



Presentation to Florida's Employer-Sponsored Benefits Study Task Force
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Thank you for the opportunity to speak to the Employer-Sponsored Benefits Study Task Force. I am Eileen Appelbaum, a Senior Economist at the Center for Economic and Policy Research. Before joining CEPR I was a Professor at Rutgers University. My research examines the effects of public policies and company practices on outcomes for employers and employees. Currently, Professor Ruth Milkman and I are studying the effects of Connecticut's earned paid sick days law on Connecticut employers. We conducted a stratified random survey of smaller, mid-sized, and larger Connecticut employers, and our results are representative of the experiences of employers in the state. Teresa Kroeger and I analyzed the data and prepared this information for you.

Paid Sick Days benefit employees and public health without placing undue burdens on employers

Research has shown the benefits of paid sick days to the well-being of employees and to public health. Everyone comes down with the flu once in a while or has a child who is up all night with vomiting or diarrhea. Being able to stay home and take care of yourself or your child means a speedier recovery and reduces the spread of illness in the workplace and to the general public.

Adults without paid sick days are much more likely to send a sick child to school and to go to work with a contagious illness like the flu or a viral infection. One in eight food service workers reports having come to work sick twice in the last year even with symptoms such as vomiting and diarrhea. During the H1N1 epidemic in 2009, 8 million people came to work while infected with the swine flu virus and are estimated to have infected another 7 million people. Out of 21 million ‘norovirus’ outbreaks (a common food-borne virus) annually, roughly half are caused by ill food workers. Letting workers stay home for a day or two when they have the flu could reduce flu transmission in the workplace by as much as 40 percent.

Not only is it harmful to workers’ health to come to work when they are sick, it is costly to business and to taxpayers. Sick workers are less productive, and if they spread their illness to co-workers, the negative effects on productivity are even larger. This lost productivity is less obvious to employers than absenteeism, but costs businesses more. Moreover, workers without paid sick days are more than twice as likely as those with paid sick days to seek emergency room care for themselves and five times more likely to seek emergency room care for their children or other relatives. This burdens the health care system and is costly to taxpayers: half the savings from reducing unnecessary ER visits would go to taxpayer-funded health insurance programs such as Medicare and the State Children’s Health Insurance Program.

Employers are generally aware of the benefits of paid sick days to their employees, and a majority already offer employees paid sick days. Those who don’t may have some concerns about the effect of offering paid sick days on their businesses. Research on San Francisco (which implemented a paid sick days law in 2007), Washington, DC (which implemented such a law in 2008) and Connecticut (which implemented it in January 2012) can address those concerns and help alleviate them. Research shows that implementing paid sick days in San Francisco did not have an adverse effect on job growth, which has been strong in that city compared with other Bay Area counties. Employment in health care and hospitality in Connecticut, industries that were expected to be affected by the state’s paid sick days law, has also been strong following implementation of the law. A 2012 city audit of businesses in Washington, DC found that fears that the paid sick days law would drive businesses to leave the city for nearby locations in Maryland and Virginia were unfounded. The audit found that 91 percent of employers had

posted notice of the law as required and 88 percent reported that they are not planning to leave DC.

Our research on Connecticut employers can also help dispel some of the concerns that employers have. I am pleased to share our preliminary findings with you. In the Connecticut survey, 89 percent of employers reported that they had offered paid time off or paid sick days to some or all of their employees before the law was implemented. On average, businesses offered 7 paid sick days, although some employers offered fewer than 5. After the law passed, 85 percent of employers reported that they offered at least 5 paid sick days to employees, and the average number of paid sick days offered rose from 6 to 8. Despite the availability of paid sick days, employers reported that more than a third of employees (35 percent) had taken no paid sick days in the 12 months preceding the survey. Employers reported that, on average, workers had used 4 paid sick days during the previous year and over half (56 percent) reported that workers used 3 days or less. This is similar to what earlier research found for San Francisco, where employers reported that on average, workers used only 3 paid sick days and a quarter of employees took no paid sick days. The bottom line is that most workers view paid sick days as a form of insurance, and try to save them for when they are really needed.

With more workers now able to take a paid sick day when they are ill, 33 percent of businesses experienced an uptick in employees calling in sick. Paid sick days also reduced illness in the workplace, with 19 percent of employers reporting that fewer employees now come to work sick and 15 percent reporting that it reduced the spread of illness in the workplace.

The experience of Connecticut businesses can help reassure employers that workers do not use their paid sick days frivolously. On average they use fewer days than employers offer, with a third of employees using none. In addition, the overwhelming majority of Connecticut employers – 86 percent – report that there was no employee abuse of the paid sick days law. Another 6 percent report just 1 to 3 cases of abuse in the past year.

When employees are out sick for a day or two, employers can usually handle getting the work done by asking other employees to chip in and do more, by putting the work on hold, or by

allowing employees to swap shifts. These are the most frequent methods, used by 91 percent of employers to cover the work of absent salaried employees and by 85 percent to cover the work of absent hourly paid employees. These methods of covering the work of an absent employee do not increase a business' costs. However, in some industries – health care or catering, for example – employers need to have a full complement of staff at work. Eight percent of Connecticut employers increased the overtime of other workers when a salaried worker was absent, and about 14 percent increased overtime when an hourly worker was not at work. Only about 1 percent of employers report hiring a temp to cover the work of salaried or hourly employees.

Nearly half of Connecticut employers (44 percent) reported that the paid sick days law had no effect on costs. At 29 percent of Connecticut businesses, payroll costs increased 2 percent or less; 10 percent reported increases of 3 percent or more, and the remaining 17 percent weren't sure. The increases in payroll costs were offset to some extent by reductions in the number of employees coming to work sick, reported by 19 percent of employers; by the reduced spread of illness, reported by 15 percent of employers, by increased productivity, reported by 15 percent of employers and by improvements in morale, motivation and loyalty, reported by about a third of employers.

Most interesting, perhaps, was employers' overall assessment of the state's paid sick days law. Employers were asked how supportive they are of Connecticut's paid sick days law. With more than 18 months of experience with the law, 77 percent reported that they are "very supportive or somewhat supportive" of the law, with 39 percent saying "very supportive." Just 14 percent reported that they are "not at all supportive" of the paid sick days legislation. Similarly, two-thirds of San Francisco employers report that they are very or somewhat supportive of that city's law, with one-third reporting that they are very supportive.

State and Municipal Paid Sick Days Laws

The research on paid sick days in San Francisco and Connecticut, the two places for which we have detailed data on employers' experiences with such legislation, indicates that a paid sick days requirement can improve health outcomes for employees and their families, reduce the

spread of illness, and reduce the burden of emergency room care on hospitals and taxpayer financed health insurance (Medicare, Medicaid, CHIP) without unduly burdening employers. One study found that employment in San Francisco increased more rapidly than in surrounding communities. Businesses in DC do not plan to leave for nearby Maryland and Virginia. Local municipalities appear to be best able to determine what works for them. Florida, like most states, includes rural areas and small towns as well as large cities and suburbs. The role of state-wide legislation is to set a floor. Everyone needs access to some paid sick days, and the state has an interest in supporting public health and reducing the burdens on hospitals and taxpayers. Beyond that minimum requirement, however, local municipalities should be able to set higher standards that are suited to local community needs and values. Connecticut, setting a standard for an entire state and all its diverse communities, requires that employees be allowed to earn up to 40 hours (5 days) of paid sick leave annually. Employees there are able to carry over up to 40 hours of unused sick days to the next year. San Francisco adopted a somewhat different requirement. Businesses in with 50 or more employees are required to provide 9 paid sick days, small employers with more than 15 employees need to provide 5 paid sick days.

While many employees lack any paid sick days, others receive generous paid sick days or paid time off bundles from their employers. For the U.S. as a whole, the National Compensation Survey of Employee Benefits shows that the average number of employer-sponsored paid sick days available to workers varies with years of experience, but averages 9 days a year. A state may choose to set the floor somewhat lower than this, but local municipalities may wish to set a standard more in keeping with the national average. The state has no compelling reason to prevent municipalities from doing so.

Thank you for the opportunity to testify and to share our research findings with you.