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The Costs and Benefits of Paid Sick Days

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**Before the Public Health and Human Services Committee
Philadelphia City Council,
Regarding Bill No. 080474, "Promoting Healthy Families and Workplaces"
March 1, 2011**

Honorable Committee Members,

It is an honor to return here to Pennsylvania, where I served as a Professor at Penn State for over a decade before joining the Institute for Women's Policy Research as Director of Research last year. The Keystone state will always hold a warm place in my heart.

IWPR has been conducting analyses of the costs and benefits of paid sick days legislation for almost a decade, since the issue first drew the attention of policy makers. Our research has been presented to the U.S. Congress, state legislatures, and local governments, and has contributed to the adoption of paid sick days standards in San Francisco, the District of Columbia, and Milwaukee, Wisconsin.

This is a particularly auspicious time for your committee and the city council to consider Bill 080474. The bill is patterned closely after San Francisco's Paid Sick Leave Ordinance, which passed by referendum in the November, 2006, elections, and has been in effect since 2007. Along with Vicky Lovell, who was a researcher at IWPR when the law was implemented, we recently completed an in-depth evaluation of the San Francisco experience with paid sick days, an evaluation that involved surveys of more than 700 employers, and approximately 1,200 employees. Copies of the report containing the evaluation are available on the world-wide web at www.iwpr.org and, if you provide a mailing address, I will have hard-copies sent to you.

I understand that you will be provided with testimony today from a representative of San Francisco's Office of Labor Standards Enforcement, so my remarks focus less on legal and enforcement issues, and more on the human and business effects of San Francisco's paid sick days law.

Perhaps the key finding from the study is that more than two-thirds of San Francisco employers are currently supportive of the paid sick days law. That strikes me as a very significant finding, and it is consistent with the argument that paid sick days are easy for employers to live with, for reasons I will detail.

Although knowledge of the law remains imperfect across employers and employees, the law had a significant effect: 65 percent of employers reported provision of paid sick days prior to the implementation of the law, while 82 percent report provision today, for a 17 percent increase in the provision of paid sick days.

Some San Francisco employers reported implementation difficulties, a phenomenon that affected one-third of the sample. However, we believe these difficulties were in the main relatively minor and temporary. Only 14 percent of employers reported negative profitability effects, and that figure may be declining over time.

Part of the reason paid sick days had relatively minor effects on costs is that few employers (less than 10 percent) responded by hiring replacement workers when employees utilized the law's provisions. A more common response was to ask remaining employees to pick up the slack.

The major reason the law had only a minimal impact on costs, however, lies in the way employees use paid sick days. The median employee who reported access used only 3 days in the prior year, and most employees had 9 days available. Further, 25 percent of employees with access used no paid sick days; that is, zero days in an entire year. This means that employees treat paid sick days like car insurance: valuable and important, but you hope you never need it. Given the cap on accrual in both San Francisco and Philadelphia's proposed law, this means that employers will never pay for many days the law provides, because employees only use the days when needed.

Perhaps most important for drawing a parallel between the San Francisco experience and what would likely happen in Philadelphia, the number of days used under San Francisco's law is very close to the national average for all workers with paid sick days.

For the general public, the health benefits of paid sick days legislation are well-documented, and I will not cover those benefits today, except to note that we found coverage of employees in San Francisco's Accommodation and Food Service industry rising from only 24 percent to 62 percent following implementation of the law. It is literally safer to dine out or stay at a hotel now in San Francisco than it was in the past. Philadelphia would undoubtedly enjoy these public health benefits as well following implementation of a paid sick days law.

Finally, for employees, over half of those with access reported a new benefit from San Francisco's law, particularly in terms of higher levels of support from employers for employees staying at home when they or a family member is ill. I initially found this result surprising, because the expansion of paid sick days only covered 17 percent of the workforce. What I realized later was that these employee reports simply reflect the support found today for paid sick days among San Francisco employers. They have discovered that it is simply a good way to do business.

Thank you for your time and attention.