



UNDERSTANDING
EARNED PAID SICK TIME
IN MICHIGAN
A GUIDE FOR BUSINESSES

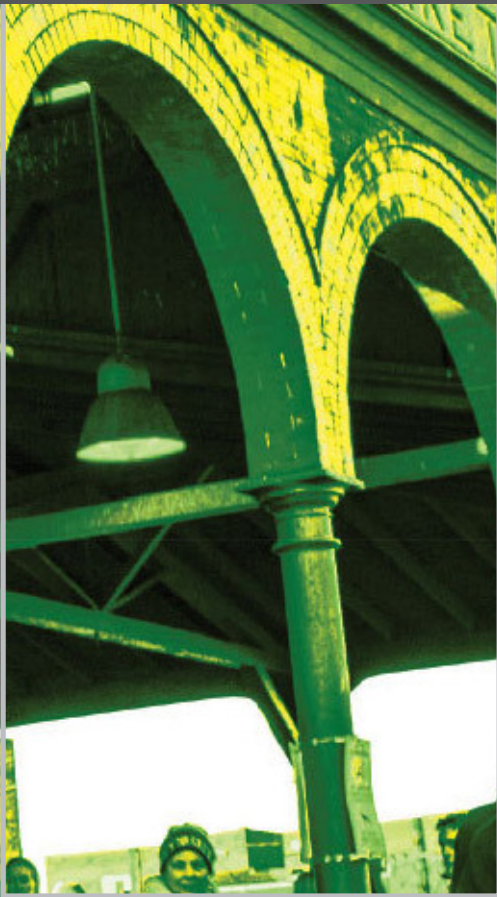


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INTRODUCTION

Across the country, cities and states have passed and are considering proposals to establish minimum standards for earned paid sick time. Arizona, California, Connecticut, Massachusetts, Maryland, New Jersey, Oregon, Rhode Island, Vermont and Washington have all passed statewide paid sick days policies. In 29 cities, from Chicago and Austin, and San Francisco to Washington, D.C., laws have been passed to guarantee earn paid sick days so workers can recover from a short-term illness, care for a sick family member or seek routine medical care.

Paid sick time standards guarantee everyone working the opportunity to earn time off to care for themselves or a sick family member when that inevitable cold or flu hits. These standards establish a modest floor for paid sick time as a basic work standard, such as workplace safety.

Local, independent small business owners pride themselves on their close and positive connection to their communities, customers and employees. These business owners embrace treating customers right and treating employees like family as small business values.

In keeping with these values, many small business owners agree in principle with setting a standard for paid sick time—but have questions about how such standards work and what it would mean for their businesses.

This report examines small business perspectives on a statewide earned paid sick time policy in Michigan. It combines data and analysis from a review of existing research on the costs and benefits of a paid sick time policy with stories from local small business owners.



MARTEZ HALL, CO-OWNER HALLSTARZ BUSINESS CENTER, DETROIT

At Hallstarz, we understand that being sick or not feeling well is a natural part of life for all of us. With this understanding, it's only logical to empathize with human vulnerability. When we get sick, we need time to recover, otherwise, we'll never really get well. That's something we take seriously in our business center. We thrive on being a place where our employees enjoy working and the community loves to support.

— MARTEZ HALL, CO-OWNER,
HALLSTARZ BUSINESS CENTER, DETROIT

BACKGROUND

Paid sick time is an issue that affects a significant proportion of Michiganders, including small business owners and their employees. According to a 2015-2017 survey, approximately 42 percent of, or 1.7 million, Michiganders working in the private sector do not have access to any paid sick time.¹

Lack of access to earned paid sick time disproportionately impacts communities of color and low-wage working poor families. In Michigan, 68 percent of lowest-income workers—those making less than \$15,000/year—don't have paid sick time, compared to just 17 percent of those making more than \$65,000/year.² Among Latinx workers, 51 percent lack access to paid sick time, compared with 43 percent of Black workers, and 37 percent of Asian workers. Forty-one percent of White workers in Michigan lack access to paid sick time.³

Lack of access to paid sick time has consequences not only for employees, but also for employers and their customers. These consequences include impacts on workplace productivity, public health, and health care costs.

When employees are healthy they are happier, make good recommendations, and take better care of customers. Customer service keeps our readers coming back to the store. Policies such as earned paid sick time are a win-win situation for the business, the employees and the community.

— JANET JONES, OWNER, SOURCE BOOKSELLERS, DETROIT



JANET JONES, OWNER, SOURCE BOOKSELLERS, DETROIT

EARNED PAID SICK TIME: BENEFITS FOR SMALL EMPLOYERS

Having the opportunity to earn paid sick time is clearly a benefit for workers. But offering employees this opportunity also has benefits for employers. These benefits include: protecting workplace productivity, decreasing turnover and associated costs, and reducing health care costs.

Improving health and productivity in the workplace, community and public health

The loss in productivity to the U.S. economy due to illness in the workforce has been estimated at \$160 billion annually, with a major portion of this lost productivity coming from workers going to their jobs sick.⁴ When employees go to work sick, they not only fail to perform at their full potential, but they also risk infecting co-workers and further harming productivity.⁵

The public health implications of this issue are brought into sharp focus by the finding that in Michigan approximately 79 percent of workers in food service do not have the opportunity to earn paid sick time.⁶

When working Michiganders have the opportunity to earn paid sick time, they are more likely to stay home when they are ill, get healthy and return to work sooner, and avoid the risks of spreading illness in the workplace, including to customers.

Improving employee retention and reducing turnover costs

The combined expenses related to employee turnover—including the exit of departing employees, search and hiring, and training phase for new hires—add up to significant costs for employers.⁷ Estimates range widely but are consistently reported in the thousands of dollars (and sometimes even above \$10,000) per position.⁸

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Retaining well-trained and valued employees, and thereby reducing turnover and associated costs, is a top concern for employers of all sizes.

Allowing everyone working in Michigan to earn paid sick time provides employees with greater security, improving employee retention. Existing literature suggests that those who earn paid sick time are less likely to leave their jobs than are workers who do not, thereby reducing turnover and associated costs.⁹

Reducing system-wide health care costs

Lack of paid sick time has implications for system-wide health care costs. A lack of paid sick time may lead to a greater reliance on emergency department visits as treatment of health concerns are delayed due to lack of access to time off work for illness and fears of job stability.¹⁰ Because emergency room care is much more expensive than primary care, this high level of emergency room use raises overall health care costs significantly.

Policies that promote primary care over emergency room use promise significant savings in overall health care costs. A single instance of getting treatment from a primary care physician rather than an emergency department is estimated to save \$826 in health care costs. Analyzing the United States system-wide health care costs, researchers found that ensuring access to paid sick time for workers

who currently do not have any could prevent an estimated 1.3 million emergency department visits per year. This could, in turn, save an estimated \$1.1 billion in health care costs annually in the U.S.¹¹ Interventions that bend the health care cost curve are a key priority for stemming the tide of rising health insurance costs for employers.

Employers benefit when their employees have access to paid sick days. When sick employees are able to stay home, the spread of disease slows and workplaces are both healthier and more productive. Plus, those who have access to paid sick time recover faster from illness and obtain timely medical care, enabling them to get back to work sooner and hold down health care costs.

In weighing the overall impact of paid sick time proposals on small employers and neighborhood economies, a number of questions arise. These questions generally relate to concerns about cost, utilization and flexibility.

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I rely on my community to keep me in business, and a big reason they keep coming back is because of our customer service. I am a part of my community, we're all in this together. When everyone in our communities can take the time they need to get well and not have to miss a paycheck, they have more money in their pockets to spend in shops like mine, helping to keep our local economy strong.

— MICHAEL BANKO, OWNER, DETROIT PRO RACQUET SERVICES, DETROIT



MICHAEL BANKO, OWNER, DETROIT PRO RACQUET SERVICES, DETROIT

EARNED PAID SICK TIME: QUESTIONS & CONCERNS

What will a paid sick time standard cost?

Many small business owners have practical questions about what offering paid sick time will cost their businesses. These practical questions deserve pragmatic answers based on the best available evidence. The U. S. Bureau of Labor Statistics estimated the cost of providing paid sick time at 0.7 percent of total compensation for private industry workers in the East North Central region.¹² This is a small cost compared to the productivity, employee retention, and health savings gains associated with paid sick time.

Cost estimates produced by some groups that oppose a paid sick time standard have included significantly higher figures. Upon closer scrutiny, the methodologies used in these studies have too often been based on unrealistic assumptions and inaccurate interpretations of the requirements of proposed standards. The costs of offering paid sick time are overshadowed by the economic gains from lower turnover costs, increased productivity, and health cost savings.

Employees who stay home when they are sick are more productive than employees who work while sick. In fact, “presenteeism”—when workers come to work even though they are sick—costs employers an average of \$255 per employee per year”

Employers save money by providing paid sick days:

- Employees who stay home when they are sick are more productive than employees who work while sick. In fact, “presenteeism”—when workers come to work even though they are sick—costs employers an average of \$255 per employee per year.¹³
- Offering paid sick time increases morale and reduces turnover, with huge cost savings over time.¹⁴ Nine out of 10 employers rarely or never need to hire replacement workers when employees use sick days.¹⁵
- If all a business’ employees used all of their paid sick time and the business had to pay for replacement workers every single time (an extremely unlikely scenario), this would increase the business’ wage expenses by 1.9%.¹⁶ (These hypothetical, unlikely costs, however, would be offset by reduced illness in the workplace, better worker productivity, and a quicker return to work of employees who were ill.)

How much paid sick time will employees take?

Closely related to concerns about cost is the question of how much time workers who earn paid sick days will actually use. Inflated cost estimates generally assume workers will use all accrued days. But actual utilization figures tell a different story.

Nationally, workers with access to paid sick time use an average of 2.2 days a year in small firms and 3.1 days a year in large firms.¹⁷ In a 2009 survey about utilization of paid sick time in San Francisco (which passed a citywide paid sick time ordinance in 2007 with up to seven days/year of sick time), the median utilization was just three days. Furthermore, more than a quarter of workers surveyed in San Francisco did not use any paid sick days in the previous year.¹⁸ According to a report from the US Bureau of Labor Statistics, employees participating in plans with a fixed number of paid sick days per year used an average of two or four of their sick days annually, depending on industry.¹⁹

These utilization numbers underscore an important reality: employees treat paid sick time as a form of insurance, to be saved and used when it is truly needed. Findings from San Francisco and across the country show that misuse is in fact rare. Indeed, the data suggest that employees save up their paid sick time to be used when they really need it and often use quite little time in a given year.

As the Executive Director of the Golden Gate Restaurant Association put it, *“paid sick days is the best public policy for the least cost.”*

What has happened in locales that have enacted paid sick time measures?

The experience of San Francisco, the first place in the United States to adopt a paid sick time law, in 2007, is instructive with regard to employers' views after policy implementation. While the law there was greeted with trepidation when it passed, two-thirds of San Francisco employers in a 2010 survey said they support the law.²⁰ And business groups that were once skeptical now see the law differently: as the Executive Director of the Golden Gate Restaurant Association put it, “paid sick days is the best public policy for the least cost.”²¹

In Connecticut, where a statewide paid sick time standard took effect on January 1, 2012, employment has increased since implementation of the law. Sectors of the state's economy that opponents of paid sick time claimed would be harmed have instead led job creation in the state; overall there has been sustained job growth statewide.²²

New business formation also accelerated in Connecticut following the implementation of the new law. The Connecticut Secretary of State's office reported 17,133 new business starts year-to-date through July 2012, a 7.6 percent increase over the year-to-date figure through July 2011. Business closures were virtually flat during that same period, at 6,665 year-to-date, putting net new business creation at over 10,000 employers from January through July of 2012.²³

Seattle's sick time law took effect in September 2012.²⁴ A Main Street Alliance of Washington report about its effects notes that Seattle's economy showed stronger job growth and business formation in the first half of 2013 compared to the same time period in 2012. The report also finds that Seattle has maintained its share of King County

businesses and revenues, including in the retail and food services sectors. Further, levels of inflation in the Seattle area have fallen, similar to national trends.

The Washington, D.C. Auditor found that that city's 2008 sick and safe leave law "neither discouraged business owners from locating in the District nor encouraged business owners to move their businesses from the District."²⁵

All this experience and data confirm what many HR specialists, economists and business owners have been saying for years: paid sick time is good for workers and good for business. Paid sick time laws mean employees aren't going to work sick and handling food, sick kids aren't at school because their parent can't leave work to pick them up, and businesses are building stronger workplaces with lower turnover, higher productivity and less absenteeism.

Careful review of the evidence suggests that a flexible paid sick time standard will be a win-win-win policy for small employers, their employees and the communities they serve across the state.



CHRIS LAMPEH-CROWELL, OWNER, GAZELLE SPORTS, 5 LOCATIONS ACROSS MICHIGAN

We know that when we invest in our employees with common sense policies like earned paid sick time they can get and stay healthy. That's good for our business, our customers and our community.

— CHRIS LAMPEH-CROWELL, OWNER, GAZELLE SPORTS, LOCATED IN KALAMAZOO, GRAND RAPIDS, HOLLAND, NORTHVILLE, AND BIRMINGHAM

CONCLUSION

Michigan's local, independent small business owners want to do right by their employees and the public health of their communities. Good public policy can help them accomplish this goal. Establishing a minimum standard for earning paid sick time in Michigan is not just good policy for workers and families. It makes good business sense, too.



ALI RAMLAWI (LEFT), OWNER, JERUSALEM GARDEN, ANN ARBOR



JERUSALEM GARDEN, ANN ARBOR

We strive to ensure our employees are happy and healthy. If our employees come to work sick, they risk getting our customers sick, and that would be unacceptable. To us, it's critical that all of our team has the time they need to get well, and return to work at 100%—without missing a paycheck. I'm proud to support this economy-boosting policy.

— ALI RAMLAWI, OWNER, JERUSALEM GARDEN, & CITY COUNCIL MEMBER, ANN ARBOR

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The Michigan Small Business Alliance is the Michigan Chapter of the Main Street Alliance. Main Street Alliance works to provide small businesses a voice on the most pressing public policy issues across the nation. Our advocacy promotes vibrant businesses and healthy communities, and fosters leadership development of socially responsible business leaders.