

# Paid Sick Days Are **Good for Business**

MAY 2018

Businesses benefit when their employees have access to paid sick days. When sick workers are able to stay home to recover, it lessens the risk of contagion, making workplaces healthier and employees more productive. Workers can obtain timely medical care and recover faster from illness, enabling them to get back to work sooner and reducing health care costs. Yet nearly one in three private-sector workers does not have access to paid sick days to use to recover from an illness or care for a sick family member.<sup>1</sup>

## Businesses and Workers Benefit From Paid Sick Days

**Many businesses have implemented sick leave policies that give workers paid, job-protected time off to address basic health needs. These business leaders understand the benefits of allowing employees to take time away from work to address personal and family illnesses. These benefits include:**

- ▶ **Cost savings from greater workforce stability:** Replacing workers can cost anywhere from 16 to 200 percent of annual compensation.<sup>2</sup> Paid sick days reduce turnover, which leads to reduced costs incurred from advertising, interviewing and training new hires.<sup>3</sup> This is particularly important in lower-wage industries where turnover is highest. A study of restaurant industry practices found that implementing better workplace practices, including paid sick days, can reduce turnover by 50 percent.<sup>4</sup> In Austin, Texas, a cost benefit analysis of the citywide paid sick days ordinance showed that on net, city businesses stand to save \$4.5 million annually, largely as a result of reduced employee turnover.<sup>5</sup> In addition, the community stood to save \$3.7 million per year due to reduced flu contagion, fewer emergency room visits and other public health benefits.<sup>6</sup>
- ▶ **Increased productivity:** Paid sick days help to reduce the productivity lost when employees work sick – known as “presenteeism” – which is estimated to cost the national economy \$160 billion annually or about \$218 billion when adjusted for inflation, surpassing the cost of absenteeism.<sup>7</sup> Most human resources executives agree that presenteeism is a problem because of potential productivity loss and the risk of spreading infection.<sup>8</sup>
- ▶ **Disease and illness prevention:** Employees who go to work sick endanger profits by putting the health and productivity of other workers – as well as customers and the public – at risk. The risks and costs of contagion are highest in workplaces where employees regularly deal with the public, and these are frequently the very workplaces

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**Working sick costs the national economy \$160 billion annually in lost productivity.**

— Journal of Occupational and Environmental Medicine

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that typically do not allow workers to earn paid sick days. In the restaurant industry, for example, the vast majority of workers – 87.7 percent – say they lack access to paid sick days, and nearly two-thirds of servers and cooks – 63 percent – report that they have served or cooked while ill.<sup>9</sup> This puts workers, customers and the business itself in danger.

- ▶ **Lower health care costs:** Workers without paid sick days are twice as likely as those with paid sick days to seek emergency room care for themselves because they can't take time away from work during normal business hours to obtain routine care. Those without paid sick days are also 2.5 times more likely to seek emergency room care for their children or other relatives.<sup>10</sup> These expensive emergency trips end up replacing routine medical appointments and preventive care, leading to higher health insurance costs for businesses.

## Paid Sick Days Laws Work for Businesses

**Paid sick days laws are, or will soon be, in place in 10 states, the District of Columbia and 32 other jurisdictions.<sup>1</sup> A growing body of evidence from the longest-standing laws shows paid sick days policies are working for businesses.**

- ▶ **The majority of employers support existing paid sick days laws.** In jurisdictions with paid sick days laws in effect, the majority of employers say they are supportive of the law and many did not need to change their policies to be in compliance. Almost two years after New York City's strong paid sick days law took effect, 86 percent of employers expressed support for it.<sup>11</sup> And in San Francisco, more than three years after the city passed its law, more than two-thirds of employers expressed support for paid sick days.<sup>12</sup>

- ▶ **Businesses report no impact on their bottom line or experiencing growth after paid sick days laws take effect.**

Employers in jurisdictions where employees have paid sick days have seen increased growth and reported no negative impact on profitability. Connecticut, the first state to enact a paid sick days law, reported that the vast majority of employers saw minimal effects on cost and made no changes such as increased prices or reduction in employee hours.<sup>13</sup> In Seattle, employer growth was significantly stronger than in Bellevue, Tacoma and Everett combined in the year following implementation of its paid sick days law.<sup>14</sup> And San Francisco experienced higher rates of job and business growth than neighboring counties after its paid sick days law took effect, including in the sectors most impacted by the law.<sup>15</sup>

- ▶ **Communities and businesses thrive with paid sick days laws.** Paid sick days don't just benefit employees – they benefit communities as well. In cities with paid sick days laws, economic growth is a recurrent outcome. Nearly two years after New York implemented its paid sick days law, the number of businesses grew, consumer prices

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**“I’ve seen firsthand what this can do. I’ve see what this can do to morale. ...[I]t means the world to the people I work with, and it is 100 percent the right thing to do.”**

— Ryan Garrett, General Manager of Stubbs BBQ, Austin, Texas

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<sup>1</sup> New Jersey became the 10th state to guarantee paid sick days when it passed a statewide law in April 2018. When the statewide law goes into effect in October 2018, it will improve upon the 13 existing local laws and those laws will no longer be in effect.

fell, labor participation was the highest on record, and unemployment was at its lowest in six years.<sup>16</sup> In Seattle, the number of employees and total wages in the city increased, and no negative impact on the economy was reported.<sup>17</sup>

## Paid Sick Days: A Standard that Is Good for Everyone

Public policies such as the Healthy Families Act would complement businesses' existing practices while establishing a minimum paid sick days standard for all employers. Such a standard would level the playing field for smaller businesses by making paid sick days a universal practice, while also ensuring enough flexibility for employers to continue offering greater benefits. Businesses already providing basic paid sick days protections would not need to change their practices. The result: healthier workplaces, reduced turnover, more satisfied and productive workers, a stronger economy and better bottom lines. **Learn more at PaidSickDays.org.**

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1 U.S. Bureau of Labor Statistics. (2017, July). *National Compensation Survey: Employee Benefits in the United States, July 2017* (Table 6). Retrieved 27 April 2018, from <https://www.bls.gov/news.release/pdf/eb2.pdf>

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3 Siegwath Meyer, C., Mukerjee, S., & Sestero, A. (2001, Spring). Work-Family Benefits: Which Ones Maximize Profits?, *Journal of Managerial Issues*, 13(1).

4 Batt, R., Lee, J.E., & Tashin, L. (2014, January 15). *A National Study of Employment Practices, Turnover, and Customer Service in the Restaurant Industry*. Research report prepared for the Restaurant Opportunities Centers United. Summary of results retrieved 27 April 2018, from [http://rocunited.org/wp-content/uploads/2014/01/HRPTCS\\_Cornell\\_Report\\_4.pdf](http://rocunited.org/wp-content/uploads/2014/01/HRPTCS_Cornell_Report_4.pdf)

5 Milli, J. (2018, February 12). *Valuing Good Health in Austin, Texas: The Costs and Benefits of Earned Sick Days*. Institute for Women's Policy Research Briefing Paper. Retrieved 27 April 2018, from <https://iwpr.org/publications/value-earned-sick-time-public-health-austin-texas/> (Report estimates that city businesses will save \$4.5 million annually largely because cost savings due to reduced turnover would exceed the expected costs of providing paid sick days; Savings are Net Savings)

6 See note 5.

7 Stewart, W.F. et al. (2003, December). Lost Productive Health Time Costs from Health Conditions in the United States: Results from the American Productivity Audit. *Journal of Occupational and Environmental Medicine*, (45) 1,234-1,246. Retrieved 27 April 2018, from <http://www.nationalpartnership.org/research-library/work-family/psd/lost-productive-work-time-american-productivity-audit.pdf> (Unpublished calculation based on \$225.8 billion annually in lost productivity, 71 percent due to presenteeism). Inflation calculation for 2017 dollars based on calculation of \$160.32 billion in 2002 dollars using U.S. Inflation Calculator available at <http://www.usinflationcalculator.com>

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9 Restaurant Opportunities Centers United. (2010, September 30). *Serving While Sick: High Risks and Low Benefits for the Nation's Restaurant Workforce, and Their Impact on the Consumer*. Restaurant Opportunities Centers United Publication. Retrieved 27 April 2018, from [http://rocunited.org/wp-content/uploads/2013/04/reports\\_serving-while-sick\\_full.pdf](http://rocunited.org/wp-content/uploads/2013/04/reports_serving-while-sick_full.pdf)

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11 Appelbaum, E. & Milkman, R. (2016, September). *No Big Deal: The Impact of New York City's Paid Sick Days Law on Employers*. Center for Economic Policy and Research. Retrieved 27 April 2018, from <http://cepr.net/images/stories/reports/nyc-paid-sick-days-2016-09.pdf>

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14 Romich, J., Bignell, W., Brazg, T., Johnson, C., Mar, C., Morton, J., & Song, C. (2014, April 23). *Implementation and Early Outcomes of the City of Seattle Paid Sick and Safe Time Ordinance*. University of Washington Publication. Retrieved 27 April 2018, from <http://www.seattle.gov/Documents/Departments/CityAuditor/auditreports/PSSTOUWReportwAppendices.pdf>

15 Miller, K., & Towne, S. (2011, September). *San Francisco Employment Growth Remains Stronger with Paid Sick Days Law Than Surrounding Counties*. Institute for Women's Policy Research Publication. Retrieved 27 April 2018, from <https://iwpr.org/publications/san-francisco-employment-growth-remains-stronger-with-paid-sick-days-law-than-surrounding-counties/>

16 New York Consumer Affairs (2015). *NYC's Paid Sick Leave Law: First Year Milestones*. Retrieved 27 April 2018 from <http://www1.nyc.gov/assets/dca/downloads/pdf/about/PaidSickLeaveLaw-FirstYearMilestones.pdf>.

17 See note 14.

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The National Partnership for Women & Families is a nonprofit, nonpartisan advocacy group dedicated to promoting fairness in the workplace, access to quality health care and policies that help women and men meet the dual demands of work and family. More information is available at [www.NationalPartnership.org](http://www.NationalPartnership.org).

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