Washington Research Council

Policy Brief

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Mandating Paid Sick Leave in Washington

Briefly

- HB 1356 would require employers statewide to provide a paid sick and safe time benefit.
- The amount of leave would be dependent on the size of the employer.
- All businesses with more than four FTEs would be affected.
- Employees could use three days of paid sick leave before having to document their illness.
- Anyone (not just employees) could sue employers for violations.
- The limited economic literature on the impacts of such mandates is inconclusive.
- Seattle employers report no change in presenteeism even with paid sick leave in place.
- Small businesses are more likely to be affected by this mandate.
- Paid sick leave is an additional labor cost that, combined with other costs, would make Washington less competitive.

The House has passed a bill (HB 1356) that would require employers statewide to provide a paid sick and safe time benefit to their workers. It is very similar to the paid sick and safe time ordinance that is in place in Seattle. The limited studies that have been conducted on the economic impacts of paid sick leave mandates are inconclusive.

HB 1356

Under the bill, all employers in Washington with more than four full-time equivalent (FTE) employees would have to provide a paid sick and safe time benefit. The benefit could be used when the worker is ill or needs to care for a sick family member, and it could be used by those dealing with domestic violence or sexual assault, or when the place of business or child's school is closed for public health reasons.

Table 1: HB 1356

Number of Employees (FTE)	Leave Accrual	Hours of Leave That May be Used in a Year	Amount That May be Carried Over
More than four and less than 50	One hour for every 40 hours worked	40 hours	40 hours
At least 50 and less than 250	One hour for every 40 hours worked	56 hours	56 hours
250 or more	One hour for every 30 hours worked	72 hours	72 hours

All employees who work more than 240 hours a year in Washington would be entitled to the benefit. The amount of the leave provided would depend on the size of the employer (see table 1). For current employees, accrual would begin Jan. 1, 2016; going forward, accrual would begin when an employee begins working. An employee would be able to use accrued leave 180 days after beginning employment.

After employees have taken three consecutive days of sick leave, their employer may require documentation. The employer must pay one-half of the cost of documentation.

The bill would exempt employees covered by a collective bargaining agreement, if its "requirements are expressly waived." Additionally, the bill includes a civil enforcement provision under which anyone—not just employees that are directly affected, but anyone "acting on behalf of the public health and welfare"—could sue an employer for violations.

Table 2: States and cities that mandate paid sick leave and their effective dates

Connecticut	Jan. 1, 2012
California	July 1, 2015
Massachusetts	July 1, 2015
San Francisco, Calif.	Feb. 5, 2007
Washington, D.C.	Nov. 13, 2008
Seattle, Wash.	Sept. 1, 2012
Long Beach, Calif.	Nov. 2012
SeaTac, Wash.	Jan. 1, 2014
Portland, Ore.	Jan. 1, 2014
Jersey City, N.J.	Jan. 24, 2014
New York City, N.Y.	April 1, 2014
Newark, N.J.	June 21, 2014
Passaic, N.J.	Jan. 3, 2015
East Orange, N.J.	Jan. 7, 2015
Paterson, N.J.	Jan. 10, 2015
Irvington, N.J.	Jan. 28, 2015
Oakland, Calif.	March 2, 2015
Montclair, N.J.	March 4, 2015
Trenton, N.J.	March 4, 2015
San Diego, Calif.	April 15, 2015
Philadelphia, Pa.	May 13, 2015
Eugene, Ore.	July 1, 2015
Tacoma, Wash.	Feb. 1, 2016

The fiscal note estimates that the bill would increase general fund–state spending by $2.3 million in 2015–17. It is so low because, in general, the state already provides more generous leave to its employees. The universities would be affected—they have many student and other employees who do not currently get paid sick leave benefits. And, as Washington State University notes, the administrative costs would be "significant" (Nichols 2015).

Impact on Employers and Employees

According to the fiscal note for HB 1356, about 2.7 million employees in the state currently work for employers who are large enough to be subject to the bill's requirements. It is unclear how many of them do not currently provide a paid sick leave benefit.

Nationally, 61 percent of workers in the private sector and 89 percent of state and local government workers have paid sick leave. Part time workers are less likely to have paid sick leave than full time workers (24 percent and 74 percent, respectively, in the private sector). And employees of smaller employers were less likely to have paid sick leave than those of larger employers (50 percent of those in companies with 1 to 49 workers had paid sick leave compared to 81 percent in companies with 500 or more employees). (BLS 2014)

Paid sick leave mandates are so new that there is a very limited economic literature on their impacts. Most of the studies that exist were conducted by supporters or opponents of the mandates, and they are often simply surveys of employers and employees. A common flaw is the inclusion of employers who already offered paid sick leave voluntarily. In such cases, results claiming that employers weren't harmed by the mandate are overstated—of course it is not difficult to comply with a mandate if you were already doing what it requires.

For example, the left-leaning Center for Economic and Policy Research conducted a survey of employers in Connecticut and found only "a modest impact on businesses in the state" (Appelbaum et al. 2014). But, as the authors acknowledge, the Connecticut law has many exemptions and "the vast bulk of the employers who are covered . . . already provided paid sick leave to some or all of their employees before the law took effect" (Appelbaum et al. 2014). Of the employers they surveyed, 88.5 percent had already offered paid sick leave. Still, 53.2 percent said that costs increased due to the law. In response to those costs, 15.5 percent increased prices, 10.6 percent reduced employee hours, and 1.0 percent reduced wages. (Appelbaum et al. 2014)

That only a small percentage of establishments reduced wages for current workers is not surprising: As a study of California's paid maternity leave law notes, "The margin for which one is most likely to observe wage and employment adjustments in response to an employer mandate is with respect to new hires, both through changes in their demographic composition and in the wages offered" (Curtis et al. 2013).

The maternity leave study adds that "employers face a cost of leave resulting from time off the job among employees taking family leave. Time off among experienced employees reduces output and/or requires added employment by others" (Curtis et al. 2013). Indeed, according to the Connecticut study, when employees call in sick, 62.2 percent of employers temporarily assigned their work to others. Another 13.7 percent said they increase other employees' overtime.

Suppose a warehouse employee in a firm that has five to 50 employees takes a paid sick day. Someone else must load and unload trucks on a schedule, otherwise shipments might be cancelled or goods might stack up. That person might be owed overtime, and additional payroll taxes would have to be paid. Mandating paid sick leave also increases the employee's effective pay rate. Assuming an employee makes $12 an hour and works 40 hours a week, 50 weeks a year, and takes the full 40 hours of paid sick leave due him, the effective pay rate for the hours he is at work is $12.24. (For a part-time employee, the effective rate would be $12.50.)

Lawrence Summers writes that when employers are required to pay for employee leave, the result is lower wages and employment (though the reduction is less than if the benefit were provided via a governmental tax) (Summers 1989). As Jonathan Gruber notes, benefits mandates may be economically efficient, but the "argument rests crucially on the ability of wages to adjust freely to reflect employee valuation of the mandated benefit" (Gruber 1994). When the government mandates certain benefits, like paid sick leave, it interferes in the compensation agreement of the employee and employer. Employees may prefer paid sick leave to wages, but they may not. If the wage floor is set artificially high by a minimum wage, there may be no room to reduce wages to get to the ideal combination. Thus, mandated benefits are another tax on business.

As noted above, smaller firms are currently less likely to offer paid sick leave than larger firms. They would thus be more impacted by a mandate. (And, the costs of paid sick leave, on top of all the other labor costs in our state, could make a business think twice about adding a fifth employee.)

Supporters of paid sick leave mandates often argue that they benefit public health and benefit employers by reducing employee turnover. A 2014 study from the Seattle Auditor's Office found that 93 percent of employers in Seattle saw no change in presenteeism (coming to work while ill) and 98 percent saw no change in employee turnover following the paid sick leave ordinance. (Romich et al. 2014) Indeed, any benefits in decreased turnover that an employer might enjoy by providing paid sick leave voluntarily would be lost if all employers are required to provide the benefit.

Comment

Ultimately, policies like mandatory paid sick leave limit the ability of employees and employers to determine what combination of wages and benefits is most desirable for both parties. They might result in a shift of compensation that would not be preferable for all employees.

A paid sick leave mandate is a labor cost that, combined with other labor costs (like the minimum wage), would likely make Washington less competitive as a place to do business.

References

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