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Learning from experience on paid sick leave

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At the Democratic National Convention in Philadelphia this week, the party will rally behind a platform that calls for seven days of paid sick leave for all employees. The party is responding to the actions of a handful of cities and states (including California), who now require private employers to provide the benefit.

Supporters of a workplace sick leave mandate argue that “everybody benefits” – employees, employers and the public. Credible evidence to support this claim is in short supply, however. And a new study of Connecticut’s experience with the law suggests that many employees are

in 2004, states weren’t quick to follow suit. (Connecticut’s law wasn’t passed until 2011.) This might be because even proponents’ evidence from San Francisco found very real consequences associated with the mandate: After the law’s enactment, nearly 30 percent of the lowest-paid employees in the city reported layoffs or reduced hours at their place of work.

Today, Connecticut is important because it’s the only significant source of data on a statewide sick leave law – and thus the best preview of what

surveyed businesses had reduced other employee benefits to account for the law’s costs, one-fifth had raised prices and a similar number had reduced hours or staffing levels.

A 2015 study published in the journal Applied Economics Letters looked at the immediate impact of the law in 2012 and found a roughly 1 percentage point increase in the fraction of jobless employees. With additional years of data now available, one of this earlier study’s authors – Dr. Thomas Ahn of the University of Kentucky – analyzed the longer-term impacts of the sick leave law on the state’s labor market. (The report will be released next month by my organization.)

Older employees in the state were more likely to have sick leave in place at work before the law took effect, and as expected the new mandate had little impact on their hours or employment. For younger employees in Connecticut aged 20-34, who were less likely to have the benefit before the law took effect, it was a different story. The added cost of the benefit meant that these employees saw a 24-hour reduction in annual hours worked, or the equivalent of roughly one lost week of work per year for someone working part-time in the service industry. Dr. Ahn estimates that these employees lost \$850 in annual income.

The workplace impacts of paid sick leave may extend beyond lost hours and income: A forthcoming study from Dr. Ahn and his colleague Dr. Aaron Yelowitz finds that recent paid sick leave policies in the United States have increased employee absenteeism by 1.2 days per year on average. Notably, these absences do not tend to occur in times of the most severe influenza outbreaks – suggesting that employees may be using the benefit even when they’re not sick.

The great irony of paid sick leave mandates is that they do very little to reduce workplace illness. In a comprehensive review by the Freedom Foundation of the five studies examining paid sick leave and its impact on workplace illness, four of them found no change in presenteeism (i.e.

working while sick). For instance, in the aforementioned study of San Francisco employers affected by the city's sick leave law, just 3.3 percent reported that it reduced workplace illness.

The emerging body of research on the downsides of mandating paid sick leave is unlikely to dampen proponents' enthusiasm for the policy. But it should motivate fair-minded policymakers to look beyond the "everybody benefits" rhetoric.

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