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Balancing Work and Family: The Economic Effects of Earned Paid Sick Time

Many workers are responsible for caring for a family. They face daily challenges of being both good parents and hard-working, effective employees. In recent decades, more and more children are growing up in families where all the adults work. Yet, some of our employment policies do not reflect this modern reality. This brief examines challenges faced by working families and the role that earned paid sick time can play in helping families meet those challenges. It also describes the effect of such laws on businesses and the broader economy.

Balancing Work and Family

Nearly all workers experience family illness, personal health issues, or the need to care for a sick child. Yet, many workers, particularly low-wage workers, lack family-friendly protections like earned paid sick time, which requires employers to offer earned paid time off in order to address a health issue. (See [Earned Paid Sick Time – Frequently Asked Questions](#))

Changes in the U.S. labor force have increased the need for family-friendly policies because time available for caregiving has decreased. For instance, women have entered the labor force in growing numbers and families find themselves relying on more than one wage earner to get by.¹ In fact, fewer children are living in households where there is a nonworking parent – a decline from 64 to 34 percent between 1967 and 2009.² Combined with growing child care concerns, many workers have elder care responsibilities.³ The number of households with both kids under 18 and adults over 64 continue to rise.⁴ This trend will likely increase as millions of baby boomers enter retirement.⁵

Economic Effects of Earned Paid Sick Time on Families

About 1 in 3 workers in Massachusetts do not have access to earned paid sick time.⁶ This lack of protection can lead to job loss and delayed career advancement.⁷ For many individuals, the early years of careers coincide with the years in which they start their families, when family responsibilities are often the most demanding.⁸ This is particularly significant for low-income working women, since they are often the primary caregiver, and have fewer resources to help manage work and family.

In order to better address the struggle of balancing work and family and level the employment playing field, several cities and states have recently passed earned paid sick time laws and many more are

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considering these proposals. Earned paid sick time gives employees the right to earn paid time off in order to address pressing health issues. These policies have been found to support workers in a few important ways:

- **Allows families to meet basic needs.** Many families living paycheck to paycheck rely on a tight family budget to make ends meet. When a worker, particularly a low-wage worker, or their child, becomes ill and has to take time off, lost wages can become a critical shortfall in that budget. For example, 3.5 days of lost pay is equivalent to an average low-income family's monthly grocery budget.⁹
- **Increases long-term employment and earnings prospects.** Workers who do not earn sick time are at risk of losing their jobs when they need to care for themselves or their family members, which imposes costs to their long-term economic stability.¹⁰ The added economic security provided by earned paid sick time is especially important in an economy where long-term unemployment rates are still stubbornly high.¹¹ As of July 2014, the average duration of unemployment was about 31 weeks.¹²
- **Prevents unnecessary health care expenses.** Without access to earned paid sick time, families are more likely to send their child to school sick and/or seek medical treatment at an emergency room because they could not get the time off during normal business hours, when most doctors' offices are open.¹³ Providing earned paid sick time can reduce emergency room visits and other medical expenses since it makes it easier for families to get primary and preventive care.¹⁴ Also, it can prevent the costs of delaying health services, such as from untreated illnesses, and future costs associated with long-term illnesses.¹⁵ In Connecticut, which has a statewide earned paid sick time law, nearly 20 percent of employers reported that they had fewer sick employees show up to work and saw about a 15 percent reduction in the spread of illnesses as a result of the law.¹⁶

Economic Effects of Earned Paid Sick Time on the Economy

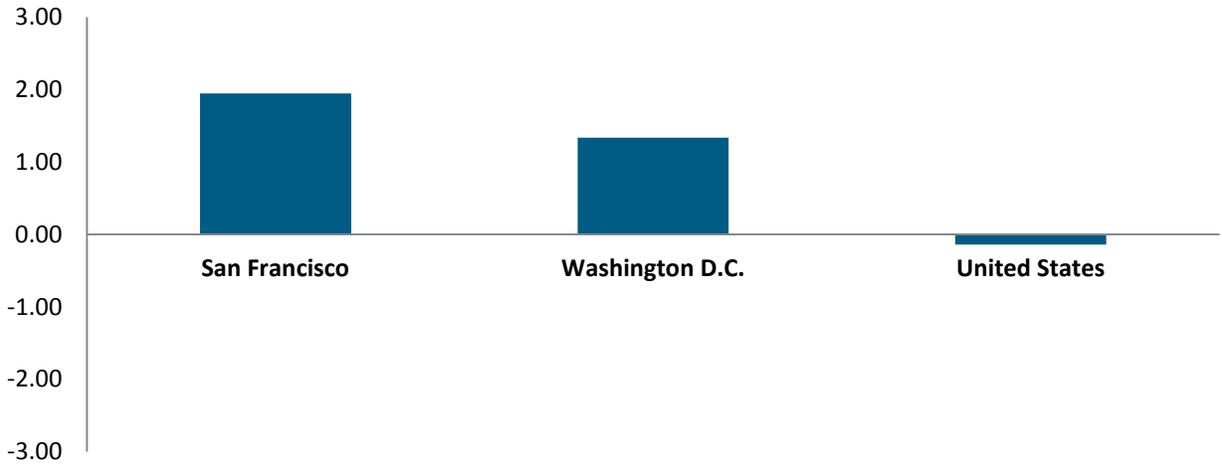
In addition to working families, businesses are important stakeholders in the earned paid sick time debate. Some opponents of earned paid sick time express concerns that such laws could have negative economic effects. One way to examine those issues is to look at data from two cities, San Francisco and Washington D.C., which have the longest standing earned paid sick time laws in the country (San Francisco in 2007, and D.C. in 2008). The following graphs look at general economic trends and do not prove causation. We also do not control for other factors, such as barriers to enforcement and compliance. However, if there were significant negative effects, it is likely that they would have shown up in the following data.

Effects on Wages

The data from San Francisco and D.C. do not suggest that earned paid sick time policies adversely affect wage growth. Overall wage growth has been stronger in San Francisco and Washington D.C. than in the U.S. since these laws have passed.

No Evidence of Adverse Effects on Wage Growth in Cities with Earned Paid Sick Time

Total average percentage change (inflation adjusted) in wages and salaries, 2008-2012. Wages and salaries consist of the monetary remuneration of employees, including corporate officers salaries and bonuses, commissions, pay-in-kind, incentive payments, and tips.



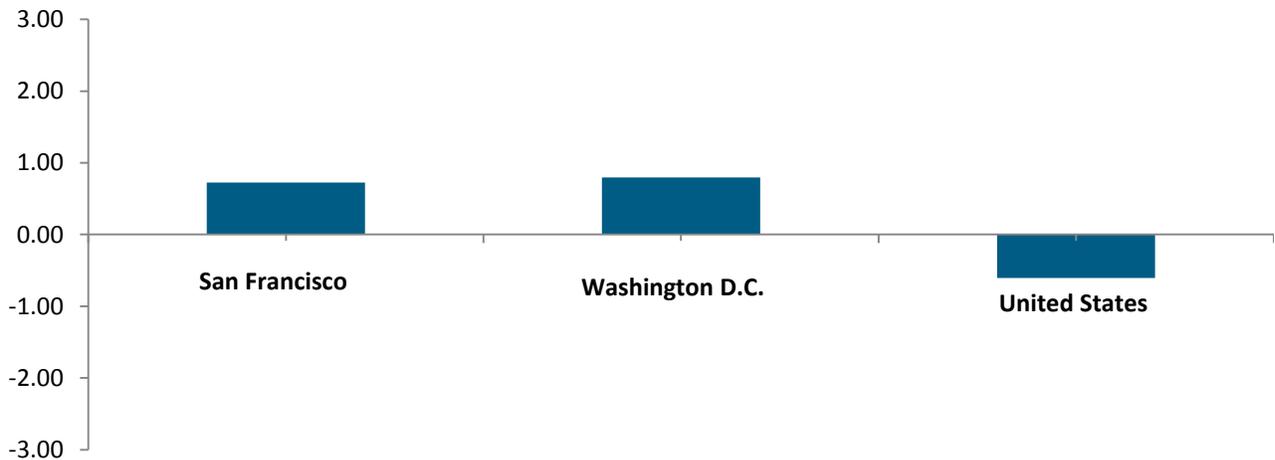
Source: [Bureau of Economic Analysis, Regional Economic Accounts, CA34 wage and salary summary](#)

Effects on Jobs

Similarly, we find no overwhelming evidence of adverse effects on job growth in cities with earned paid sick time. Specifically, San Francisco and Washington D.C. are currently experiencing faster job growth as compared to the U.S. On the whole, cities with earned paid sick time policies have higher job growth, compared to surrounding counties.¹⁷

No Evidence of Adverse Effects on Job Growth in Cities with Earned Paid Sick Time

Total average percentage change of the annual number of wage and employment of full-time and part-time jobs in each area by place of work, 2008-2012. Full and part-time jobs are counted with equal weight.



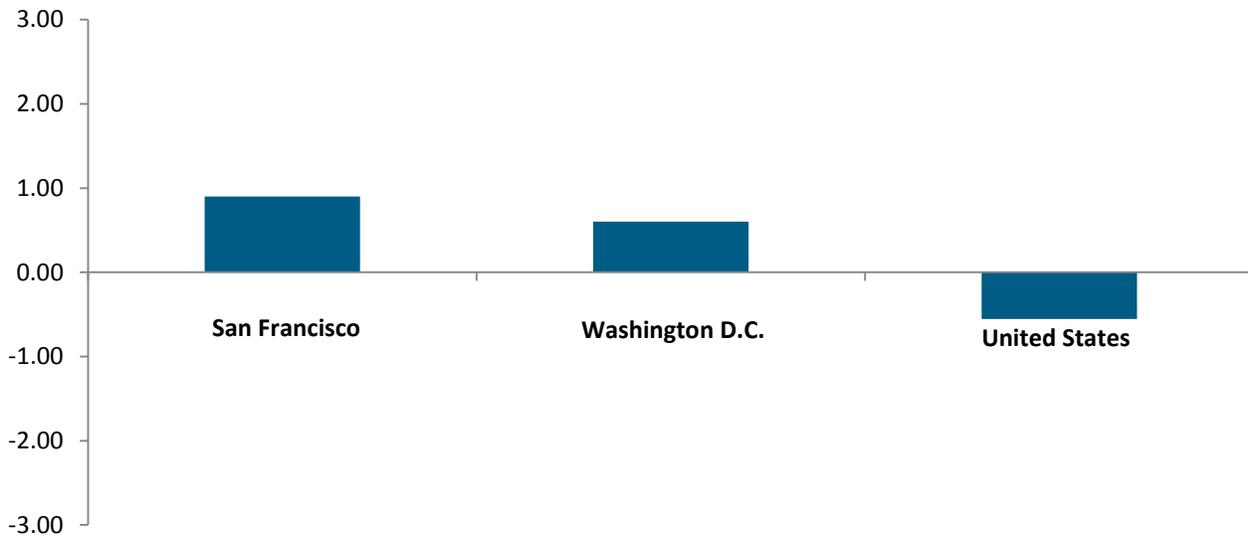
Source: [Bureau of Economic Analysis, Regional Economic Accounts, CA34 wage and salary summary](#)

Effects on New Business Establishments

Additionally, we find no overwhelming evidence that earned paid sick time laws have discouraged the formation of new business establishments. San Francisco and Washington D.C. has experienced higher business growth between 2008-2012 as compared to the U.S. In fact, San Francisco County has had more growth than its neighboring counties, particularly in the industries that were previously least likely to offer earned paid sick time, such as retail and food service.¹⁸ Similarly, a 2013 audit of Washington D.C.’s earned paid sick law found no evidence that the law discouraged owners from establishing new businesses.¹⁹

No Evidence of Adverse Effects on Business Growth in Cities with Earned Paid Sick Time

Total average percentage change of annual number of total establishments, 2008-2012. An establishment is a single physical location where business is conducted or industrial operations are performed.



Source: [U.S. Census Bureau, County Business Patterns, Total Establishments, 2008-2012](https://www.census.gov/data/tables/2012/cb/cb12-01.html)

Costs and Savings for Businesses

There are some costs and savings associated with earned paid sick time policies. Specifically, providing earned paid sick time to employees who do not have this benefit will likely increase compensation costs for employers. In 2013, the cost of earned paid sick time for all businesses in the U.S. averaged 0.9 percent of total employee compensation for both the U.S. and New England.²⁰ For restaurants and other service companies, where low-wage jobs are concentrated, the average cost was even lower -- 0.5 percent. This low percentage is likely due to some employers not providing earned paid sick time.²¹ However, employers from San Francisco and Washington D.C., which both have earned paid sick time laws, report that costs are minimal.²² Specifically, the majority of small businesses in San Francisco surveyed reported that they did not make any changes following implementation. Similarly, businesses in Seattle, which implemented its own citywide earned paid sick law in 2012, found costs to be modest and smaller than expected.²³

Earned paid sick time can lead to healthier workplaces, reduced turnover, and more satisfied and productive workers, all of which translate to better bottom lines.²⁴ For instance, the costs of replacing an employee earning \$30,000 or less (more than half of the U.S. workforce) are on average 16 percent of their salary.²⁵ Overall, when workers feel supported by their companies, they are happier with their jobs, more loyal to their employers, and have a bigger commitment to their company's success.²⁶

Additionally, evidence shows that most workers use sick leave only when necessary. For example, a majority of employers (86 percent) surveyed in Connecticut, where there is a statewide earned paid sick leave law, reported no known cases of abuse and found that most workers did not use the entire lot of sick days earned.²⁷ Employers in San Francisco and Seattle reported similar findings.²⁸ Workers who have access to earned paid sick time use about 4 days per year for illness and about 1.3 days to care for sick family members.²⁹ However, workers vary in their need for paid sick time. Half of workers with access to earned paid sick time do not use a single day, whereas others need about a week, in some years.³⁰

Finally, research finds that employees without earned paid sick time are more likely to come to work ill, which increases the risk of accidents, spreading illness to co-workers, driving up health care insurance costs, and decreasing productivity overall, all of which cost employers money.³¹ In fact, the cost of people coming into work sick in the U.S. is estimated at \$160 billion each year.³²

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