



Mandating Paid Sick Leave Would Increase 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.¹ Nevertheless, Congress and many states are considering a requirement for employers to offer paid leave programs to all full and/or part-time employees.

Last year, Congress considered a bill that would have mandated 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. Congress plans to consider similar legislation this year.

Recently, Washington, D.C. and Milwaukee, WI passed laws mandating that employers provide paid sick leave to employees and a dozen states have introduced similar legislation.

Position: The National Business Group on Health (Business Group), which represents 300 members, mostly large employers—including 64 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.

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.² Employers would also face additional administrative costs to manage a paid sick leave mandate.

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.

¹ U.S. Department of Labor, Bureau of Labor Statistics, March 2006, National Compensation Survey, unpublished data.

² 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.

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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.

Would Reduce Global Competitiveness: A paid 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 Family and Medical Leave Act (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 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 business' 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.