



## **Mandating Paid Sick Leave Would Increase Labor Costs, Reduce Existing Leave Benefits, and Increase Unemployment**

**Issue:** Employers understand that employees need time off from work to address personal illness or family health issues. According to Department of Labor (DOL) data, 82 percent of private employers currently offer some form of paid sick leave.<sup>1</sup> Nevertheless, Congress and many states are considering a requirement for employers to offer paid leave programs to all full and/or part-time employees.

Congress is considering a bill that would mandate that employers with 15 employees working at-least 30 hours per week provide at-least 7 days of “paid sick leave” a year and a pro-rated amount to employees who work between 20 and 30 hours per week to take care of their medical needs or their family members, for preventive care or to take legal action or seek medical treatment for victims of domestic violence, sexual assault, or stalking. The bill would directly increase employers’ payroll costs from \$32.3 billion to \$35.3 billion annually, while only saving between \$1.6 billion and \$6.6 billion per year in lower labor turnover costs and other savings. Employers’ total net costs would increase (costs minus savings) from \$25.7 billion to \$33.7 billion annually and 299,000 to 448,500 newly covered employees would lose their jobs.<sup>2</sup>

Washington, D.C. and Milwaukee, WI passed laws mandating that employers provide paid sick leave to employees and 16 states and two additional cities (New York City, Philadelphia) have introduced similar legislation.

An employer-commissioned study found that New York City’s proposed ordinance to mandate that employers provide up to 72 hours (9 days a year) of paid sick time would directly increase employers’ costs by:

- 57 cents per employee, per hour for large employers; and
- 24 cents per employee, per hour for small employers.

**Position:** The National Business Group on Health, which represents 300 members, mostly large employers—including 58 of the Fortune 100—that provide health care coverage to over 55 million U.S. employees, retirees, and their families, opposes mandating paid sick leave. A paid sick leave mandate would raise labor costs, reduce global competitiveness, increase unemployment, jeopardize existing leave benefits, and limit employers’ flexibility to design leave benefits packages for their unique workforces.

---

<sup>1</sup> U.S. Department of Labor, Bureau of Labor Statistics, March 2006. National Compensation Survey, unpublished data.

<sup>2</sup> Rueter, Frank and Mark Wilson. Potential Economic and Employment Impacts of the Healthy Families Act of 2009: A Realistic Appraisal. John M. Olin Institute for Employment Practice and Policy. George Mason University. May 24, 2010.

**Employers' Principles for Paid Sick Leave Proposals:**

- 1) Federal paid sick leave proposals should recognize the importance of federal pre-emption of state mandated paid sick leave laws.
- 2) Employers offering paid sick leave or paid-time-off equal or more generous than federal or state mandated paid sick leave proposals should be exempt from any new requirements.
- 3) Paid sick leave proposals should not expand leave beyond "sick leave" into any additional areas not related to the health of employees and their family members. Employees should not be able to use dedicated paid sick leave for non-health related absences, including school functions, legal, or financial activities, etc.
- 4) Mandated paid sick leave proposals should be consistent with current state paid disability laws.
- 5) Employers should not be required to provide paid sick leave in any time increment of less than half a day.
- 6) Employers should not be required to permit employees to build up or carry over paid sick leave to following years, beyond a 5 day maximum.
- 7) Employees' waiting period for eligibility to accrue mandated paid sick leave should be consistent with employers' current policies for similar benefits, but no less than 90 days after the date on which they become eligible, for consistency with current policies under federal laws, including the Patient Protection and Affordable Health Care Act.
- 8) Any work requirement for federal and state mandated paid sick leave proposals should require employees to work for employers for 12 months and 1,250 hours—an average of over 24 hours per week for consistency with the Family and Medical Leave Act (FMLA).
- 9) The definition of "part-time" employees should be clear.
- 10) Employers should not be prohibited under federal or state mandated paid sick leave proposals from sharing the additional costs for administering any new paid sick leave mandate with their employees.
- 11) Employers should only be required to track the paid sick leave taken by employees for 3 years under any federal or state mandated paid sick leave proposals, in order to maintain consistency with the FMLA.
- 12) Employers with collective bargaining agreements (CBAs) should not have to change their benefits to meet a new paid sick leave mandate until the end of their current agreements. Paid sick leave proposals should allow for this type of transition period so that employers do not have to open up contracts.
- 13) Employers should be able to request and receive medical documentation for employees' specific illnesses for paid sick leave even if employees obtain certification.
- 14) Rehired employees should not have access to previously accumulated paid sick leave. If rehired employees could recoup past unused paid sick leave, the time-frame should be as short as possible. A longer time-period would encourage additional turnover, a particular problem for certain industries, retail, etc.
- 15) Employees should notify employers in advance of taking paid sick leave under the FMLA standard of 30 days when "foreseeable" or as soon as "practicable" if less than 30 days —generally either the same or next business day.

**Employers' Concerns with a Paid Sick Leave Mandate:**

**Would Increase Employers' Costs:** An analysis of a similar paid sick leave bill in Ohio found that it would have increased labor costs up to \$260.48 annually per worker.<sup>3</sup> Employers would also face additional administrative costs to manage a paid sick leave mandate. Benefit staffs at large companies are already quite small and any additional mandates would further strain limited resources.

**Could Reduce Existing Leave Benefits:** Many employers would scale back or reduce existing wages or health care or other benefits to pay for the paid sick leave mandate and associated compliance costs.

**Would Increase Unemployment:** A paid sick leave mandate adds to labor costs and could force employers to lay off employees, eliminate jobs, move more jobs offshore, keep unfilled positions open and stunt future job growth. The Ohio study found that paid sick leave would have reduced both employment and real earnings in the State over the longer term.

**Would Impact Part-Time/Seasonal Employees:** Employers would likely compensate for the increased cost of the paid sick leave mandate by eliminating part-time and temporary employees, increasing the use of contract employees without full-benefits or not filling positions if the mandate required employers to offer paid sick leave to part-time and temporary employees. A recent study found that the job losses will be distributed widely among industries and states and will fall disproportionately on young, inexperienced workers who place relatively low value on having access to paid sick leave.<sup>4</sup>

**Would Reduce Global Competitiveness:** A paid sick leave mandate would raise labor costs in the U.S., increasing the attractiveness for employers to relocate jobs in countries with lower costs where they can. A mandated benefit is at odds with global economic realities and could significantly add to employment costs at a time when U.S. industry is facing intense worldwide competition. The Ohio analysis found that a paid sick leave mandate would have made it harder for the state to attract and retain business investment and the perception the state does not have a business-friendly climate which would force employers to relocate to more business-friendly environments.

**Would Increase Workplace Disruption and Impact Productivity:** Some proposals in Congress would allow employees to take leave by the hour or in the smallest increment of time available under employers' payroll systems, which for many employers is six minutes or less. Experience with this provision under the FMLA has shown that taking leave in such small increments invites unscheduled absences, tardiness and misuse of leave. When employees take leave in such small increments, employers cannot hire temporary employees to fill in for such short periods. Productivity would suffer as

---

<sup>3</sup> Cleveland State University. The Likely Impact of Mandated Paid Sick and Family-Care Leave on the Economy and Economic Development Prospects of the State of Ohio: Executive Summary. September 26, 2008.

<sup>4</sup> Rueter, Frank and Mark Wilson. Potential Economic and Employment Impacts of the Healthy Families Act of 2009: A Realistic Appraisal. John M. Olin Institute for Employment Practice and Policy. George Mason University. May 24, 2010.

## NATIONAL BUSINESS GROUP ON HEALTH

employers cover absent employees' workload by reallocating the work to other employees or the work goes undone. Permitting sick leave in small increments of time would be particularly harmful for industries that can not easily cope with employees' absences such as the transportation industry, emergency service providers, hospitals, emergency rooms and assembly lines. The Ohio analysis found that the paid sick leave mandate would have significantly increased operating risks, especially for manufacturers and others with interdependent team-based operations.

**Would Reduce Employer Flexibility:** Mandating paid sick leave would reduce employers' flexibility to create benefit plans that take into account their economic position and the particular needs of their workforce, creating a one-size-fits-all approach. Some proposals would require employers to add additional paid sick leave days onto existing leave benefits they already voluntarily provide and employers not currently offering paid sick leave would have to add it.

**Would Disproportionately Impact Small Employers:** Some proposals would require employers with as few as 15 employees to offer paid sick leave, which could cause many small businesses to close or lay off some employees if they cannot pass the costs on to consumers. Small employers have less revenue to offset cost increases from any new benefits mandate and fewer staff to cover for absent employees. The Ohio analysis found that a paid sick leave mandate would have been particularly burdensome, disruptive, and harmful to the state's small- and mid-sized manufacturers.