

## A SMALL BUSINESS ANALYSIS OF EARNED PAID SICK TIME IN NEW YORK CITY



Small Business United  
The Main Street Alliance  
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Across the country, cities and states are considering proposals to establish minimum standards for earned paid sick time. One such measure, the *Paid Sick Time Act* (Intro. 97A), is pending in the New York City Council. This proposal would guarantee all workers in New York City the opportunity to earn time off to care for themselves or a sick family member.

The proposed law would establish a modest floor for earned paid sick time as a basic work standard, like the minimum wage. In the current version of the bill, workers would be able to earn five to nine days of paid sick time, depending on the size of the firm. At smaller mom-and-pop businesses, workers would be able to earn up to five days of sick time they could use without fear of losing their jobs, but the time off would not have to be paid.

Local, independent small business owners pride themselves on their close connection to their communities, customers and employees. Treating customers right and treating employees like family are small business values. In keeping with these values, many small business owners agree in principle with setting a standard for earned paid sick time but have questions about how the standard would work and what it would mean for their businesses.

This report examines small business considerations in relation to New York City's earned paid sick time proposal. It combines data from a review of existing research on the costs and benefits of a paid sick leave policy with statements from local small business owners sharing their experiences and views on earned paid sick time.

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## BACKGROUND

Earned paid sick time is an issue that affects a significant proportion of workers and employers in New York City, including small business owners and their employees. According to a 2011 survey, fully half of working New Yorkers do not have access to any earned paid sick time. An estimated 41 percent – between 1.4 and 1.6 million workers in New York – do not have access to any paid time off at all, whether for illness, vacation, or other uses.<sup>1</sup>

Lack of access to earned paid sick time disproportionately impacts small businesses and their employees in low-income, Latino, and immigrant neighborhoods, including neighborhoods such as Bushwick, Brooklyn, Jackson Heights and Corona, Queens and Port Richmond, Staten Island. According to a recent survey conducted by the Community Service Society of New York, about two-thirds (64 percent) of low-

income workers in New York did not have access to any earned paid sick time in 2011. More than three quarters (76 percent) of low-income Latino workers had no earned paid sick time coverage (compared to 61 percent of low-income white workers). And more than two thirds (70 percent) of low-income immigrant workers had no earned paid sick time coverage (compared to 61 percent of U.S.-born workers).<sup>2</sup>

Lack of access to earned paid sick time has consequences not only for workers, but also for businesses and their customers. These consequences include impacts on workplace productivity, public health, and health care costs. Given the consequences of going without earned sick time, the proposal to establish a standard for earned paid sick time in New York warrants careful consideration.

### EARNED PAID SICK TIME: EVALUATING BENEFITS FOR SMALL BUSINESSES

Having the opportunity to earn paid sick time is clearly a benefit for workers. But offering workers 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 in the Workplace, Protecting Productivity and Public Health

In a 2009 survey of New York City workers, 71 percent of low-income workers without paid sick time reported going to work sick because they feared losing their pay or their jobs. This pattern suggests many New York City businesses are suffering productivity losses from “presenteeism” (when workers are sick on the job) in addition to risking the spread of illness, both between workers and to customers/clients.<sup>3</sup>

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The loss in productivity to the U.S. economy due to illness in the workforce has been estimated at \$160 billion annually in past research, with a major portion of this lost productivity coming from workers going to their jobs sick.<sup>4</sup> 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 the business’s productivity.<sup>5</sup>



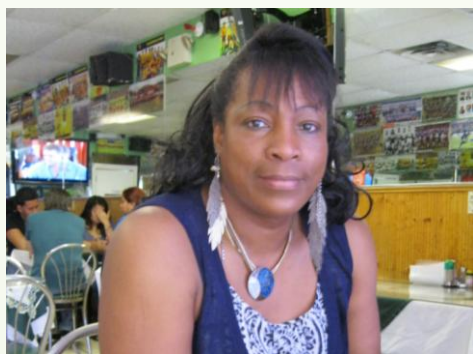
**Amalia Cisneros**  
**Centro Naturista Amalias**  
**Elmhurst**

*Amalia immigrated from Oaxaca, Mexico in 1991 to New York City, where she volunteered and worked in public schools. She also dedicated her time to getting her degree and last year she opened her own health clinic in Elmhurst.*

*Amalia is a firm believer in promoting community health by giving people early treatment and good information that gets to the root of health problems. It is for these reasons that she supports the Paid Sick Time Act.*

*Amalia explains, “The Paid Sick Time Act protects the health not only of our workers, but of our customers and community. When workers have the opportunity to take time off to recuperate from illness or seek medical attention without fear of losing their job or losing a day’s pay, they’ll come back stronger and more productive. It’s common sense.”*

## EARNED PAID SICK TIME: BENEFITS FOR SMALL BUSINESSES



**Esmeralda Valencia**  
**Esmeralda's Restaurant**  
**Brooklyn**

*When Esmeralda Valencia immigrated from Ecuador, she knew she had something to share. After many years working in a variety of industries, Esmeralda decided to follow her dreams and open a restaurant. Esmeralda's Restaurant was born in 2004, and has developed a faithful clientele over the years.*

*When discussing the issue of earned sick time, Esmeralda says, "I know what it is like to be a worker and to be in my customers' shoes and count on each paycheck. I support the proposal because it's the right thing to do and it makes business sense."*

*And for Esmeralda, offering paid sick time has made business sense. Her relationship with her employees borders on family. She has stood by them in sickness, and they've stayed with her, creating stability for her business. In her words, "When you acknowledge your employees by providing them with paid sick days, you are acknowledging their humanity and their work."*

The public health implications of this issue are brought into sharp focus by the finding that more than half (56 percent) of workers in food service and more than two-fifths (43 percent) of those who work in close contact with children or the elderly do not have the opportunity to earn paid sick time.<sup>6</sup>

When workers 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.

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### **Improving Employee Retention and Reducing Turnover Costs**

The combined expenses related to employee turnover – including the exit phase of departing employees, search and hiring phase, and training phase for new hires – add up to significant costs for businesses.<sup>7</sup> Estimates range widely but are consistently reported in the thousands of dollars (and sometimes even above \$10,000) per position.<sup>8</sup> Retaining well-trained and valued employees, and thereby reducing turnover and associated costs, is a top concern for businesses of all sizes.



## EARNED PAID SICK TIME: BENEFITS FOR SMALL BUSINESSES

Allowing workers to earn paid sick time provides workers with greater security and would be expected to improve employee retention. Indeed, existing literature suggests that workers who have the benefit of paid sick time are less likely to leave their jobs than workers who do not, thereby reducing turnover and associated turnover costs.<sup>9</sup>

### **Reducing System-Wide Health Care Costs**

Workers' lack of earned paid sick time has implications for system-wide health care costs as well. According to the same 2009 survey cited above, 24 percent of low-income New York City workers without paid sick time reported going to an emergency room for health care because they weren't able to get time off from work to seek treatment during normal business hours.<sup>10</sup> 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 system-wide health care costs in New York City, researchers found that ensuring access to earned paid sick time for workers who currently don't have any could prevent an

estimated 48,000 emergency department visits per year. This could, in turn, save an estimated \$39.5 million in health care costs annually in the City.<sup>11</sup> Interventions that bend the health care cost curve are a key priority for stemming the tide of rising health insurance costs for businesses.

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### **Strengthening Economic Security and Consumer Confidence**

In considering the benefits of passing the *Paid Sick Time Act*, it is important to note the connection between the small business workforce and the small business customer base. Henry Ford famously recognized that, for his auto company to be successful, his workers needed to earn enough on the assembly line to be able to buy the cars they were building. Similarly, in thriving neighborhood economies, one business's steady employee is another business's steady customer.

## EARNED PAID SICK TIME: BENEFITS FOR SMALL BUSINESSES



**Hanette Gomez DDS**  
**Clinica Dental Latina**  
**Corona**

*Dr. Gomez has worked for 22 years as a dentist in Corona, where she serves the diverse Latino immigrant population. Originally from the Dominican Republic, Dr. Gomez is invested in improving her community's overall health, and this motivates her support for paid sick time. She also knows the extra job security her clients, many of whom do not have paid sick time, would have thanks to the new law could be a benefit to her business.*

*As Dr. Gomez explains, "By providing paid sick time, we are also ensuring that our employees have a paycheck to count on when they need it most – to go see a doctor or dentist, to buy medications, or to take care of their family's needs."*

*Small business owners, for her, have an important role to play in the community's health and economic success. In an immigrant neighborhood like Corona, small businesses depend on each other and on the residents of the neighborhood to be strong and productive as both workers and customers. "Without customers, we have no business. In low-income communities, like mine, our customers count on every paycheck."*

When employees have disposable income in their pockets and feel secure in their jobs, they have the confidence to spend that money in local businesses and boost neighborhood economies. When household budgets are stretched thin or workers don't have job security, workers lack that confidence and local businesses lose out on those dollars.

Among low-income workers in New York, four out of 10 (43 percent) worry all or some of the time that their income won't be enough to cover their expenses and bills. This is a significant segment of the workforce that cannot fully participate in local commerce and contribute to local economies. Ensuring access to earned paid sick time would not fully resolve this problem, but it would bolster job security and confidence among low-income workers, which should in turn have positive effects on small businesses and neighborhood economies.

### EARNED PAID SICK TIME: EVALUATING QUESTIONS AND CONCERNS

In weighing the overall impact of earned paid sick time proposals on small businesses and neighborhood economies, a number of questions come into play. These questions generally relate to concerns about cost, utilization and flexibility issues.

#### What Will an Earned Paid Sick Time Standard Cost?

Many small business owners have practical questions about what offering earned paid sick time will cost their businesses. These practical questions deserve pragmatic answers based on the best available evidence. Two separate studies merit consideration here.

In an October 2009 report using government data, the Institute for Women's Policy Research estimated the cost of implementing an earned paid sick time measure in New York City at 15 cents per hour worked for smaller firms and 23 cents per hour worked for larger firms.<sup>12</sup> In other words, the cost of an earned paid sick time standard would be significantly less than the modest increase in the minimum wage being considered in Albany and supported by Mayor Bloomberg.

Meanwhile, the Bureau of Labor Statistics estimated the cost of providing paid sick time at 1.1 percent of total compensation for private industry workers in the New

York area.<sup>13</sup> 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 an earned 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 the proposed standard.

While detractors of an earned paid sick time proposal argue that the costs will have a negative impact on jobs, the evidence does not support this claim. Economic research on the impact of raising the minimum wage has shown that such increases do not have a negative effect on employment.<sup>14</sup> Since the cost of offering earned paid sick time is significantly less than the typical minimum wage increase, it is reasonable to conclude that it will not have negative effects on employment, either.<sup>15</sup>

#### How Much Earned 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.

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## EARNED PAID SICK TIME: QUESTIONS AND CONCERNS

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.<sup>16</sup> In a 2009 survey about utilization of paid sick time in San Francisco (which passed a citywide paid sick time ordinance in 2007), 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.<sup>17</sup> According to a new report from the Bureau of Labor Statistics, workers 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 their industry.<sup>18</sup>

These utilization numbers underscore an important reality: workers treat paid sick time as a form of insurance, to be saved and used when it is truly needed. Although some business people and workers can think of individual cases where employees or co-workers have misused sick time, the findings from San Francisco and across the country show that such misuse is in fact rare. Indeed, the data suggest that workers continually save up their earned sick time to be used when they really need it and often use quite little time in a given year.

### **Will There Be Flexibility for Small Businesses?**

Earned paid sick time proposals seek to address the varying needs of different businesses in a number of ways. In New York City, in response to business concerns,

changes were made to the original proposal to provide increased flexibility and options for employers, especially small businesses and start-ups. These changes include:

- Not requiring the smallest businesses (ones with fewer than five employees) to offer earned paid sick time but instead giving workers in these businesses the opportunity to earn up to five days of unpaid sick time a year.
- Ensuring that all leave that can be used when a worker is sick (eg, paid time off, vacation time, personal days) will count as paid sick time for purposes of the law so that businesses already offering enough of other kinds of leave will not have to offer additional time.
- Giving small start-up businesses a one-year grace period to comply with the earned paid sick time standard.
- Ensuring that administrative requirements be minimal by adding language to clarify that employers will not have to change their bookkeeping practices.
- Allowing employer size to be determined either by head count or by counting full-time equivalents.<sup>19</sup>

These amendments significantly limit the scope of New York City's *Paid Sick Time Act*. The smallest businesses, with fewer than five employees (more than 50 percent of all

businesses covered by the legislation), would no longer be required to pay for sick time. Instead, they would be required to allow workers to earn unpaid sick time those workers could use without fear of losing their jobs.

### **Why are Some Groups Opposed to an Earned Paid Sick Time Standard?**

Many opponents of paid sick time claim to be defending the interests of small businesses. In reality, groups such as the Partnership for New York City that are leading efforts to block an earned paid sick time proposal in New York City represent bigger corporate interests more than they represent small business interests. Some of the larger companies that are part of these groups already offer paid sick time to their employees. Other big-name chains that turn major profits but don't provide paid sick time to all their workers hide their interest in blocking a sick time standard behind arguments about small businesses.

Local, independent small business owners pride themselves on their close connection to their employees and to their local communities. Treating employees like family is a small business value. This value, more than the narrow interests of multi-national corporations, should guide policy decisions about issues like earned paid sick time.

The experience of San Francisco, the first



### **Bryan Pu-Folkes The Law Offices of Bryan Pu-Folkes Jackson Heights**

*"I've been a small business owner for the past fifteen years and a long-time resident of Queens as well. Owning a small business is one of the most challenging but rewarding things in life. I believe one of the most important things a business owner can do is to ensure that she or he has a happy and healthy workforce. A healthy, happy employee is a productive employee and a productive employee makes for a stronger business and a stronger community."*

*"This is what the paid sick time bill helps to achieve – a measured and sensible approach to ensuring employees receive the care and respect they need when they fall ill. This smart and well balanced bill also seeks to level the playing field to ensure small businesses who are providing paid sick days are not at a disadvantage."*

*"As small business owners, we are the lifeblood of every community. The stronger the small businesses in a community, the stronger the public and private services in that community. In order to stay strong, we need to stand by our customer base and the local residents of our neighborhoods because when they hurt – experience a loss in income or job loss due to illness, for example – then we all pay the price."*

## EARNED PAID SICK TIME: QUESTIONS AND CONCERNS

place in the United States to adopt a paid sick time law, is instructive in regard to businesses' views. While the law there was greeted with trepidation when it passed, two-thirds of San Francisco businesses in a 2010 survey said they support the law.<sup>20</sup>

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."<sup>21</sup>



**Freddy Castiblanco**  
**Terraza 7 Live Music**  
**Elmhurst**

*Originally trained as a doctor in Colombia, Freddy Castiblanco built Terraza 7 with his own hands. Thanks to Freddy's vision and hard work, Terraza 7 has become one of the most vibrant expressions of the cultural intersections in the Elmhurst community. His live music venue hosts some of the world's best musicians, and Freddy has coupled his business vision with an eye toward social issues that has rooted Terraza 7 in the community.*

*Freddy provides paid sick time to his staff. "It's about my values," he says. "I believe it's the right thing to do." But there are other reasons why Freddy has become a champion of earned paid sick time on top of it being the right thing to do. Freddy says, "Setting a city-wide standard for paid sick time is an opportunity to level the playing field and set the example for bigger businesses to do right by their workers and our communities."*

*Freddy recognizes that when he provides paid sick time, he's also supporting his customers and potential customers. "If all businesses provide paid sick time, it will increase consumer confidence and boost spending in local small businesses."*

*Freddy was recently at the center of the launch of an effort to connect consumers who support the City's paid sick time proposal with businesses that already offer paid sick time. The "Conscious Consumer, Conscious Business" campaign, which launched at Terraza 7, gives consumers the ability to "vote with their dollars," by supporting local, independent businesses that support the Paid Sick Time Act.*

Careful review of the evidence suggests that a flexible earned paid sick time standard, like the one currently proposed in the *Paid Sick Time Act* in New York City, will be a win-win policy for small businesses and workers across the City.

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

## ENDNOTES

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### **About Small Business United**

*Small Business United (SBU) is a network of local, independent small business owners with businesses based in neighborhoods across the boroughs of Brooklyn, Queens and Staten Island. SBU works on public policy issues that matter to local small business owners and the communities they serve. SBU is a project of Make the Road New York and a founding member of the national Main Street Alliance network.*



### **About the Main Street Alliance**

*The Main Street Alliance (MSA) is a national network of state and locally based small business coalitions. MSA creates opportunities for small business owners to speak for themselves on issues that impact their businesses, their workers and their local economies.*

*[www.mainstreetalliance.org](http://www.mainstreetalliance.org)*

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