The bottom line on earned sick time: in Minnesota

A cost & benefit analysis of earned paid sick days

MAIN STREET alliance
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Significant research and writing provided by the National Partnership for Women & Families.
In the United States, there are over 43 million workers in the private sector without access to paid sick days. In the state of Minnesota alone, more than 947,000 workers in the private sector, or just over 43 percent of the private-sector workforce, do not have access to a single job-protected paid sick day to care for their own health.

Workers’ inability to access earned sick and safe time is inextricably linked with direct negative business impacts, like high turnover costs and loss of productivity, and negative impacts on public health that also affect businesses. For example, access to paid sick days reduces the spread of the flu in workplaces by nearly six percent. Allowing workers to stay at home with even one paid “flu day” would allow them to recover and could reduce flu transmission by 25 percent. Two “flu days” could result in a nearly 40 percent decrease in flu transmission. Workers with paid sick days are less likely to suffer workplace injuries, which improves workplace safety records. Access to paid sick days also means workers and their families are better able to access preventive health services, and they are less likely to use emergency rooms, which is associated with reductions in health costs for employers and taxpayers.

The public understands the health and economic consequences that result when

“At Strictly Organic Coffee, we believe that delicious coffee can be built on sustainable practices. For the last 15 years, our people have helped make Strictly Organic what it is. Our goal is to attract and retain the best—after all, great employees are critical to a successful business. Giving access to earned paid sick time is just one way that we invest in our employees and decrease turnover—not to mention that in the service industry paid sick days are a public health issue, as well.”

- RHONDA EALY, CO-OWNER, STRICTLY ORGANIC COFFEE BEND, OREGON
workers do not have access to paid sick days. As a result, public support for access to earned sick and safe time is very high. Eighty-five percent of voters nationwide say they want employers to provide paid sick time to employees who are ill, according to May 2015 New York Times survey data. Voters strongly support public policies that achieve this goal. In November 2014, voters in Massachusetts, Oakland, Calif., and two cities in New Jersey – Montclair and Trenton – overwhelmingly supported earned sick time ballot measures.

In all, more than two dozen jurisdictions across the country – four states, one county and 21 cities have adopted paid sick days laws by ballot or through the legislature. Twenty of these laws have been adopted since 2013. In 2015, Oregon, Montgomery County (Maryland), Tacoma (Washington), Philadelphia and Pittsburgh (Pennsylvania), Bloomfield, Elizabeth and New Brunswick (New Jersey), and Emeryville (California) became the latest jurisdictions to adopt new laws. The trend is clear: Earned sick time laws are on the rise. There are bills or campaigns in more than two dozen places in the United States. As more cities, counties and states pass paid sick days legislation, there is a growing body of evidence demonstrating the overall positive impacts of these laws.

“We have offered paid sick days to all our employees since the beginning. As business owners we have to consider the human needs of our employees. If they are sick, or they need to care for a family member, they should not have to worry about not getting a paycheck.”
- Yonel Lettelier, Owner, Lolo Organics, Jersey City, NJ
A growing body of data from the private sector, public health models and adopted public policies show that earned sick and safe time:

**Reduces costly employee turnover**

Businesses that provide paid sick days realize cost savings through reduced employee turnover. Earned sick time is correlated with workforce stability. Research shows that the likelihood an employee will voluntarily leave a job is reduced by at least 25 percent when that employee has access to paid sick days. Turnover is costly. On average, turnover costs amount to 20 percent of an employee’s wages, according to a meta-analysis of literature on turnover costs. In Minnesota, workers earn an average annual salary of $35,733. Assuming average turnover costs and workers earning average salaries, this means that businesses that lose employees absorb approximately $7,150 per employee in expenses related to turnover, including recruiting, hiring and training new personnel.

**On average, turnover costs amount to 20 percent of an employee’s wages.**

**Limits “presenteeism” (employees reporting to work while ill and working at reduced productivity)**

Businesses and the economy bear the cost when workers are forced to work while they are ill. Researchers estimate that businesses lose about $226 billion per year, or an average of $1,685 or more per employee, in lost productivity due to sick workers. And the practice of “presenteeism,” when sick employees go to work and work at reduced capacity, costs the national economy an estimated $160 billion annually because of lost productivity. According to a national health impact assessment of paid sick days, workers who have paid sick days miss about one and a half fewer days of work than workers whose employers did not provide paid sick days.

**Improves employee morale**

Access to paid sick days increases worker morale. Even when employees do not use the paid sick time they are entitled to, researchers have found that knowing paid
sick days are available if needed may increase workers’ productivity by decreasing their stress.

**Lowers employer health care costs**
Providing earned sick days reduces employer health care costs. When workers let health issues go untreated because they cannot take time off during normal work hours, they are more likely to use emergency department services. Workers without paid sick days are more than twice as likely as those with paid sick days to seek emergency room care. Parents without paid sick days are five times more likely to seek emergency room care for their children or other relatives. In 2012, people’s use of potentially preventable emergency care cost the state of Minnesota nearly $2 billion.

**Helps employers improve workplace safety records**
Providing paid sick days reduces costs incurred from workplace injuries. Workers who have access to paid sick days are 28 percent less likely than workers who do not have access to paid sick days to be injured on the job, according to researchers at the National Institute for Occupational Safety and Health at the CDC. And hourly workers — who tend to have less access to paid sick days — are more than twice as likely as salaried workers to be injured on the job.

**Reduces risks to public health**
Workers’ lack of access to paid sick days jeopardizes business 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 interact with the public, and these are frequently the very workplaces that do not offer workers paid sick days. For restaurants, not providing paid sick days can have an even higher impact on public health. Nationally, 90 percent of food service workers cannot earn paid sick days — and nearly two-thirds of servers and cooks report that they have served or cooked while ill. In Minnesota, more than a quarter of a million people work in the accommodation and food services industry. In fact, the Minnesota Department of Health reports that from 2004-2013 statewide at least 208 foodborne outbreaks were likely caused by sick or recently sick food service workers. Nearly 3,000 documented illnesses resulted. This puts workers, customers and the business itself in danger.
Businesses continue to locate in jurisdictions with earned sick time laws and continue to add jobs at rates that equal or exceed previous levels.

Businesses have not passed on costs to consumers by increasing prices.

Are used appropriately and are not misused

Employees with access to paid sick days use them when needed, but do not misuse them – and this fact remains true whether earned sick time is provided by law or voluntarily. A study of San Francisco’s earned sick time law – which assures workers the right to earn either five or nine paid sick days depending on the size of their employer and the number of hours they work – found that workers typically used three paid sick days; one-quarter of workers (25.4 percent) reported they had not used any sick days in the previous year. Researchers concluded that San Francisco workers viewed the days they were entitled to as valued insurance in case of illness and were careful not to overuse them. Likewise, in Connecticut, where eligible workers can earn up to five paid sick days, data show this same pattern of only moderate use. Employer experiences corroborate employee reports of use and provide no evidence that points to misuse as a problem.

Does not correlate with business closures or job loss

Job and business growth are strong in jurisdictions that adopted earned sick time laws. From early findings from San Francisco, the first jurisdiction to adopt an earned sick time law nearly a decade ago, to findings from the state of Connecticut, which was the first state to adopt an earned sick time law nearly five years ago, to the most recent findings in New York City, which is the largest economy to date to adopt a law, the evidence is clear: Businesses continue to locate in jurisdictions with earned sick time laws and continue to add jobs at rates that equal or exceed previous levels – including in industries such as retail and food service.

Does not lead to substantial cost increases for employers or consumers

Employers do not incur substantial new costs as a result of new earned sick time regulations and very few have translated the minimal costs associated to consumers. In Connecticut, a survey of employers found that the law has had a modest effect or no effect on business costs or operations, and few employers made adjustments such as increasing prices or reducing employee hours. Of the businesses that said paid sick leave had increased their costs, almost two-thirds either said those increases were less than 2 percent or they did not know how much costs had increased. Similar results were found recently in New York City; researchers concluded
Earned sick time laws have now been in place in several jurisdictions long enough that researchers have been able to study their impacts. Studies of laws in San Francisco (which was the first city to adopt an earned sick days law in 2006 and implement it in 2007), the District of Columbia, Connecticut, Seattle, Jersey City and New York City provide clear evidence that the benefits of earned sick days laws far outweigh any negative impacts – and the potential harms raised by opponents before the policies were adopted have not materialized.

**San Francisco, California**

Date Implemented: February 5, 2007. San Francisco was the first city in the nation to pass an earned sick time law, and it did so by ballot – gaining 61 percent of the vote – in November 2006.

**Who it covers:** All private sector workers in the city can earn paid sick time. The law provided approximately 59,000 workers new access to paid sick time.

**Accrual:** Workers begin to accrue leave 90 calendar days after the date of hire and all workers earn one hour of paid sick time for every 30 hours of paid work. The number of hours an employee can accrue per calendar year differs based on the size of the employer. Businesses with 10 or more workers may cap accrued sick time at 72 hours (nine days, for a full-time worker) and those with fewer workers may cap the maximum number of accrued paid sick time at 40 hours (five days, for a full time worker). Unused time can be carried over to the following year, subject to the accrual limit.

**Impact and Findings:** Three years after the law’s implementation, more than 70 percent of employers reported no impact on profitability (another 15 percent said they did not know) and two-thirds of employers expressed support for the law. Although workers can earn up to nine paid sick days, the typical worker used only three, and reports of abuse were exceptionally rare. San Francisco’s economy has continued to grow since the law’s implementation, with higher rates of job and business growth than neighboring counties, including in the sectors most affected by the law, such as accommodation and food service. In 2011, PricewaterhouseCoopers named San Francisco the third best city for opportunity in the world. That same year, two-thirds of employers in San Francisco expressed support for the law, one-third of employers were “very supportive”.

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90 calendar days after the date of hire and all workers earn one hour of paid sick time for every 30 hours of paid work. The number of hours an employee can accrue per calendar year differs based on the size of the employer. Businesses with 10 or more workers may cap accrued sick time at 72 hours (nine days, for a full-time worker) and those with fewer workers may cap the maximum number of accrued paid sick time at 40 hours (five days, for a full time worker). Unused time can be carried over to the following year, subject to the accrual limit.
**District of Columbia**  
Date Implemented: May 13, 2008, and expanded February 22, 2014

**Who it covers:** Private sector workers in the city are covered by the law. The law provided approximately 220,000 workers new access to paid sick time.

**Accrual:** Workers accrue paid sick and safe time from the start of their employment and, as a result of 2013 amendments that went into effect in 2014, can begin to access that time after working for their employer for 90 days. The rate of accrual and maximum annual use differ based on employer size and industry. Workers in the smallest businesses with less than 25 employees earn one hour for every 87 hours worked, up to three days per year; workers in middle-sized businesses, with 25 to 99 employees, earn one hour for every 43 hours worked, up to five days per year; and workers in businesses with 100 or more employees earn one hour for every 37 hours worked, up to seven days per year. Tipped restaurant and bar workers earn one hour for every 43 hours worked, up to five days per year.

**Impact and Findings:** A 2013 audit by the Office of the District of Columbia Auditor found no evidence that the law prompted businesses to leave the city or discouraged employers from establishing new businesses in it. In 2013 (and effective in 2014), the D.C. City Council expanded the original law to cover tipped restaurant and bar workers – an additional 20,000 workers who are likely to be both low-wage and without access to paid sick days – and to allow all workers to begin accruing paid sick time earlier in their job tenures.

**Connecticut**  
Date Implemented: January 1, 2012. Connecticut was the first state to enact an earned sick and safe time law.

**Who it covers:** Designated workers in select “service” jobs who work for employers with 50 or more employees, including about 200,000 workers who previously did not have access to paid sick time. Connecticut’s law is the most restrictive of any of the 24 laws adopted to date in terms of the workers and employers covered, and efforts are underway to expand coverage.

**Accrual:** Workers begin to accrue time on the first day of work and can begin to use that time after working 680 hours. Employees earn paid sick time at the rate of one hour of paid sick time for every 40 hours worked and can accrue and use up to 40 hours (five days, for a full-time worker) annually.

**Impact and Findings:** A survey of employers found that the law has had a minimal impact on costs, and few employers have made adjustments such as increasing prices or reducing employee hours. Employers identified several positive effects of
paid sick days, including improved employee productivity and morale, and more than three-quarters expressed support for the law. Further, data from the Connecticut Department of Labor show job growth across industries since the law’s implementation, including in the most affected industry – leisure and hospitality. In fact, between 2011 and 2014 Connecticut experienced a 9.1% job growth rate in the leisure and hospitality industry, outpacing the rest of the country.

**Seattle, Washington**
Date Implemented: September 1, 2012

**Who it covers:** With the exception of those workers employed by businesses with fewer than 5 employees, all private sector workers in the city have access to paid sick time. The law provided approximately 150,000 workers new access to earned sick and safe time.

**Accrual:** Workers begin to earn paid sick time immediately and can use accrued sick time 180 days after the start of employment. Accrual rates and the amount of time an employee can use per year differ based on their employer’s size. Those working for businesses with between 5 and 49 employees earn one hour of paid time for every 40 hours worked and can use up to 40 hours in a calendar year. Those working for businesses with 50-249 employees earn time at the same rate, but can use up to 56 hours in a calendar year, and those employed by businesses with 250 or more employees earn one hour of paid time for every 30 hours worked and can use up to 72 hours in a calendar year.

“I believe in paid sick and safe leave days for workers because our employees are the foundation of our business. They allow us to grow and expand. Disproportionately, the people who are affected by the lack of paid sick leave are lower-income workers -- they’re women, they’re people of color. You don’t need the added stress of feeling like you might lose your job if your child is sick.”

- Makini Howell, Owner, Plum Restaurants, Seattle, WA
Impact and Findings: Research prepared by the University of Washington for the Office of the City Auditor found that the number of firms, the number of Seattle employees, and the total wages in the city increased, and employer growth was significantly stronger in Seattle than in Bellevue, Everett and Tacoma combined in the year following the ordinance’s implementation, controlling for factors such as seasonal variation. Nearly 70 percent of employers said they experienced no administrative difficulties with implementation and 70 percent of employers said they support the law.

A small business association study released a year after the law was implemented found no evidence that the law had a negative impact on the economy. Seattle is located in King County and comprises 44 percent of the county’s workforce. In the year after the law took effect, the county saw stronger job growth and lower unemployment rates than Washington State and the nation; Seattle also experienced lower inflation through mid-2013 than in the year prior. There were 7,200 more retail jobs and 3,200 more jobs in food and drinking establishments in King County during the first seven months of 2013 than for the same period in 2012. Sales in Seattle increased during the two quarters following the ordinance’s implementation as well.

“For me, paid sick days is a non-issue since it will improve my employee retention. The cost of training that employee and replacing them is many times greater. I need people to work at their best every day. If they are sick and feel financial pressure to come into work, they are much more likely to make a mistake or potentially hurt themselves.”
- Tony Sandkamp, Owner, Sandkamp Woodworks, Jersey City, NJ
Jersey City, New Jersey
Date Implemented: January 24, 2014

Who it covers: All private sector workers are covered by this ordinance. The law provided approximately 40,000 workers new access to paid sick time.

Accrual: Workers can begin to accrue sick time on the first day of work and can use that time after 90 days. Those employed at places of business with 10 or more employees accrue one hour of paid sick time for every 30 hours worked and accrual is capped at 40 hours. All other workers receive equivalent unpaid, job-protected time.

Impact and Findings: A report issued by Rutgers’ Center for Women and Work found that one year after the law took effect, 80 percent of businesses were providing earned sick days. Most businesses (62 percent) did not need to change their policies to adhere to the law. However, businesses that did change their policies as a result of the earned sick time ordinance reported significant benefits, including a reduction in the number of sick employees coming to work, an increase in productivity, an improvement in the quality of new hires and a reduction in employee turnover. Jersey City is now one of 11 New Jersey cities that have adopted earned sick time laws.

New York, New York
Date Implemented: April 1, 2014

Who it covers: All private sector workers who work in the city are covered by this law. The law provided new access to earned sick time to approximately 1,200,000 workers.

Accrual: Workers can begin accruing time on the first day of employment and can use that time after 120 days. Workers at a place of business with five or more employees accrue one hour of paid sick time for every 30 hours worked and can accrue and use up to 40 hours per year. Workers (other than domestic workers) at a place of business with fewer than five employees earn an equivalent amount of unpaid, job-protected sick time. Domestic workers who have worked for an employer of any size for at least a year are entitled to two days of paid sick time per year.

Impact and Findings: A report by the New York Department of Consumer Affairs focused on the first-year milestones since the law’s implementation. The Department found that New York City’s economy thrived. The number of businesses in the city grew and consumer prices fell. New York City’s unemployment rate was the lowest it had been in six years, labor force participation was the highest on record and private sector employment grew 3.3
percent, adding 112,300 jobs. Job growth in the industries that historically did not provide paid sick leave including arts, entertainment and recreation, retail trade, accommodation and food services, construction and administration, support and waste services, also remained strong, rising an average of 3.1 percent.

“At Sundance Natural Foods we’re all about health - for individuals and our community. So obviously our employees have always had access to paid sick time. For a bunch of reasons: one, we all get sick once in awhile and deserve the time it takes to recover or see a doctor, two, we want healthy people handling customers’ food - they deserve that from us, and third but not at all least, when you create a great place to work, your great employees stick around and give you their best. It really works for everyone, and Eugene would be a better place for everyone if all workers here could earn paid sick days.”
- Gavin McComas, Owner, Sundance Natural Foods, Eugene, OR

CONCLUSION

As employers and employees in a growing number of jurisdictions gain experience with earned sick and safe time laws, evidence continues to demonstrate that providing access to this time has positive outcomes for businesses, local economies, and public health and individual workers. Employers have little to fear and much to gain when earned sick and safe time laws create workable standards that create positive impacts for all.


Additional details about individual earned sick and safe time statutes are available here: http://www.nationalpartnership.org/research-library/work-family/psd/paid-sick-days-statutes.pdf and in the original source documents cited below.


Ibid.


UNDERSTANDING PAID SICK TIME IN OREGON

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