

GOOD FOR BUSINESS?

CONNECTICUT'S PAID SICK LEAVE LAW

Eileen Appelbaum, Ruth Milkman,
Luke Elliott and Teresa Kroeger

Background

- On July 1, 2011, Connecticut became the first state to pass earned paid sick leave legislation, which took effect January 1, 2012.
- A year and a half later, in the summer of 2013, we surveyed 251 Connecticut employers covered by the new law to explore its impact.
- We also conducted on-site interviews with managers (a convenience sample of 15 organizations) in the summer and fall of 2013, to learn how the new law has played out on the ground.

Key Findings

- Impact on Connecticut businesses has been modest, contrary to the fears expressed before the law passed.
- Carve-outs in the law's coverage (excludes manufacturing, nationally chartered nonprofits, and employers with less than 50 workers) to only specified service occupations are one reason for the limited impact.
- Most of the covered firms already offered paid sick leave to some or all of their employees before the new law took effect.
- Biggest impact has been for part-time workers, and in industries like retail; hospitality; health, education and social services.

Key Findings, continued

- Most employers reported a “modest impact” or “no impact” of the law on their costs or business operations
- Few employers reported abuse of the law, and many noted positive benefits, like improved morale and reduction in the spread of illness in the workplace
- Most reported that the administrative burden was minimal
- A year and a half after its implementation, over three-fourths of employers expressed support for the law

What Connecticut's Law Provides

- Covered workers earn up to 5 days of paid sick days per year, accruing 1 hour of leave for every 40 hours worked
- Can draw on the benefit after 680 hours of employment
- Can be used for wage replacement for absences due to:
 - Employee's own illness, injury, or health condition
 - A spouse or child's illness, injury, or health condition
 - Medical appointments
 - Remedies for victims of family violence or sexual assault
- Prohibits discrimination or retaliation against employees who request or use paid sick leave - this prevents employers from disciplining employees for using paid sick days

Who is and is not covered

- Among Connecticut's 1.7 million employed workers, between 200,000 and 400,000 are covered (estimates vary)
- Many employers are exempt from the law
 - All manufacturers are exempt
 - Any organization with fewer than 50 workers is exempt
 - Most nationally-chartered nonprofits are exempt
 - Per diem and temporary workers are excluded
- The law covers full and part-time workers in a wide range of service occupations in sectors like hospitality; retail; and health, education, and social services

Our Research

- Telephone survey of 251 covered employers
 - Conducted between June and September 2013
 - Dun and Bradstreet sample, stratified by employer size (oversampling large establishments):
 - Three strata: 50-99, 100-249, and 250+ employees
 - 36% response rate
- On-site interviews with managers
 - Convenience sample of 15 covered organizations in the state, visited during the summer and fall of 2013

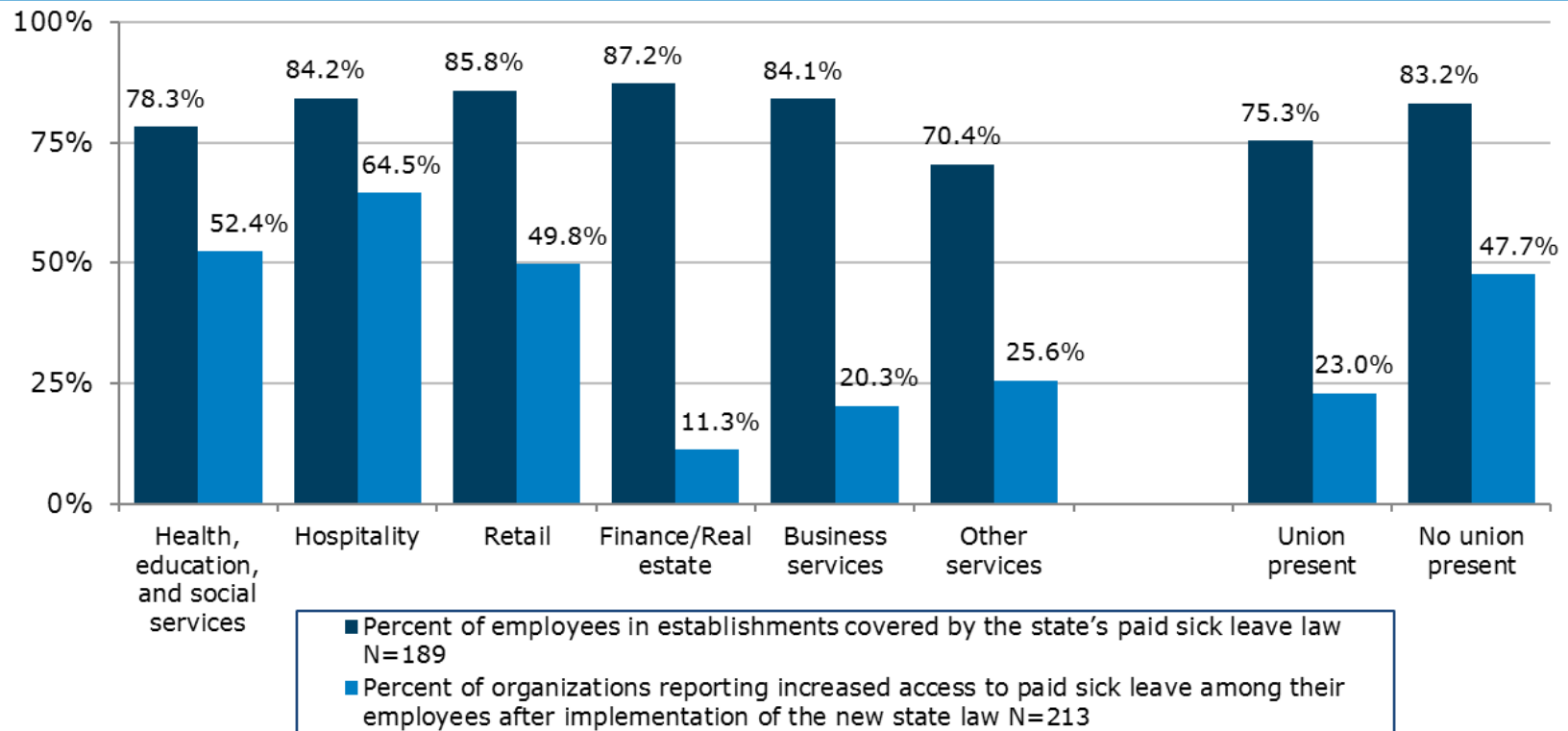
Survey Findings: Coverage before and after the law's passage

- 88.5% of employers surveyed offered at least 5 paid sick days to some or all of their employees prior to the passage of the new law.
- By mid-2013, that figure rose to 93.7%
- Among unionized employers and nonprofits, the impact was even more modest, since 96.2% and 96.9%, respectively, had provided at least 5 days prior to the law's passage
- The average number of paid sick days offered to workers rose from 6.9 days before passage to 7.7 days in mid-2013

Main impact was on hospitality, retail, and health/education/social services; and on non-union establishments

FIGURE 1

Employee access to paid sick leave, by industry, Connecticut, 2013



Source: Authors' survey. Data are weighted to be representative of the distribution of Connecticut employers by establishment size.

Much variation in number of paid sick days offered

- Unionized employers and non-profits offer the greatest number of paid sick days, on average
- The only statistically significant changes in the number of days offered ($P=.07$) from before the law took effect to mid-2013 was in for-profit firms (when compared to non-profits), average number of days offered rose from 5.2 to 6.5 days
- The next slide shows the variation in days offered (after the law was in effect) in more detail

TABLE 4

Availability of paid sick days by establishment characteristics, Connecticut, 2013

Establishment characteristics	Average number of days	Median number of days
All establishments	7.7	5
<i>(a) Sector</i>		
Health, education, and social services	8.2	6
Hospitality	6.2	5
Retail	6.2**	5
Finance/Real estate	11.1	8
Business services	9.7	6
Other services	11.7	5
<i>(b) Size of establishment</i>		
50-99 employees	8.3	5
100-249 employees	7.1	5
250+ employees	7.1	6
<i>(c) Profit/nonprofit status</i>		
For-profit firms	6.5	5
Non-profit organizations	12.5***	9
<i>(d) Union status</i>		
Union present	12.3**	6
No union	7.3	5

Source: Authors' survey. Data are weighted to be representative of the distribution of Connecticut employers by establishment size. N=218.

* P < .10; ** P < .05;*** P<0.01

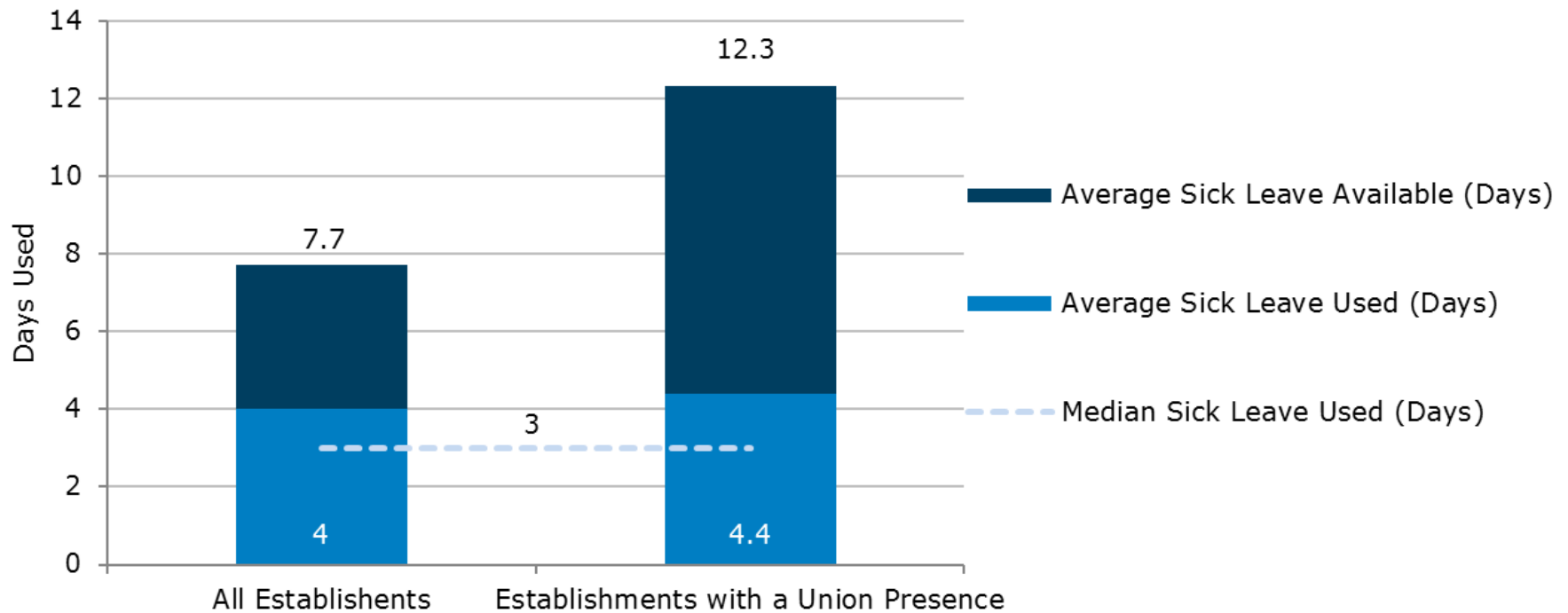
Workers Treat Paid Sick Leave like a Form of Insurance

- About one-third of employers surveyed reported increased use of paid sick leave after the law took effect.
- However, employers reported that, on average, a third of their employees had not drawn on the paid sick leave available to them over the previous 12 months
- Those employees who did use it rarely used the entire allocation available to them - on average, they used just over half the average number of days available to them

Most workers used less paid sick leave than was available to them

FIGURE 2

Employee use of paid sick leave, in days, Connecticut, 2013



Source: Authors' survey. Data are weighted to be representative of the distribution of Connecticut employers by establishment size. N=182.

Business Concerns before the Law

- Employers expressed concern about:
 - Potential abuse
 - The cost of covering the work
 - The cost of the benefit
- Job-killer: “It’s legislation like this that causes businesses to flee this state.”

Our findings suggest these fears have not materialized

- Very little abuse reported.
- Most covered employers already offered paid sick days to some or all of their employees, so costs have been minimal.
- Since it took effect, Connecticut employment has risen in sectors covered by the law, and fallen in the exempted manufacturing sector.
- Main beneficiaries have been part-time workers in large companies in industries like retail and hospitality.
- Most workers do not use all the days available.

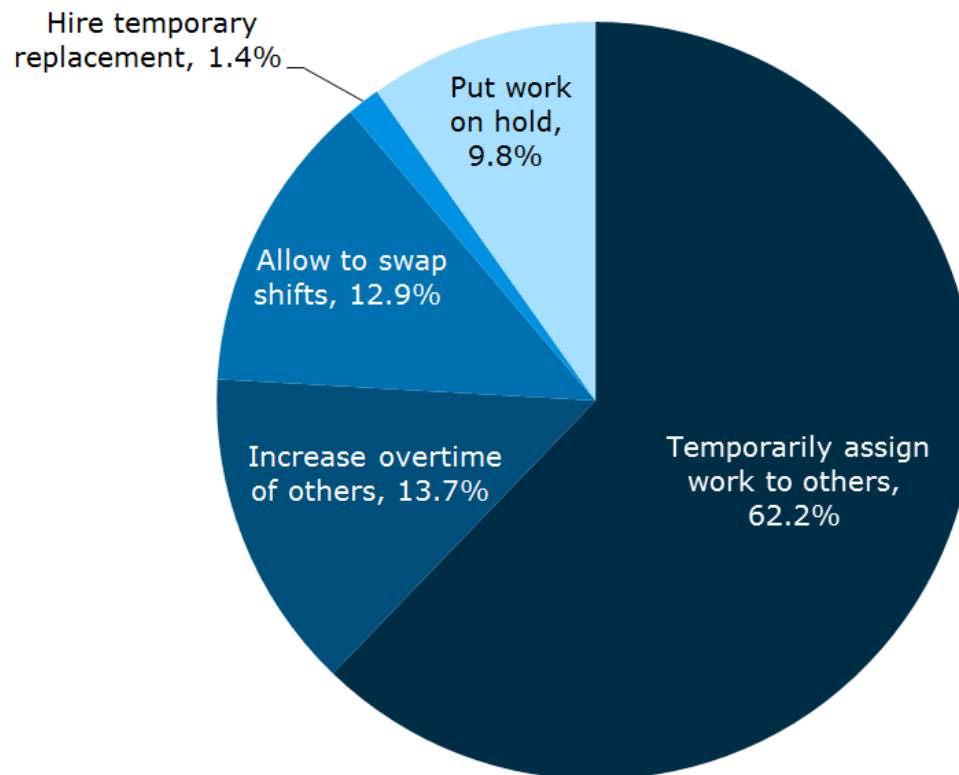
Reported abuse of Paid Sick Leave was minimal

- 86 percent of employers reported no known cases of abuse in the previous 12 months
- 6 percent reported 1-3 cases over that period
- In field interviews, some managers commented that the level of abuse was low and had not changed at all as a result of the law's implementation

Most Employers Cover the Work of Absent Employees at no cost

FIGURE 3

Main method of covering work of absent non-exempt employees, Connecticut 2013

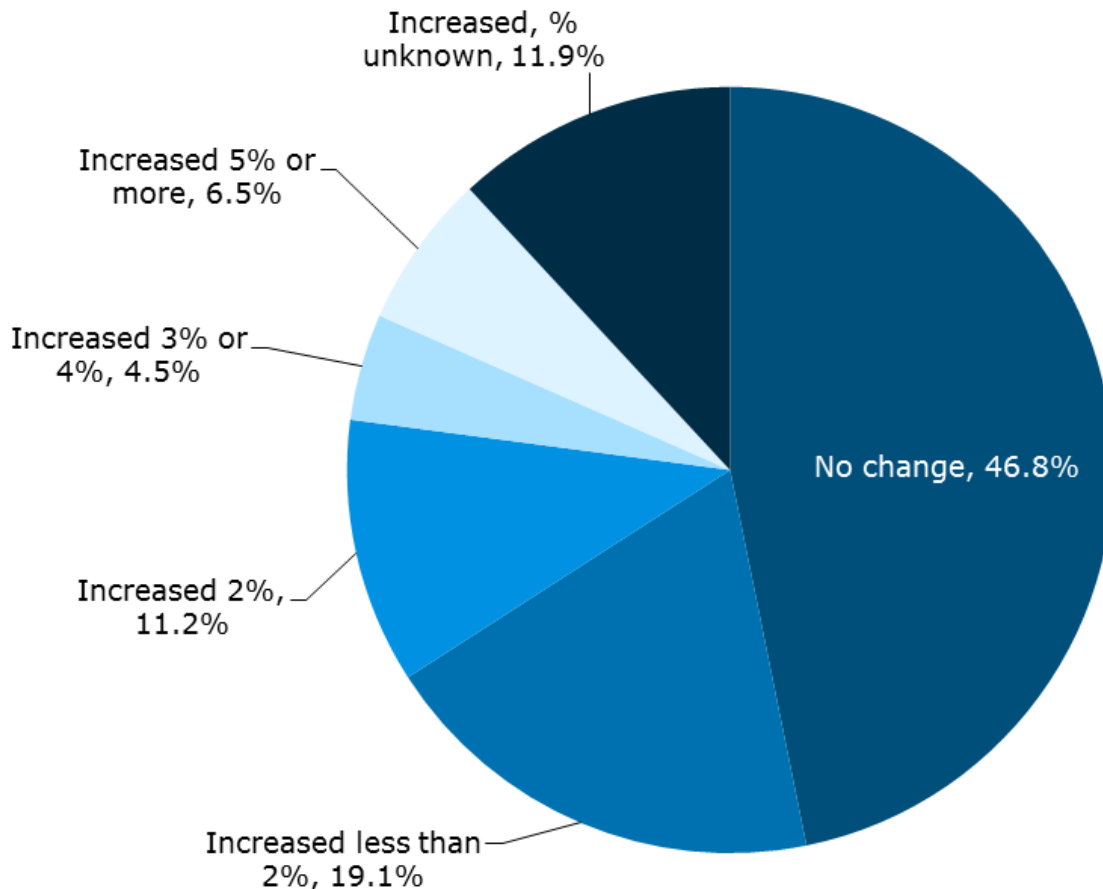


Source: Authors' survey. Data are weighted to be representative of the distribution of Connecticut employers by establishment size. N=228

Most report no effects or modest effects on their bottom line:

FIGURE 4

Change in costs due to paid sick leave law, Connecticut 2013



Source: Authors' survey. Data are weighted to be representative of the distribution of Connecticut employers by establishment size. N=227

Variations in cost impact

- Cost impact was greatest for those with large numbers of part-time workers – the main beneficiaries of the law
- Unionized employers were half as likely to report a cost increase as those with no union presence, because most of the unionized employers already offered extensive paid sick leave.

Few changes in business practices resulted from the new law

TABLE 9

Change in business practices due to cost increases from paid sick leave law, Connecticut, 2013

(percent of establishments)

Reduced wages	1.0%
Reduced employee hours	10.6%
Increased prices	15.5%
Reduced operating hours	3.4%
Reduced quality of service	1.3%

Source: Authors' survey. Data are weighted to be representative of the distribution of Connecticut employers by establishment size. N=240.

Record-keeping was reported as minimally burdensome

TABLE 12

Paid Sick Leave Recordkeeping, Connecticut, 2013
(percent of establishments)

Recordkeeping	Percent
(a) <i>Method of recording costs</i> (N=225)	
Tracked separately	28.6%
Included with other benefits costs	65.3%
Not tracked	6.1%
(b) <i>Difficulty of recordkeeping</i> (N=243)	
Very easy	26.9%
Somewhat easy	33.1%
Somewhat difficult	25.5%
Very difficult	14.4%

Source: Authors' survey. Data are weighted to be representative of the distribution of Connecticut employers by establishment size.

Most of those who did report cost increases had many part-time workers

TABLE 10

Establishments reporting cost changes for Paid Sick Leave law by percent female, percent part-time, percent non-exempt, Connecticut, 2013
(percent of establishments)

	Percent of establishments whose costs increased
All establishments (N=227)	53.2%
<i>Percent female</i> (N=210)	
25% or less	39.7%
26-50%	48.3%
51-75%	54.2%
76% or more	62.9%
<i>Percent part-time</i> (N=226)	
25% or less	27.3%
26-50%	70.2%***
51-75%	69.7%***
76% or more	81.5%***
<i>Percent non-exempt</i> (N=212)	
25% or less	23.7%
26-50%	27.7%
51-75%	21.3%
76% or more	68.4%***

Source: Authors' survey. All data shown are weighted to be representative of the distribution of Connecticut employers by establishment size. *** P<0.01

Employers reported many positive effects of the new law

TABLE 11

Employer-reported effects of paid sick leave law, Connecticut, 2013

Reduced employee turnover	3.3%	(N=236)
Reduced number of employees who come to work sick	18.8%	(N=230)
Reduced spread of illness	14.8%	(N=211)
Increased productivity	14.9%	(N=226)
Increased unscheduled absences	33.2%	(N=238)
Improved morale	29.6%	(N=229)
Increased motivation	12.5%	(N=234)
Increased loyalty	10.6%	(N=231)

Source: Authors' survey. Data are weighted to be representative of the distribution of Connecticut employers by establishment size.

Employer comments

- “The impact has been less than anticipated. It doesn’t even hit the radar screen.”
 - a grocery manager who had lobbied against the law, responding to a question about its impact on his bottom line
- “People are happy to be in Connecticut”
 - a retail manager, responding to a question about the law’s impact on morale
- “The law ties into retention and turnover in a positive way.”
 - an HR manager in a hotel

Most employers now support the new state law

TABLE 13

**Employer support for the paid sick days law,
Connecticut, 2013**

(percent of establishments)

Organization's support of the law	Percent
Very supportive	39.5%
Somewhat supportive	37.0%
Not too supportive	9.2%
Not at all supportive	14.3%

Source: Authors' survey. Data are weighted to be representative of the distribution of Connecticut employers by establishment size. N=240