



TAKING CARE OF BUSINESS

The Business Benefits of Paid Leave

Updated March 2011

Businesses benefit when employees are able to take time away from work to cope with personal and family illnesses. More satisfied and productive workers translate into improved workplace morale, greater worker loyalty and better bottom lines. Many leading business owners and managers understand these benefits and have implemented effective family-friendly policies that allow workers time away from work for basic personal and medical needs. Public policies that complement their practices and establish minimum standards for leave will allow workers and businesses to deal with the realities of the twenty-first century workplace.

Paid Sick Days: Ensuring a Productive Workplace

Everyone gets sick. When workers have access to paid sick days to use for their own and family members' illnesses, they recover faster, are more productive, and obtain timely medical care, thus holding down health care costs. This is a tremendous benefit to businesses. **Yet nearly two in five private-sector workers lack paid sick days. In smaller businesses, 47 percent lack paid sick days.**¹

Paid Sick Days Reduce Worker Presenteeism and Promote Retention

Paid sick days can help businesses by decreasing presenteeism, turnover and the spread of disease.² Workers with paid sick days are more likely to stay home when they are ill, reducing the spread of illness to co-workers and customers. **Paid sick days also reduce “presenteeism”— the productivity lost when workers come to work sick. Lost productivity due to illness has been estimated to cost \$180 billion annually.**³

By providing paid sick days, businesses also benefit from increased worker loyalty and reduced turnover. This is particularly important in low-wage industries where turnover is often high. The director of operations and development at a small New York City restaurant recently estimated at a Congressional briefing that turnover costs in the restaurant industry total about \$1,000 per employee. She noted that because her business offers paid sick days and other good benefits, their turnover rate is only 30 percent annually — compared to an industry standard of 200 percent.

Paid Sick Days Reduce the Spread of Disease and Lower Health Care Costs

Employees who work sick endanger business profits. During three months of the H1N1 flu pandemic in 2009, 8 million workers went to work sick and may have infected 7 million of their co-workers. Lack of paid sick days may have prolonged the pandemic.⁴

Workers today are more likely than ever to be caregivers.

- In nearly two-thirds of families with children, all adults in the household work.
- Nearly one in five adults provides unpaid care to an elderly family member or friend.
- The number of workers with elder care responsibilities is anticipated to grow dramatically in the next two decades.

The risks of contagion — and the resulting costs — are highest in workplaces where workers regularly deal with the public. These are often the industries in which workers are least likely to have paid sick days. In the restaurant industry, nearly two-thirds of servers and cooks report that they have served or cooked while ill.⁵ Sick workers can create serious public health risks and lead to high costs. When a food service worker at a Chipotle restaurant in Kent, Ohio, came to work with a stomach virus because he had no paid sick days, he infected 500 people who became violently ill. The incident cost customers and the community hundreds of thousands of dollars — and caused reputational harm to the restaurant.⁶

“I understand the public health risks created when workers have no paid sick days. I don’t want to serve food that could make my customers sick. If any of my employees is sick, it is better for him, my customers, and everybody if he stays home.”
— *Julio Hernandez, food truck owner, New York City*

Lack of paid sick days drives up health care costs for businesses and the public: **Workers without paid sick days are more than twice as likely as those with paid sick days to seek emergency room care because they are unable to take time off during normal work hours.** Parents without paid sick days are five times more likely to seek emergency room care for their children or other relatives.⁷ Lack of paid sick days may also make workers less likely to seek preventive care.⁸

A Paid Sick Days Standard Will Level the Playing Field by Making a Minimal Number of Paid Sick Days the Norm for All Businesses

Although model employers — small and large — are already offering paid sick days to employees at all wage levels, a standard would provide all workers a minimum amount of sick time. A standard would level the

“The U.S. Women’s Chamber of Commerce supports a minimum standard for paid sick days. Healthy businesses need healthy workers, which is precisely what paid sick days accomplish... Paid sick days are an investment in our families, our workforce, and our health that we cannot afford to do without.”
— *Margot Dorfman, CEO, Women’s Chamber of Commerce*

playing field, making paid sick days a normal business practice on par with other widely accepted minimum labor standards. **Policy proposals would allow businesses the flexibility to continue to offer more generous benefits. Those businesses that already provide basic paid sick days protection would not need to change their practices.** Indeed, this was the case for most San Francisco employers after the city implemented a paid sick days law.⁹

Cargo Coffee and Ground Zero coffee shops in Madison, Wisconsin, offer paid sick days to all 24 of their employees. After these small establishments began offering paid sick days, productivity increased among

staff, while the spread of illness among employees decreased. Lindsey Lee, the owner of the coffee shops, believes that his “business would benefit from a national standard of paid sick days because it would level the playing field among competitors who don’t currently offer paid sick days to their employees.”

Experience With Paid Sick Days Laws Shows That They Work for Businesses and Workers

Since San Francisco’s paid sick days law went into effect in 2007, job growth has been consistently higher in San Francisco than in neighboring counties that lack a paid sick days law. The number of businesses — small and large — has grown more rapidly in San Francisco than in neighboring counties. This holds true even for businesses most impacted by the new law: retail and food service establishments.¹⁰ The executive director of the Golden Gate Restaurant Association has said that “paid sick days is the best public policy for the least cost,” adding, “Do you want your server coughing over your food?”¹¹ Two-thirds of San Francisco businesses now say they support the law.¹²

“I think my company has worked [the paid sick days law] out pretty well... People are using it as it was meant to be used. You’re sick or you have the flu, you take time off, and you get paid.”
— *Jean Eddy, President, The People Connection (temp agency), San Francisco*

Paid Family and Medical Leave: Retaining Valuable Workers

Nearly all workers at some point will need to take leave from their job to deal with a serious illness or care for a new child. Paid family and medical leave allows them to meet these needs.

Business owners often say that offering paid family and medical leave promotes family values, generates good will with their employees, and is the compassionate and caring thing to do. **Yet only 10 percent of private-sector workers have access to paid family leave through their employer, and fewer than 40 percent have access to personal medical leave through short-term disability insurance.**¹³ Leave under the Family and Medical Leave Act (FMLA) is available to fewer than 50 percent of workers.¹⁴ Moreover, because the FMLA provides only unpaid leave, many cannot afford to take it.

Nationwide or statewide paid family and medical leave — offered, for example, through an insurance system funded by employee and employer contributions — would allow workers to take a limited number of weeks away from work with pay. Paid leave insurance systems are already working well in California and New Jersey, where businesses see benefits in employee retention, morale and productivity.

Paid Family and Medical Leave Promotes Retention and Reduces Turnover

Worker turnover declines and loyalty increases when workers are able to use paid leave to address serious personal or family illnesses or to care for a new child.

Even the security provided by job-protected unpaid leave promotes worker retention.

Ninety-eight percent of employees who took leave under the FMLA returned to work for the same employer.

California's paid family leave program has increased retention among workers in lower-wage jobs by 10 percent.¹⁵ Nationally, first-time mothers who have access to paid maternity leave are more likely to return to work after the birth of their child.¹⁶

In contrast, businesses that do not provide employees with paid family and medical leave or job-protected unpaid leave must frequently absorb turnover costs. **Replacing a worker is expensive: turnover costs are estimated to be**

anywhere from 25 to 200 percent of annual compensation.¹⁷ These costs include not only direct expenses like recruiting, interviewing, hiring, training and supervising, but also indirect costs like lost sales resulting from consumer dissatisfaction, new employee errors, and reduced morale of employees charged with training new hires.

A Paid Family and Medical Leave Insurance System Helps Smaller Businesses Compete

Paid family and medical leave is offered by only a small number of businesses — and smaller businesses are even less likely than larger businesses to offer such leave. **A paid leave insurance system would help small businesses retain valued workers and compete with larger employers by spreading the cost. A public program would make paid leave available to workers in smaller businesses that might have difficulty providing it on their own.**¹⁸ Indeed, the existing statewide paid family leave programs in California and New Jersey are funded solely through employee contributions, so businesses do not bear any direct costs.

Existing Laws Prove That These Policies Work for Businesses and Workers

In addition to the FMLA, which has been used over 100 million times to provide unpaid leave to workers, **family leave insurance programs in California and New Jersey provide workers with a share of their wages for up to six weeks while they care for a family member with a serious health condition or bond with a new child.** An average of 168,000 family leave claims has been authorized annually in California since the program's implementation in 2004. Six in 10 employers report coordinating their own benefits with the California state paid family leave insurance benefit, resulting in cost-savings to those employers.¹⁹ Nearly 26,000 people have been able to take paid family leave in New Jersey since the program's 2009 implementation. These successful programs complement these states' longstanding

temporary disability insurance systems, which provide seriously ill or injured workers with partial wages while they recover or seek treatment.²⁰

Small Employers See Benefits From Paid Leave Insurance

Kelly Conklin, the owner of a New Jersey cabinet-making company, Foley-Waite Associates, said last year at a press briefing: “I believe a worker distracted by a pressing family emergency is not likely to do his or her best work. I’d rather they stay home, with compensation... [That worker is] going to be very anxious to get back to work as soon as possible. **As a state, we [have chosen to] ... enact laws that attract the quality workers small businesses need to succeed.**”

“The demographics of the workforce make it more likely than not that an employee at a small firm will use this benefit.... **[E]mployers can cross-train workers so they’re prepared to take over when a co-worker is out.**”

– John Sarno, President, Employers Association of New Jersey

And Rohana Stone Rice, controller and director of human resources at Richmond, California’s Galaxy Desserts recently explained: “Many of our production, management, and even sales staff have used paid family leave, primarily to extend bonding time with new babies. We feel it’s the right thing to do, and it is in keeping with our core values. **The employees are happier and more loyal to the company when they feel the management of the company cares about them and their families.**”

¹ U.S. Department of Labor, Bureau of Labor Statistics. (2010, March). *Employee Benefits in the United States: Selected paid leave benefits: Access, National Compensation Survey (Table 6)*. Retrieved 9 December 2010, from <http://www.bls.gov/news.release/pdf/ebs2.pdf>. Small businesses are defined here as businesses with fewer than 100 employees.

² Lovell, V. (2005 April). *Valuing Good Health: An Estimate of Cost and Savings for the Healthy Families Act*. Institute for Women’s Policy Research Publication. Retrieved 22 March 2011, from <http://www.nationalpartnership.org/site/DocServer/HFACBALovell.pdf?docID=367>

³ AdvancePCS Study Shows Top Health Conditions Cost Employers \$180 Billion in Lost Productive Time. (2002, June 5). *Business Wire HealthWire*. Retrieved 22 March 2011, from http://findarticles.com/p/articles/mi_m0EIN/is_2002_June_5/ai_86738725/

⁴ Institute for Women’s Policy Research. (2010, February). *Sick at Work: Infected Employees in the Workplace During the H1N1 Pandemic*. Institute for Women’s Policy Research Publication. Retrieved 22 March 2011, from <http://www.iwpr.org/initiatives/family-leave-paid-sick-days/#publications>

⁵ 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 9 December 2010, from [http://www.rocunited.org/files/roc_servingwhilesick_v06%20\(1\).pdf](http://www.rocunited.org/files/roc_servingwhilesick_v06%20(1).pdf)

⁶ Hirsh, A. (2008, August). *Outbreak in Ohio: Cost of the 2008 Norovirus Incident in Kent*. Policy Matters Ohio Publication. Retrieved 7 January 2011, from <http://www.policymattersohio.org/pdf/OutbreakInOhio2008.pdf>

⁷ Smith, T., & Kim, J. (2010, June). *Paid Sick Days: Attitudes and Experiences*. National Opinion Research Center at the University of Chicago for the Public Welfare Foundation Publication. Retrieved 2 December 2010, from <http://www.publicwelfare.org/resources/DocFiles/psd2010final.pdf>

⁸ Human Impact Partners. (2009, June 11). *A Health Impact Assessment of the Healthy Families Act of 2009*. Human Impact Partners Publication. Retrieved 22 March 2011, from http://www.nationalpartnership.org/site/DocServer/WF_PSD_HFA_HealthImpactAssessment_HIA_090611.pdf?docID=5101

⁹ Drago, R., & Lovell, V. (2011, February). *San Francisco’s Paid Sick Leave Ordinance: Outcomes for Employers and Employees*. Institute for Women’s Policy Research Publication. Retrieved 22 March 2011, from <http://www.iwpr.org/initiatives/family-leave-paid-sick-days/#publications>

¹⁰ Petro, J. (2010). *Paid Sick Days Does Not Harm Business Growth or Job Growth*. Drum Major Institute for Public Policy Publication. Retrieved 22 March 2011, from http://www.drummymajorinstitute.org/pdfs/Paid_Sick_Leave_Does_Not_Harm.pdf

¹¹ Warren, J. (2010, June 30). Cough If You Need Sick Leave. *BusinessWeek*. Retrieved 22 March 2011, from http://www.businessweek.com/magazine/content/10_24/b4182033783036.htm

¹² See note 9.

¹³ See note 1.

¹⁴ Waldfogel, J. (2001, September). Family and Medical Leave: Evidence from the 2000 Surveys. *Monthly Labor Review*, 17-23. Retrieved 14 December 2010, from <http://www.bls.gov/opub/mlr/2001/09/art2full.pdf>

¹⁵ Appelbaum, E., & Milkman, R. (2011, January). *Leaves That Pay: Employers and Worker Experiences with Paid Family Leave in California*. Retrieved 22 March 2011, from <http://www.cepr.net/documents/publications/paid-family-leave-1-2011.pdf>

¹⁶ Boushey, H. (2008). Family Friendly Policies: Helping Mothers Make Ends Meet. *Review of Social Economy*, 66(1), 67. Available from <http://ideas.repec.org/a/taf/rsoc/v66y2008i1p51-70.html>

¹⁷ Sasha Corporation. (2007, January). *Compilation of Turnover Cost Studies*. Retrieved 13 December 2010, from <http://www.sashacorp.com/turnframe.html>

¹⁸ Appelbaum, E., & Milkman, R. (2006). *Achieving a Workable Balance: New Jersey Employers’ Experiences Managing Employee Leaves and Turnover*. Rutgers University’s Center for Women and Work Publication. Retrieved 14 December 2010, from http://www.njtimetocare.com/images/stories/Achieving_Workable_Balance.pdf

¹⁹ See note 15.

²⁰ New York, Rhode Island, and Hawaii also have temporary disability insurance programs to cover ill workers.

The National Partnership for Women & Families is a non-profit, non-partisan 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.

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National Partnership for Women & Families
1875 Connecticut Avenue NW, Suite 650 ~ Washington, DC 20009
202.986.2600 ~ 202.986.2539
www.NationalPartnership.org