



Testimony

Submitted on behalf of the
Pennsylvania Chamber of Business and Industry

Public Hearing on HB 1830 The Healthy Families, Healthy Workforces Act

Before the:

House Labor Relations Committee

Presented by:

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Good morning Chairman Gergely, Chairman DiGirolamo and members of the Committee. My name is Sam Denisco. I am Director of Government Affairs for the PA Chamber of Business and Industry. The Pennsylvania Chamber of Business and Industry is the state's largest broad-based business advocacy association, serving more than 24,000 members and customers. PA Chamber membership comprises nearly 50 percent of the private workforce. PA Chamber membership ranges from Fortune 100 companies to sole proprietors, and crosses all industry sectors.

Thank you for giving the Chamber the opportunity to testify today on House Bill 1830 which would require employers to offer paid sick leave to its employees. The underlining concern that the Chamber membership has with this legislation is that the provisions will restrict employer flexibility in meeting the needs of their respective workforces.

As our society has changed dramatically over the past several decades so has the composition of the American workforce. Women comprise nearly one-half of the labor force and in nearly one-half of households all adults are working. These changes have increased the demand for more workplace flexibility in terms of when one works and where one works, and employers have adapted to these changes. In fact, accommodating increased flexibility in the workplace has become a component of workers' total compensation packages along with other benefits and there is evidence that workers take into account the entire compensation package, including flexible hours, telecommuting, and paid leave, when considering job offers. For example, according to the March 2010 Council of Economic Advisors report on workplace flexibility, it has been well established that workers must be paid higher wages to accept jobs without health insurance. Similarly, workers who have little

workplace flexibility require higher wages to the extent they value flexible arrangements. On the other hand, there is considerable evidence in various economic literature that mandating benefits, including paid leave, can negatively impact employment opportunities and other components of compensation, including wages.

If paid sick leave is mandated, some employees will respond by changing their leave-taking behavior. Increases in authorized absenteeism and unauthorized absenteeism (absence from work by employees who claim the leave is covered by the bill, but is actually used for other purposes) are likely. These changes in employees' behavior will produce various consequences for them, their employers, and their co-workers. Employers will incur increased payroll costs for: (1) the paid time off, (2) the overtime hours worked by co-workers, and/or (3) payments to standby or temporary workers who fill in for the absentees. In addition, reduced productivity will result from the absence of workers while they are taking additional sick leave, because replacement workers are less proficient than the absent employees. On other occasions, the productivity of replacement workers may be higher than the diminished productivity of the sick employees themselves. Although mandating paid sick leave may decrease labor turnover costs for some employers, their increased payroll costs will be larger than this cost reduction for most of them.

At a time when employers are struggling to avoid layoffs and business closures, imposing paid leave mandates on employers is unwise policy that threatens jobs and the viability of many of the nation's small businesses. Moreover, this legislation is harmful to employees, jeopardizing wages, health care coverage and other important employee benefits that could be reduced or eliminated in order to comply with this law. Employers of all sizes understand

that employees need time off to address personal or family health issues, which is why the vast majority of employers voluntarily offer generous paid leave benefits. According to the U.S. Bureau of Labor Statistics, 83 percent of private sector employees have access to paid illness leave. At the same time, employers face economic realities and must balance leave benefits with other compensation offered to employees, such as wages and health benefits.

Most businesses have structured their workforces in a fashion that adequately meets the needs of its employees while not compromising the work product of the employer. If an employer has to provide paid sick leave for the reasons set forth in HB 1830, it may not be able to do so for other valid reasons, such as military leave, bereavement leave and personal days for religious observances. Paid sick leave mandates reduce employers' flexibility to tailor benefits packages to their workforce's particular needs. For instance, young, single workers may have little interest in paid sick leave and would prefer higher wages and larger 401k contributions. Similarly, workers with families may prefer better health insurance benefits with smaller co-pays and deductibles.

HB 1830 will increase costs for employers at a time when many employers are laying off employees for economic reasons. Mandatory paid benefits that increase small-business costs would have to be recouped elsewhere, perhaps through reduced wages or fewer paid benefits in other areas. In cases where employees take leave with little or no notice, employers may even face double payments—pay for both the person taking sick leave and for the person called in to cover the shift.

The business community favors legislation that strikes a balance between the needs of employers and those they employ. This balance is key in our economically competitive market. Legislation that tips the scale one way could result in the loss of a business or limited growth for the state, both of which would hurt employers and employees equally. Paid leave is an example of legislation that tips the scale in the wrong direction. The business community believes that government should avoid stepping in between the employer and the employee from a benefit perspective. Some employees want a greater 401 (k) contribution. Others might want to work a full week in just 4 days. And still others might seek flextime. These options are accomplished when employers and employees work together and not when government steps in and mandates a one-size-fits-all benefit package.

Addressing the diverse needs of employers and employees is paramount to a successful workforce. By allowing businesses to meet the diverse needs of its workforce without government mandates, employers will be able to effectively operate in competitive markets and maintain the flexibility to support healthy families and a healthy workforce.

This concludes my testimony. Again, thank you for the opportunity to appear before you today.