal a month's worth of groceries.¹⁷

The world has changed since our labor laws and many of our employment practices were conceived. Today, two-thirds of mothers work outside the home, and most families with children have two working parents.¹⁸ One-third of working women are providing care for aging parents.¹⁹

Oregon's families need the security and support of access to paid sick days in the workplace. Oregon's economies and businesses would benefit from implementing a paid sick days ordinance.

Each of us holds a PhD in economics, and teaches at a university or college in Oregon or Washington. We urge you to support a robust paid sick days requirement in Oregon that reaches every worker in the state- wherever they work.

Yours,



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And Co-signatories below, all of whom for which their current affiliation is provided for identification purposes only, rather than as an indication of institutional endorsement.

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¹⁶ Elise Gould, Kai Filion and Andrew Green, "The Need for Paid Sick Days," (Washington, D.C.: Economic Policy Institute, 2011), available at <http://w3.epi-data.org/temp2011/BriefingPaper319-2.pdf>

¹⁷ Elise Gould, Kai Filion and Andrew Green, "The Need for Paid Sick Days," (Washington, D.C.: Economic Policy Institute, 2011), available at <http://w3.epi-data.org/temp2011/BriefingPaper319-2.pdf>

¹⁸ Heather Boushey and Ann O'Leary (eds.) *The Shriver Report: A Woman's Nation Changes Everything* (Washington, D.C.: Center for American Progress, 2009).

¹⁹ Ibid.

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