UNDERSTANDING PAID SICK TIME IN OREGON
A GUIDE FOR BUSINESSES

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the MAIN STREET alliance of oregon
a big vision for small business
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Across the country, cities and states are considering proposals to establish minimum standards for paid sick time. And many have new standards already in place—ranging from Portland, Eugene, San Francisco & Seattle, to Connecticut, New York City, Washington D.C., and eight cities in New Jersey. Three states now have paid sick days laws: California, Connecticut, and Massachusetts.

Paid sick time standards guarantee workers the opportunity to earn time off to care for themselves or a sick family member when that inevitable cold or flu hits. They establish a modest floor for paid sick time as a basic work standard, like workplace safety.

Local, independent small business owners pride themselves on their close and positive connection to their communities, customers and employees. Treating customers right and treating employees like family are small business values.

In keeping with these values, many small business owners agree in principle with setting a standard for paid sick time—but have questions about how such standards work and what it would mean for their businesses.

This report examines the small business considerations of a paid sick time policy in Oregon. It combines data and analysis from a review of existing research on the costs and benefits of a paid sick time policy with insights from local small business owners.

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
Paid sick time is an issue that affects a significant proportion of workers and employers in Oregon, including small business owners and their employees. According to a 2014 survey, approximately 47 percent of Oregonians working in the private sector do not have access to any paid sick time.¹

Lack of access to earned, paid sick time disproportionately impacts low-wage, Latino, working poor families. In Oregon, 71 percent of our lowest-income workers—those earning less than $20,000/year—don’t have paid sick time, compared to just 18 percent of those earning more than $65,000/year.² Among Latino workers in Oregon, 62 percent don’t have paid sick time, the highest rate of any racial/ethnic group.³

Lack of access to paid sick time has consequences not only for workers, but also for employers and their customers. These consequences include impacts on workplace productivity, public health, and health care costs.
Paid Sick Time: Evaluating Benefits for Small Employers

Having the opportunity to earn paid sick time is clearly a benefit for workers. But offering employees this opportunity also has benefits for employers. These benefits include: protecting workplace productivity, decreasing turnover and associated costs, and reducing health care costs.

Improving health and productivity in the workplace, community and public health

The loss in productivity to the U.S. economy due to illness in the workforce has been estimated at $160 billion annually, with a major portion of this lost productivity coming from workers going to their jobs sick. When employees go to work sick, they not only fail to perform at their full potential, but they also risk infecting co-workers and further harming productivity.

The public health implications of this issue are brought into sharp focus by the finding that in Oregon approximately 83 percent of workers in food service do not have the opportunity to earn paid sick time.

When workers have the opportunity to earn paid sick time, they are more likely to stay home when they are ill, get healthy and return to work sooner, and avoid the risks of spreading illness in the workplace, including to customers.

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Improving employee retention and reducing turnover costs

The combined expenses related to employee turnover—including the exit of departing employees, search and hiring, and training phase for new hires—add up to significant costs for employers. Estimates range widely but are consistently reported in the thousands of dollars (and sometimes even above $10,000) per position. Retaining well-trained and valued employees, and thereby reducing turnover and associated costs, is a top concern for employers of all sizes.

Allowing workers to earn paid sick time provides workers with greater security, improving employee retention. Existing literature suggests that workers who earn paid sick time are less likely to leave their jobs than workers who do not, thereby reducing turnover and associated costs.
Reducing system-wide health care costs

Workers’ lack of paid sick time has implications for system-wide health care costs. A lack of paid sick time may lead to a greater reliance on emergency department visits as treatment of health concerns are delayed due to lack of access to time off work for illness and fears of job stability. Because emergency room care is much more expensive than primary care, this high level of emergency room use raises overall health care costs significantly.

Policies that promote primary care over emergency room use promise significant savings in overall health care costs. A single instance of getting treatment from a primary care physician rather than an emergency department is estimated to save $826 in health care costs. Analyzing the United States system-wide health care costs, researchers found that ensuring access to paid sick time for workers who currently do not have any could prevent an estimated 1.3 million emergency department visits per year. This could, in turn, save an estimated $1.1 billion in health care costs annually in the U.S.

Employers benefit when their employees have access to paid sick days. When sick workers are able to stay home, the spread of disease slows and workplaces are both healthier and more productive. Plus, workers who have access to paid sick time recover faster from illness and obtain timely medical care—enabling them to get back to work sooner and hold down health care costs.

In weighing the overall impact of paid sick time proposals on small employers and neighborhood economies, a number of questions come into play. These questions generally relate to concerns about cost, utilization and flexibility issues.

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Paid Sick Time: Evaluating Questions & Concerns

What will a paid sick time standard cost?

Many small business owners have practical questions about what offering paid sick time will cost their businesses. These practical questions deserve pragmatic answers based on the best available evidence. The U.S. Bureau of Labor Statistics estimated the cost of providing paid sick time at 0.9 percent of total compensation for private industry workers in the Pacific West region. This is a small cost compared to the productivity, employee retention, and health savings gains associated with paid sick time.

Cost estimates produced by some groups that oppose a paid sick time standard have included significantly higher figures. Upon closer scrutiny, the methodologies used in these studies have too often been based on unrealistic assumptions and inaccurate interpretations of the requirements of proposed standards. The costs of offering paid sick time are overshadowed by the economic gains from lower turnover costs, increased productivity, and health cost savings.

While detractors of a paid sick time proposal argue that the costs will have a negative impact on jobs, the evidence does not support this claim. Economic research on the impact of raising the minimum wage has shown that such increases do not have a negative effect on employment. Since the cost of offering paid sick time is significantly less than the typical minimum wage increase, it is reasonable to conclude that it will not have negative effects on employment.

Employers save money by allowing workers paid sick days:

- Employees who stay home when sick are more productive than employees who work while sick. In fact, “presenteeism”—when workers come to work even though they are sick—costs employers an average of $255 per employee per year.

- Offering paid sick time increases morale and reduces turnover, with huge cost savings over time. Nine out of 10 employers rarely or never need to hire replacement workers when employees need sick days.

- If all your employees utilized all of their paid sick time and you actually had to pay for replacement workers every single time (an unlikely scenario) it would increase your wage expenses by 1.9%.

  [These untold costs, however, would be off-set by reduced illness in the workplace, better worker productivity, and a quicker return to work of employees who were ill.]
How much paid sick time will employees take?

Closely related to concerns about cost is the question of how much time workers who earn paid sick days will actually use. Inflated cost estimates generally assume workers will use all accrued days. But actual utilization figures tell a different story.

Nationally, workers with access to paid sick time use an average of 2.2 days a year in small firms and 3.1 days a year in large firms. In a 2009 survey about utilization of paid sick time in San Francisco (which passed a citywide paid sick time ordinance in 2007 with up to 7 days/year of sick time), the median utilization was just three days. Furthermore, more than a quarter of workers surveyed in San Francisco did not use any paid sick days in the previous year. According to a report from the U. S. Bureau of Labor Statistics, workers participating in plans with a fixed number of paid sick days per year used an average of two or four of their sick days annually, depending on their industry.

These utilization numbers underscore an important reality: workers treat paid sick time as a form of insurance, to be saved and used when it is truly needed. Although some business people and workers can think of individual cases where employees or co-workers have misused sick time, the findings from San Francisco and across the country show that such misuse is in fact rare. Indeed, the data suggest that workers save up their paid sick time to be used when they really need it and often use quite little time in a given year.

What has happened in locales that have enacted paid sick time measures?

The experience of San Francisco, the first place in the United States to adopt a paid sick time law in 2007, is instructive in regard to employers’ views after policy implementation. While the law there was greeted with trepidation when it passed, two-thirds of San Francisco employers in a 2010 survey said they support the law. And business groups that were once skeptical now see the law differently: as the executive director of the Golden Gate Restaurant Association put it, “paid sick days is the best public policy for the least cost.”

In Connecticut, where a statewide paid sick time standard took effect on January 1, 2012, employment has increased since implementation of the law. Sectors of the state’s economy that opponents of paid sick time have claimed would be harmed have instead led job creation in the state. Educational and health services added 13,000 jobs year-over-year (4.2 percent growth) and leisure and hospitality added 3,700 jobs year-over-year (2.5 percent growth).

New business formation also accelerated in Connecticut following the implementation of the new law. The Connecticut Secretary of State’s office reports 17,133 new business starts year-to-date through July 2012, a 7.6 percent increase over the year-to-date figure through July 2011. Business closures were virtually flat compared to a year ago at 6,665 year-to-date, putting net new business creation at over 10,000 employers from January through July of 2012.

The City of Seattle’s sick time law took effect in September 2012. A Main Street Alliance of Washington report about its effects notes that Seattle’s economy showed stronger job growth and business formation in the first half of 2013 compared to the same time period in 2012. The report also finds that Seattle has maintained its share of King County businesses and revenues, including in the retail and food services sectors. Further, levels of inflation in the Seattle area have fallen, similar to national trends.
The Washington, D.C. Auditor found that the city’s 2008 sick and safe leave law “neither discouraged business owners from locating in the District nor encouraged business owners to move their businesses from the District.”

The Oregon cities of Portland and Eugene have also passed sick time ordinances. Portland’s took effect on January 1, 2014, too recently to have any usage data available. Eugene’s ordinance will not take effect until July 1, 2015. These laws will bring paid sick time to more than a quarter of a million Oregon workers.

All this experience and data confirm what many HR specialists, economists and business owners have been saying for years: paid sick time is good for workers and good for business. Paid sick time laws mean workers aren’t going to work sick and handling food, sick kids aren’t stuck in the nurse’s office because their parent can’t leave work to pick them up, and businesses are building stronger workplaces with lower turnover, higher productivity and less absenteeism.
Careful review of the evidence suggests that a flexible paid sick time standard will be a win-win policy for small employers and workers across the state.

Oregon’s local, independent small business owners want to do right by their employees and the public health of their communities. Good public policy can help them accomplish this goal. Establishing a minimum standard for earning paid sick time in Oregon is not just good policy for workers and families. It makes good business sense, too.
ENDNOTES

2 Ibid.
3 Ibid.
7 For a review of the many contributors to turnover costs, see the Center for Law and Social Policy and Center for Economic and Policy Research online turnover calculator at: http://www.cepr.net/calculators/turnover_calc.html
10 Kevin Miller, Claudia Williams, and Youngmin Yi, “Paid Sick Days and Health: Cost Savings from Reduced Emergency Department Visits,” Institute for Women’s Policy Research, November 2011.
11 Ibid.
16 Ibid.
17 Ibid.


The Main Street Alliance of Oregon is a network of over 2500 small businesses from across Oregon, over three-quarters of whom have 10 or fewer employees. We work to create opportunities for Oregon small business owners to speak out for ourselves in order to advance policies that are good for business and the communities we serve.

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