



Employment Policies INSTITUTE

Paid Sick Leave in Seattle: Examining the Impact on the Service Industry

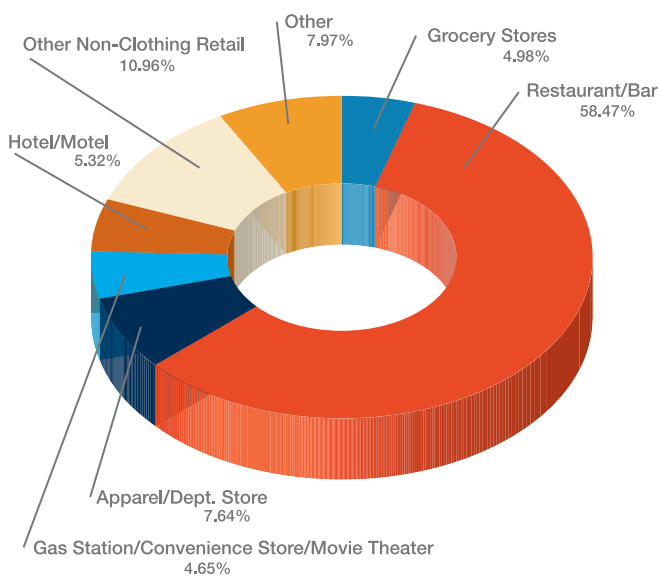
In September 2012, Seattle became the fourth U.S. city to require employers to provide paid leave to their employees as a condition of doing business in the city. Proponents described the mandate as a benefit for both employers and employees—but business owners themselves weren't so sure. In particular, employers were concerned that the added cost and reduced flexibility associated with the new mandate could have an adverse effect on their business and employees.

These concerns were not unfounded. Following passage of San Francisco's paid leave mandate, for instance, a survey of employees in the city by the Institute for Women's Policy Research found that nearly 30 percent of the lowest-wage employees reported layoffs or reduced

More recently, an Employment Policies Institute (EPI) report on Connecticut's first-in-the-nation statewide paid leave mandate found that some employers had been forced to reduce hours, wages, and even jobs in response to the law.

To determine whether similar consequences occurred in Seattle, EPI engaged a survey research firm to poll roughly 300 businesses in the city about their experiences with the law. In order to focus on businesses more likely to be newly providing paid leave to their employees, EPI limited the scope of its survey to service industry employers, with a specific focus on the restaurant industry.

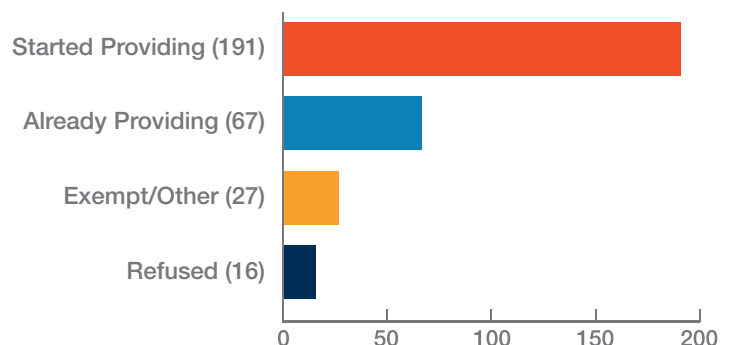
Survey Respondents Categorized by Industry



Survey Results

Of the 301 service-industry businesses surveyed, 191 of them—or nearly two-thirds—had started providing paid sick leave to comply with the law. Another 67 businesses already provided the benefit. (Note that the law in Seattle exempts businesses with fewer than five employees.) In order to measure the effect of the law on newly-affected businesses, the following results cover just those employers who started providing leave.

Respondents Providing Paid Leave in Seattle

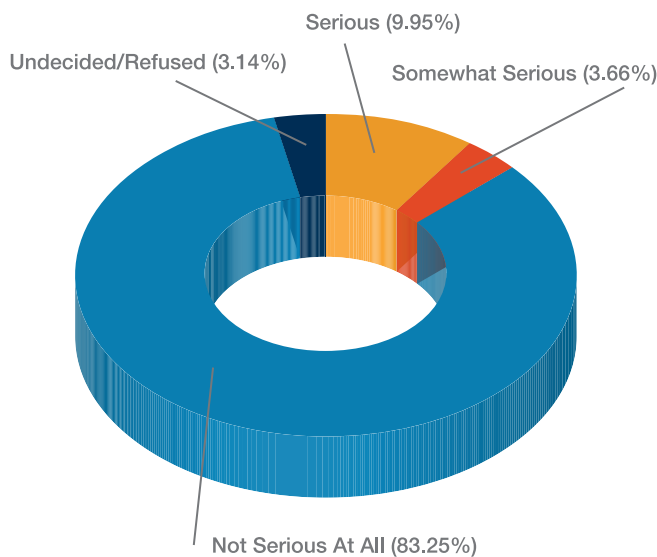


hours at their place of work. A separate survey by the Urban Institute found that some city employers had scaled back on employee bonuses, vacation time, and part-time help to adapt to the law's costs.

Sickness in the Workplace

The rationale for mandating paid leave in Seattle was the claim by proponents that employees were being forced to work while sick—endangering themselves, their co-workers, and the general public in the process. However, survey results suggest that these claims were overstated. Among businesses that started providing leave, 83 percent—or more than 8 in 10 businesses—said that sickness in the workplace was “not serious at all” prior to the law taking effect. Just 10 percent described it as a serious problem.

How Serious of a Problem Was Sickness in the Workplace

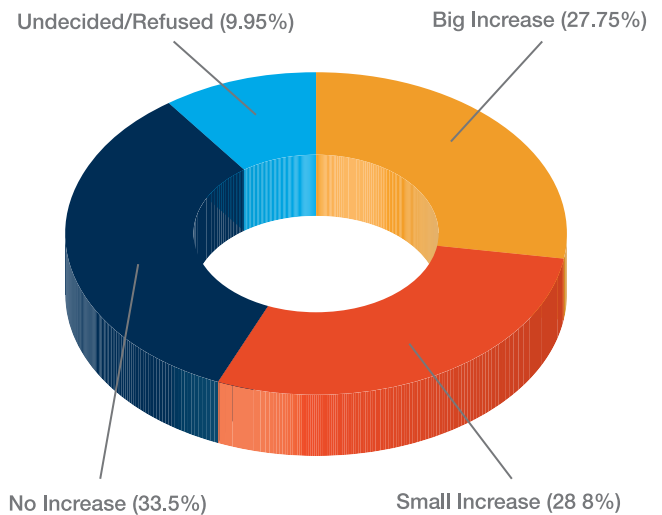


Business Costs & Benefits

One of the most-debated questions regarding mandated leave in Seattle was what the cost would be to businesses. Even proponents acknowledged that the law would cost businesses, but they claimed that the benefits of the law (such as a reduction in employee turnover) could outweigh the costs.

The data does not bear out this assertion. Among those service-industry businesses that started providing leave to comply with the law, roughly 56 percent said it would increase their cost of doing business in Seattle. More than one in four said it would cause a big increase in their business costs.

How Much the Paid Leave Law Will Increase Business Costs



It's not a surprising result: The promised reduction in turnover has always been a theoretical rather than an actual benefit of these laws. In San Francisco, for instance, an Urban Institute survey found few employers reporting a reduction in turnover as a benefit of the law. One business owner pointed out the obvious: If everyone is required to provide the benefit of paid leave, then there is no incentive for an employee to stay with one employer over another.

Employers in Seattle anticipated a similar result: Two-thirds of those who started providing paid leave said that they did not anticipate the law would reduce turnover in their workplace. One-third of surveyed Seattle businesses also anticipated that the law would increase unscheduled absences in the workplace that may not be connected to an illness.

Reactions to the Law's Costs

EPI's earlier report on Connecticut's experience with a paid leave mandate demonstrated that employers react to a paid leave mandate in different ways. While some raised prices on customers, others sought to increase the cost of (or scale back on the generosity of) employee benefits. Still other employers had reduced employee hours and even jobs.

Similarly in Seattle, employers have so far had a range of reactions to the law's costs.

- 15.7 percent of employers raised prices in response to the new law.
- 18.3 percent of employers reduced hours and staff in response to the new law.
- 17.3 percent of employers either increased the cost to employees of their current benefits, or eliminated the benefits they used to offer.

Across all 191 employers surveyed, 37—or about 1 in 5—reported taking at least one cost-cutting (or revenue-raising) action in response to the city’s paid leave law.

Conclusions

Seattle’s paid leave law has been in effect for less than a year, and more time is needed before a final verdict can be rendered on its effect on the business community. However, this survey makes clear that the positive claims of the law’s proponents during the campaign for its passage were exaggerated at best. The consequences in Seattle, San Francisco, Connecticut, and elsewhere should be study closely by future states and cities considering these mandates.

References

Shelly Waters Boots, Karin Martinson, and Anna Danziger. “Employers’ Perspectives on San Francisco’s Paid Sick Leave Policy.” The Urban Institute. March 2009.

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Marilyn Watkins. “Evaluating Paid Sick Leave: Social, Economic, and Health Implications for Seattle.” Economic Opportunity Institute. May 2011.

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Michael Saltsman. “Paid Sick Leave in Connecticut” Employment and Policies Institute. February 2013.

Methodology

Employers were categorized via a list of Census Bureau Standard Industrial Classification codes covering most service-industry businesses in the city of Seattle. EPI

contracted with Connection Strategy for assistance in purchasing business lists and contacting these businesses via telephone. 301 employers were surveyed in total, and the company owner or manager was contacted at each location.

Survey Questions

Q1. Seattle’s paid sick leave law, which took effect last September, mandated that companies with five or more full-time equivalent employees not already offering paid sick leave start doing so. Have you started providing paid sick leave for any of your employees to comply with the new law, or did you already offer a paid sick leave policy previously?

1. Started providing
2. Already Provided
3. Exempt / Other
4. Undecided/Refused

Q2. Would you say that this paid leave law will cause a big increase in your business costs, a small increase, or no increase?

1. Big Increase
2. Small Increase
3. No Increase
4. Undecided/Refused

Q3. The paid leave law was passed with the intention of reducing the number of sick employees in the workplace. How serious of a problem was this at your company prior to the law taking effect?

1. Serious
2. Somewhat Serious
3. Not At All Serious
4. Undecided/Refused

Q4. Do you anticipate the new law will decrease employee turnover in your workplace?


1. Yes
2. No
3. Undecided/Refused

Q5. Do you anticipate the new law will increase unscheduled employee absences in your workplace?

1. Yes
2. No
3. Undecided/Refused

Q6. Have you increased your prices to offset the cost of the law?

1. Yes
2. No
3. Undecided/Refused



Q7. Have you reduced hours, staffing levels, or otherwise trimmed back your workforce to offset the cost of the law?

1. Yes
2. No
3. Undecided/Refused

Q8. Have you increased the cost of current employee benefits, or eliminated any employee benefits that you used to offer, to offset the cost of the law?

1. Yes
2. No
3. Undecided/Refused

Q9. Finally, what category best describes your business?

1. Grocery Store
2. Restaurant or Bar
3. Apparel / Department Store
4. Other non-clothing retail
5. Gas Station
6. Convenience / Drug Store
7. Hotel / Motel
8. Movie Theater
9. Bowling Center
10. Other
11. Undecided/Refused

The Employment Policies Institute is a non-profit research organization dedicated to studying public policy issues surrounding employment growth. In particular, EPI focuses on issues that affect entry-level employment.