

# Paid Sick Days and the Seattle Economy: *Job growth and business formation at the 1-year anniversary of Seattle's Paid Sick and Safe Leave law*

## Introduction

In 2011, the City of Seattle adopted a paid sick and safe leave ordinance that went into effect on September 1, 2012. The law covers people working inside the city limits in companies with more than four employees, assuring them the right to earn paid leave to use for illness or healthcare needs of themselves or a close family member, during a public health emergency, or for dealing with domestic violence, sexual assault, or stalking.<sup>1</sup>

San Francisco, Washington, DC, and Connecticut had already implemented paid sick leave standards at the time Seattle's law was adopted. In 2013, Portland, OR and New York City have also passed sick leave laws. Nationally, about 40% of private sector workers do not have access to paid sick leave, including 70% of workers in the bottom quarter of wages.<sup>2</sup> Advocates estimated that 190,000 of Seattle's half million jobs did not offer paid sick leave in 2011, including nearly 30,000 in accommodation and food service, 20,000 in retail, and close to 20,000 in health services.<sup>3</sup> According to the Washington State Employment Security Department's annual survey on employee benefits, 98% of accommodation and food service employers and 93% of retail employers in the state did not provide paid sick leave to all employees in 2012.<sup>4</sup>

In the debate that led to passage of Seattle's ordinance, almost everyone agreed that people should not be forced to work when sick, either because of employer practices or family finances. The public health and other consequences of sick workers spreading illness to their coworkers and customers, and of sick children left at school or daycare because their parents could not get off work, made a compelling case for setting a sick leave standard. Leaders in the Seattle small business community joined with health professionals, worker advocates, and community groups to craft a policy proposal that combined broad coverage with flexibility for small businesses. Despite the strong public health and moral case for passing paid sick days, some opponents argued that providing paid sick leave would significantly increase employers' costs, potentially forcing them to reduce hiring, raise prices, or relocate outside the city limits.

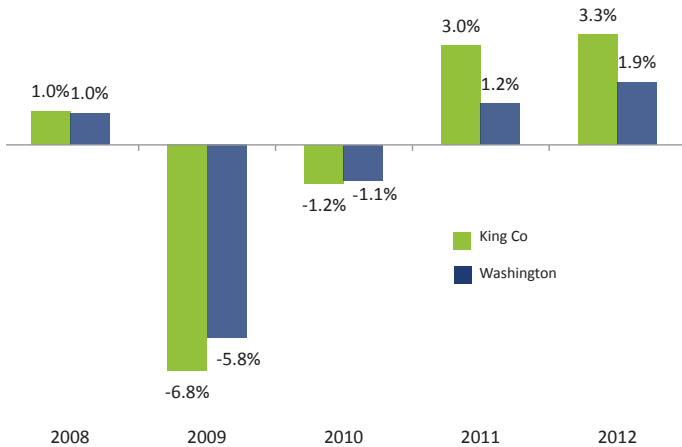
This report compiles the available economic data on jobs, business location, and prices one year after implementation of Seattle's paid sick and safe leave ordinance. It focuses especially on food service and retail firms, since they were particularly likely to have to change policies in response to the ordinance.

## Overview of Results

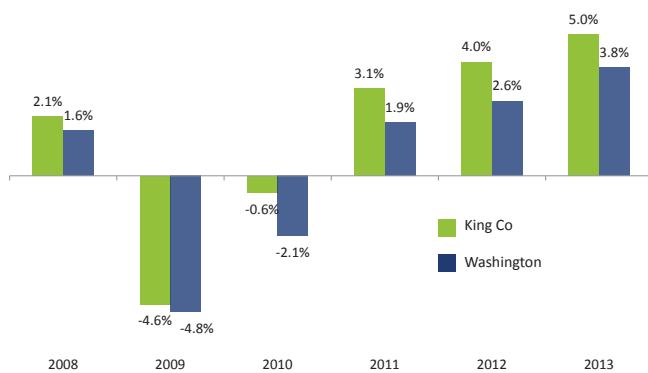
The preliminary data provide no evidence of widespread negative economic impacts. Seattle and the surrounding metropolitan area are still recovering from the effects of the severe recession, but at a stronger pace than the state or the U.S. as a whole, and inflation for the Seattle metropolitan area through mid-2013 was lower than for the previous year. In July 2013, King County's unemployment rate was 5.1%, compared to 6.9% for the state, and 7.4% for the United States.<sup>5</sup> About 44% of King County's jobs are inside the Seattle city limits.<sup>6</sup>

By July 2013, King County had more than recovered the jobs lost during the recession, but Washington state as a whole had not. The pace of job growth has increased in each of the past three years, with especially strong job numbers in King County retail and food and drink places. Job growth was stronger in 2013 after the Seattle ordinance went into effect than it was during the first part of 2012. There were 7,200 more retail jobs and 3,200 more jobs in food services and drinking places in King County during the first seven months of 2013 than for the same period of 2012.

Change in Average Monthly Retail Jobs, Washington State and King County, January – July



Change in Average Monthly Food & Drink Place Jobs, Washington State and King County, January – July

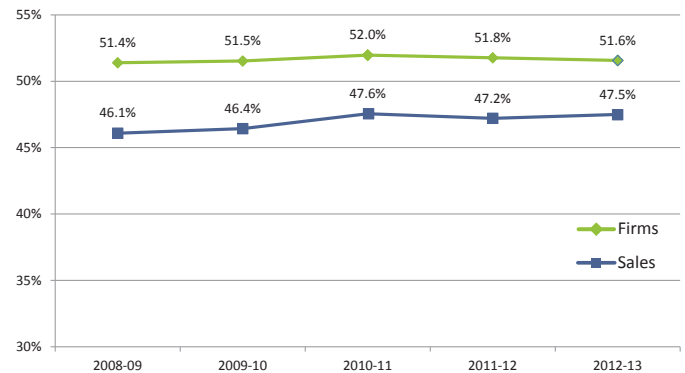


Source: Washington Employment Security Department, Historical Employment Estimates not seasonally adjusted.

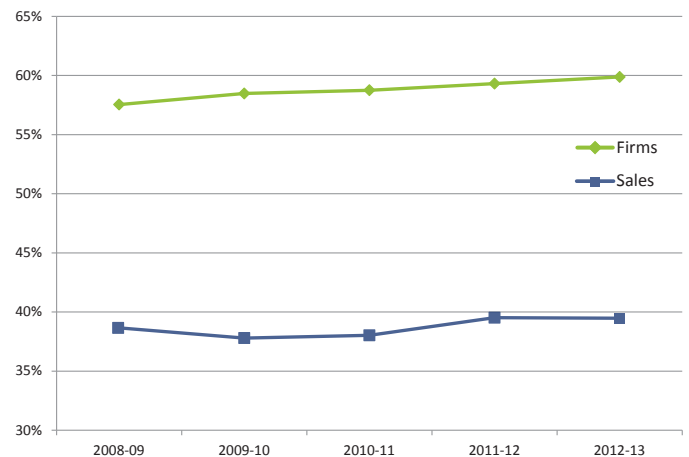
We do not yet have data on jobs at the city level, but there is every reason to believe that many of the new jobs in King County are located in Seattle. In 2011, 48% of accommodation and food service jobs and 37% of retail jobs in King County were in Seattle.<sup>7</sup> The Washington State Department of Revenue provides quarterly data on the number of firms reporting taxable retail sales and the total value of those sales by both city and county. We now have two quarters of data covered by Seattle's sick leave ordinance: the last quarter of 2012 and first quarter of 2013 (October 2012 through March 2013). During these two quarters, Seattle added new businesses and increased the value of sales along with the rest of the county. In the first two quarters under the ordinance, 925 more Seattle firms reported sales tax collections than for the same period the previous year, including 142 additional retail firms and 13 additional food service firms.<sup>8</sup>

Seattle's share of King County firms and sales remained steady or continued a slight upward trend in the first two quarters covered by the ordinance, for retail firms, food and drink places, and all sectors reporting taxable retail sales.<sup>9</sup>

Percentage of King Co Food & Drink Place Firms and Value of Sales in Seattle



Percentage of King Co Firms with Taxable Retail Sales and Value of Sales in Seattle



Source: Washington Department of Revenue, Quarterly Business Review, data from last and 1st quarters.

These preliminary findings are consistent with earlier studies of firms that voluntarily provide paid leave benefits and on the impacts of San Francisco’s and Washington, D.C.’s paid sick leave ordinances. Multiple national studies have found that providing paid sick leave can benefit businesses through higher morale and productivity, less absenteeism, and lower rates of turnover, offsetting some or all of an employer’s direct cost of providing paid leave.<sup>10</sup> San Francisco’s job market has compared favorably to the surrounding counties and the state of California as a whole since the sick days law went into effect there in 2007, including in food services.<sup>11</sup> 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.”<sup>12</sup>

These findings are also consistent with studies of increases in state minimum wages, which also particularly impact food service and retail firms and their employees. The most recent, economically sophisticated studies rely on large amounts of data from many states with differing minimum wages. Contrary to some earlier minimum wage studies, these newer studies find no significant impact on employment numbers resulting from minimum wage increases. These studies have also found that an increased minimum wage did result in higher average monthly earnings and substantial drops in job separations and turnover among low wage earners. Higher wages are offset by lower costs for hiring and training new workers and increases in worker productivity.<sup>13</sup>

### A Note on Data Available for this Report

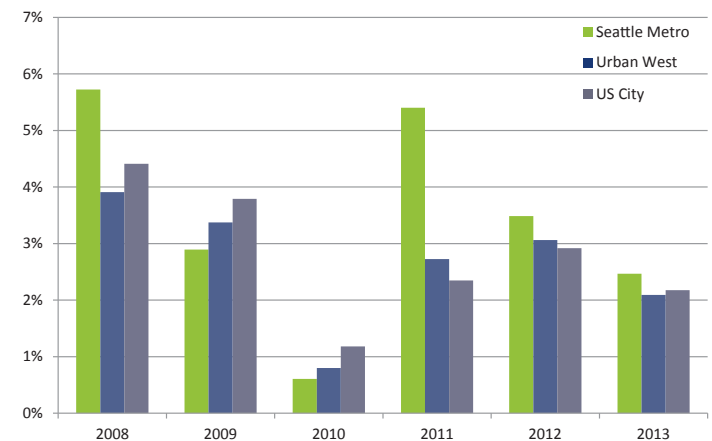
The data presented here are preliminary. Both employees and employers are still getting used to Seattle’s ordinance. A fulltime employee would have to work 40 weeks under the minimum accrual rates established by the ordinance to earn 5 days of sick leave, and would not accumulate the full 9 days provided for in larger companies until midway through the 13th month.<sup>14</sup> Therefore, some firms have not yet experienced the full impact of employees having access to paid leave. On the other hand, some firms may have anticipated greater use of sick leave than actually occurred.<sup>15</sup> According to national data, most workers do not use all the sick leave they have available, taking on average 2 to 3 days per year.<sup>16</sup> A 2010 survey of workers in San Francisco, where all employers are required to provide paid sick leave, found that the median number of sick days taken during the year by all workers was 3, with an average of 1.9 days in the leisure and hospitality sector – in which restaurants and bars provide the majority of employment.<sup>17</sup>

We also have very little city-specific data to analyze yet. While county and regional data are released regularly by the state and federal governments, city-specific data are more limited and available only after considerably more lag time. American Community Survey data from the U.S. Census Bureau on jobs by sector by city for 2013 will not be released until September of 2014, for example.

### Inflation

The regional data on inflation that is available from the U.S. Bureau of Labor Statistics do not suggest any significant general increase in prices following implementation of Seattle’s paid sick leave law. Inflation data for the Seattle-Tacoma-Bremerton urban area over several years show that prices tend to increase a little faster here than in U.S. cities as a whole, but follow the same overall trends. Between June 2012 and June 2013, the overall rate of inflation fell in the Seattle area from 2.4% to 1.7%. The category “food away from home,” which includes restaurants and other food and drink places, has higher inflation rates both in the Seattle metro region and nationally, but also declined. In the Seattle area, the rate of inflation in the category fell from 3.5% to 2.5% between June 2012 and June 2013.<sup>18</sup>

#### Inflation for Food Away From Home, June to June



Source: U.S. Bureau of Labor Statistics, Consumer Price Index-All Urban Consumers

### Compliance

Seattle’s Office of Civil Rights is responsible for enforcing the sick and safe leave ordinance. The office reports that during 2013, it has been providing technical assistance to 65 to 80 employers per month by phone and email. The office receives an average of 15 inquiries or complaints per month from employees, and has sent out 115 advisory letters to employers. Most of those have resulted in employers revising their paid leave policies to achieve compliance. Between March 2013 through July 23, 2013, the office received 43 employee complaints that have been resolved. In 32 of those cases, the employer revised

their policies, in 11 the office determined the employer was already in compliance, and 1 resulted in a charge against the employer.

## Conclusion

Even if more city-specific data were available for 2012 and 2013, any suggestions of economic impacts from Seattle's paid sick and safe leave ordinance would have to be considered extremely preliminary. Many employees only began accruing leave in September 2012, and employers and employees are still adapting. Moreover, we will need to await data from multiple jurisdictions over a period of years to draw any actual conclusions about whether such ordinances affect the number of jobs available.

This preliminary look at available data shows no widespread negative economic impact as some opponents of the ordinance feared. Since institution of Seattle's paid sick and safe leave ordinance, King County has continued to outpace the state in job growth, and Seattle has maintained its share of King County's businesses and revenues, including in the retail and food services sectors. No pattern of business flight from Seattle is evident. Inflation levels for the metropolitan area have fallen from the previous year, following the national pattern.

## Appendix A: Economic Data Used in This Report

Three primary sets of data are used for this report:

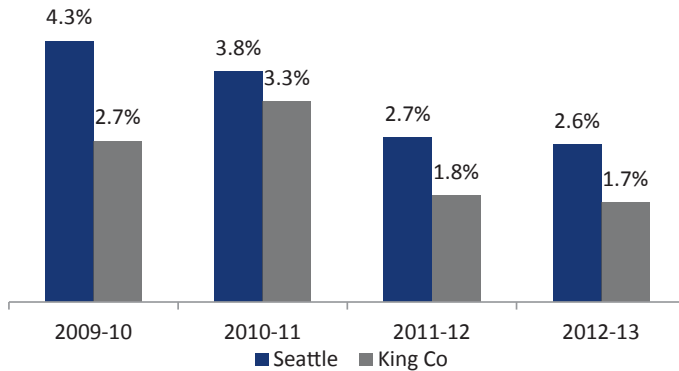
- Washington Department of Revenue's Quarterly Business Review, which provides total value of taxable retail sales and the number of units reporting by sector and selected cities. Two quarters of data are available since Seattle's sick leave law went into effect, the last quarter of 2012 and first quarter of 2013. The analysis here compares data from those two quarters with the same period for previous years, for Seattle and King County.<sup>19</sup> A limitation of this data set is that it provides a count of tax-payers, but does not reflect whether a chain opens or closes individual store fronts.
- Washington Employment Security Department, which provides average monthly numbers of jobs by sector by county. This analysis compares average monthly jobs for January through July 2013 with the same period for previous years for King County and Washington State.<sup>20</sup>
- U.S. Bureau of Labor Statistics, Consumer Price Index-All Urban Consumers, from June 2013 and previous years, comparing the rate of inflation overall and in the "food away from home" category for the Seattle-Tacoma-Bremerton area, with all Western cities and the U.S. average.<sup>21</sup>

## Appendix B: Additional Data on Business and Job Growth

### Firms reporting taxable retail sales and value of sales

Over the past four years, the number of firms from all sectors reporting taxable retail sales in Seattle and King County has grown, with Seattle leading the county as a whole. Growth was strongest during the first two years immediately following the recession and continued at a slower rate in the two most recent years. For the 6-month period covered by Seattle's sick leave ordinance for which we have data, October 2012 through March 2013, growth rates were very close to the previous year's rate for the same period. The number of firms with retail sales in Seattle increased by 2.6% in late 2012-early 2013, compared to 2.7% the previous year, while King County's growth rate inched down from 1.8% to 1.7%.

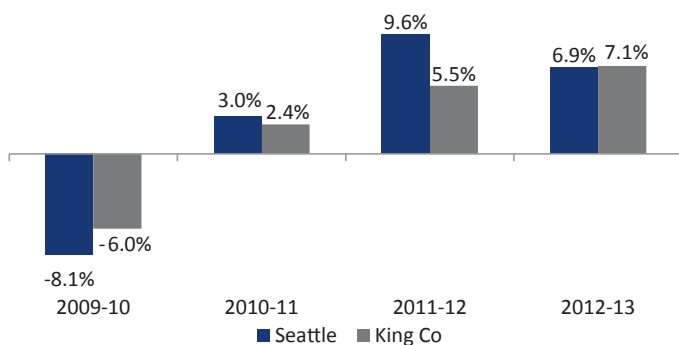
#### Growth Rate in Number of Firms with Retail Sales from All Sectors



Source: Washington Department of Revenue, Quarterly Business Review, data from last and 1st quarters.

While the number of businesses reporting taxable retail sales grew in each of the past four years, consumer spending fell sharply in 2009-10. Spending began recovering from the recession first and most strongly in Seattle, with King County's growth rate catching up in the most recently reported two quarters.

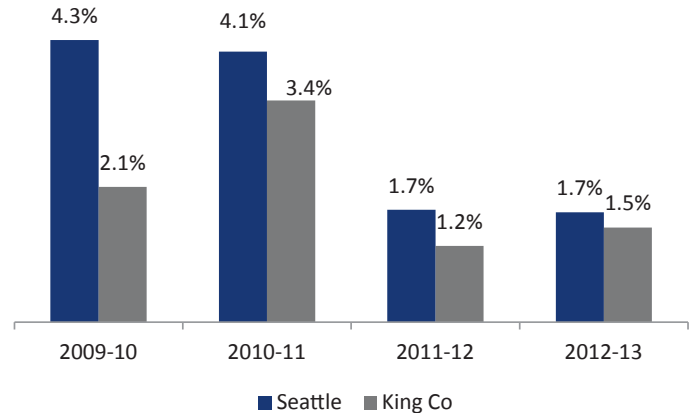
#### Annual Change in Value of Retail Sales from All Sectors



Source: Washington Department of Revenue, Quarterly Business Review, data from last and 1st quarters.

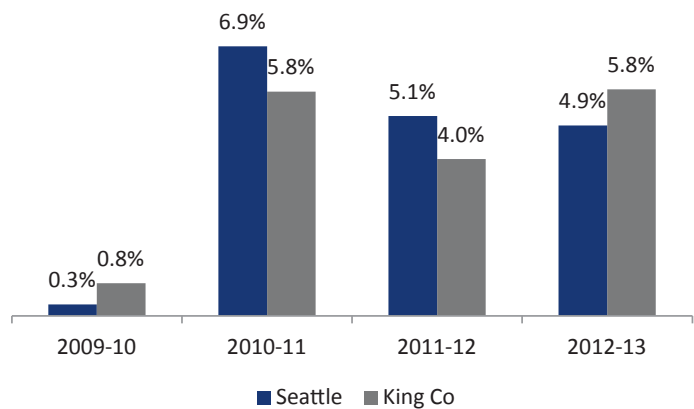
Two of the sectors most likely to experience an economic impact from the sick leave law are retail trade and food and drink places, since many employers in both sectors did not offer paid leave previously. Seattle's rate of increase in the number of retail firms remained level at 1.7% in both 2011-12 and 2012-13, a little above the countywide rate. The rate of growth for the value of sales from retail shops also remained relatively flat in Seattle in the years before and after implementation, while the growth rate moved up countywide.

#### Growth Rate in Number of Retail Firms



Source: Washington Department of Revenue, Quarterly Business Review, data from last and 1st quarters.

#### Growth Rate in Value of Sales in Retail Firms

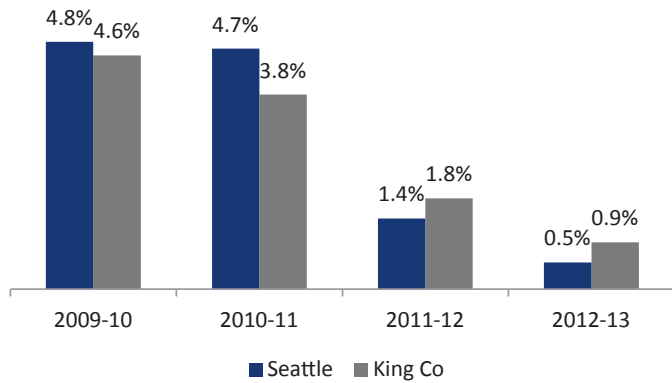


Source: Washington Department of Revenue, Quarterly Business Review, data from last and 1st quarters.

The growth rate in the number of food and drink places fell markedly in both Seattle and King County the year before implementation of Seattle's sick leave ordinance, and fell further after implementation. The number of Seattle food and drink places increased by only 0.5% during the two quarters following implementation compared to the previous year - 13 firms. Despite the slow growth in the number of food and drink units over the past two years, the value of sales has grown at a brisk pace.

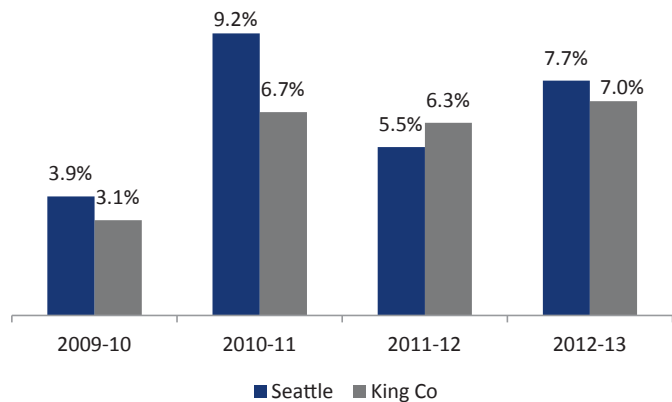


### Growth in Number of Food & Drink Places



Source: Washington Department of Revenue, Quarterly Business Review, data from last and 1st quarters.

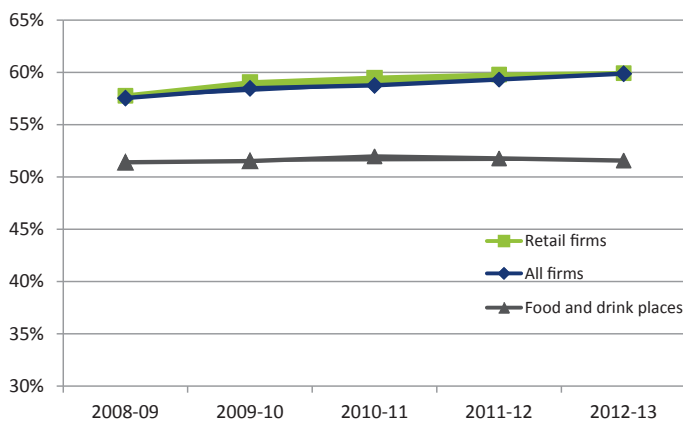
### Growth in Sales, Food & Drink Places



Source: Washington Department of Revenue, Quarterly Business Review, data from last and 1st quarters.

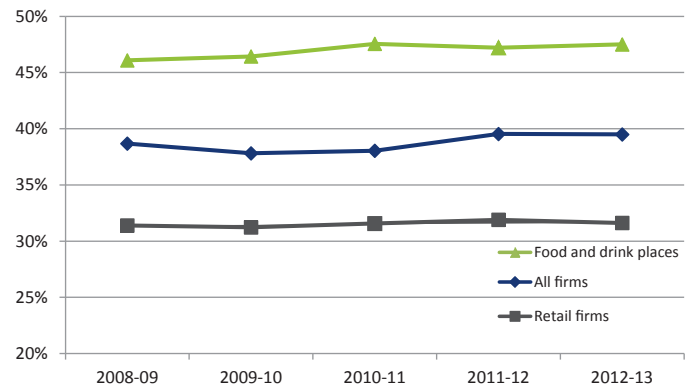
Over the past five years, the percentage of retail sales taxpayers for all of King County from the city of Seattle has remained constant for food and drink places and crept up for retail sales firms and all firms. The percentage of the value of sales from Seattle has shown a slight upward trend for all firms and food and drink places over the five year period, while holding steady for retail firms.

### Percentage of King Co Firms with Retail Sales in Seattle



Source: Washington Department of Revenue, Quarterly Business Review, data from last and 1st quarters.

### Percentage of King Co Retail Sales Values in Seattle



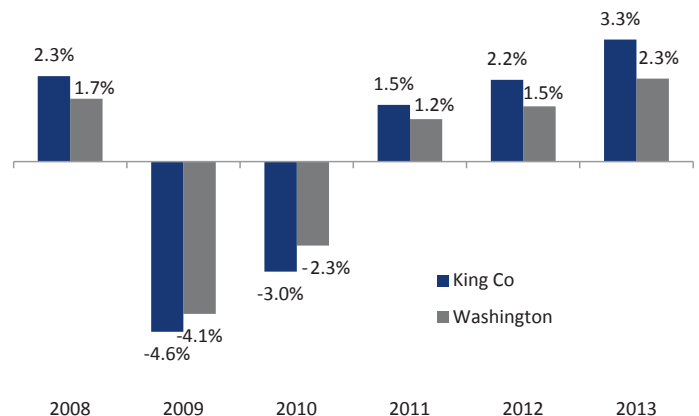
Source: Washington Department of Revenue, Quarterly Business Review, data from last and 1st quarters.

### Jobs

Data on jobs at the city level is not yet available. The closest we can come is county data. In 2011, 44% of the jobs in King County were within the Seattle city limits. Since then, the percentage of King County firms reporting taxable sales in the city of Seattle has increased slightly from 58.8% to 59.9%.

In 2009 and 2010, jobs fell across most sectors in both King County and Washington state then began a slow recovery from the recession. By July 2013, King County had 9,000 more jobs than in July of 2008, but the state was still 22,000 jobs below the 2008 level.<sup>22</sup> Of course, the state and county's populations increased over that period as well.<sup>23</sup>

### Change in Average Monthly Nonfarm Jobs, Washington State and King County, January - July

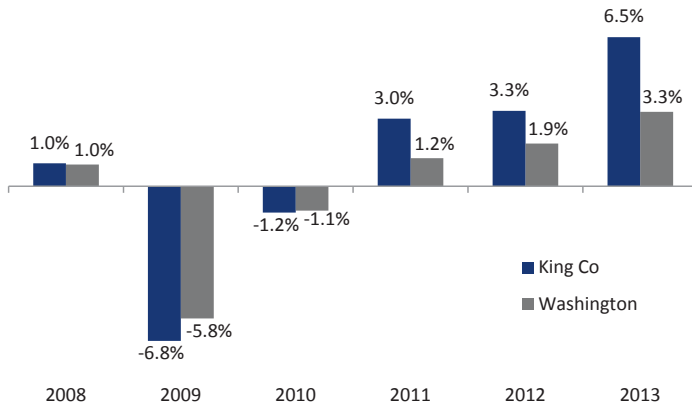


Source: Washington Employment Security Department, Historical Employment Estimates not seasonally adjusted.

Over the past three years, retail and food service jobs have grown much more strongly in King County than in the state as a whole. Growth was especially strong in 2013 in both sectors. King County retail jobs increased by 6.5% between the first seven months of 2012 and 2013, compared to a 3.3% gain in the previous year. There were

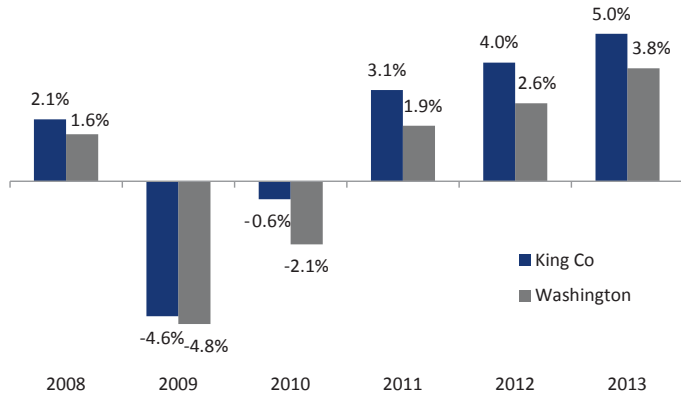
6,100 more retail jobs in King County in July 2013 than July 2012. King County had 5% more food service jobs in the first half of 2013 than in 2012, with a July to July increase of 5,200 jobs.

### Change in Average Monthly Retail Jobs, Washington State and King County, January – July



Source: Washington Employment Security Department, Historical Employment Estimates not seasonally adjusted.

### Change in Average Monthly Food & Drink Place Jobs, Washington State and King County, January - July



Source: Washington Employment Security Department, Historical Employment Estimates not seasonally adjusted.

### Notes

<sup>1</sup> Guaranteed annual use and carryover vary by employer size: 40 hours for workers in companies with 4-49 employees; 56 hours in companies with 50-249 employees; and 72 hours in larger companies. For additional details see: City of Seattle, Office for Civil Rights, Seattle Paid Sick and Safe Time Ordinance, <http://www.seattle.gov/civilrights/spssto.htm>.

<sup>2</sup> U.S. Bureau of Labor Statistics, National Compensation Survey, March 2013, [www.bls.gov](http://www.bls.gov).

<sup>3</sup> Share of workers in each sector with and without sick leave is based on national percentages, applied to Seattle's specific industrial mix. U.S. Census Bureau, Quarterly Workforce Indicators, and Institute for Women's Policy Research Paid Sick Days Calculator. See Marilyn P. Watkins, "Evaluating Paid Sick Leave: Social, Economic and Health Implications for Seattle," May 9, 2011, <http://www.eoionline.org/work-family/paid-sick-days/evaluating-paid-sick-leave/>.

<sup>4</sup> Washington State Employment Security Department, "2012 Employee Benefits Survey Report," Appendix 10, December 2012, <https://fortress.wa.gov/esd/employmentdata/docs/occupational-reports/employee-benefits-2012.pdf>.

<sup>5</sup> Washington Employment Security Department website, viewed August 28, 2013, <https://fortress.wa.gov/esd/employmentdata/reports-publications/economic-reports/monthly-employment-report/map-of-county-unemployment-rates>.

<sup>6</sup> U.S. Census Bureau, OnTheMap tool, 2011 data extracted August 28, 2013, <http://onthemap.ces.census.gov/>.

<sup>7</sup> U.S. Census Bureau, OnTheMap tool, 2011 data extracted August 28, 2013, <http://onthemap.ces.census.gov/>.

<sup>8</sup> Washington Department of Revenue, Quarterly Business Reviews, last and 1st quarter data, [http://www.dor.wa.gov/Content/AboutUs/StatisticsAndReports/stats\\_qbr.aspx#QBRTables](http://www.dor.wa.gov/Content/AboutUs/StatisticsAndReports/stats_qbr.aspx#QBRTables).

<sup>9</sup> Washington Department of Revenue, Quarterly Business Reviews, last and 1st quarter data, [http://www.dor.wa.gov/Content/AboutUs/StatisticsAndReports/stats\\_qbr.aspx#QBRTables](http://www.dor.wa.gov/Content/AboutUs/StatisticsAndReports/stats_qbr.aspx#QBRTables).

<sup>10</sup> Christine Siegwath Meyer, et al, "Work-Family Benefits: Which Ones Maximize Profits?" Journal of Managerial Issues, vol. XIII, No. 1, Spring 2001: 28-44; Jane Waldfogel, "The Impact of the Family Medical Leave Act," Journal of Policy Analysis and Management, vol. 18, Spring 1999; Thomas E. Casey and Karen Warlin, "Retention and Customer Satisfaction," Compensation & Benefits Review, May/June 2001, p. 27-30.

<sup>11</sup> California Employment and Development Department, Employment by Industry Data, annual averages, for San Francisco County and California, 2000-2009, <http://www.labormarketinfo.edd.ca.gov/?pageid=166>; Vicky Lovell and Kevin Miller, "Job Growth Strong with Paid Sick Days," October 2008, Institute for Women's Policy Research, [http://www.iwpr.org/pdf/B264\\_JobGrowth.pdf](http://www.iwpr.org/pdf/B264_JobGrowth.pdf); John Petro, "Paid Sick Leave Does Not Harm Employment," Drum Major Institute, March 2010, <http://drummajorinstitute.org/library/report.php?ID=143>.

<sup>12</sup> Office of the District of Columbia Auditor, "Audit of the Accrued Sick and Safe Leave Act of 2008," 2013, <http://dcauditor.org/sites/default/files/DCA092013.pdf>.

<sup>13</sup> Arindrajit Dube, T. William Lester, and Michael Reich, "Minimum Wage Effects Across State Borders: Estimates Using Contiguous Counties," The Review of Economics and Statistics, November 2010, [http://www.mitpressjournals.org/doi/abs/10.1162/REST\\_a\\_00039](http://www.mitpressjournals.org/doi/abs/10.1162/REST_a_00039); Allegretto, Sylvia, Dube, Arindrajit, Reich, Michael, "Do Minimum Wages Really Reduce Teen Employment? Accounting for Heterogeneity and Selectivity in State Panel Data," Industrial Relations, April 2011, <http://www.irle.berkeley.edu/workingpapers/166-08.pdf>; Dube, Lester, and Reich, "Do Frictions Matter in the Labor Market? Accessions, Separations and Minimum Wage Effects," October 12, 2010, <http://www.irle.berkeley.edu/workingpapers/222-10.pdf>.

<sup>14</sup> The ordinance provides for accruing 1 hour of sick leave for every 40 hours worked in companies with fewer than 250 employees, and 1 hour for every 30 hours worked in larger companies.

<sup>15</sup> Seattle Times, columnist Danny Westneat reports that restaurateur Tom Douglas anticipated much greater costs as a result of the ordinance than he experienced. "Douglas' audacious, utopian goal," August 10, 2013, [http://seattletimes.com/html/localnews/2021586686\\_westneat11.xml.html](http://seattletimes.com/html/localnews/2021586686_westneat11.xml.html).

<sup>16</sup> Institute for Women's Policy Research, 2010, analysis of data from the 2008 National Health Interview Survey.

<sup>17</sup> Robert Drago and Vicky Lovell, "San Francisco's Paid Sick Leave Ordinance: Outcome for Employers and Employees," Institute for Women's Policy Research, February 2011, [www.iwpr.org](http://www.iwpr.org); and data from study provided by authors.

<sup>18</sup> U.S. Bureau of Labor Statistics, Consumer Price Index-All Urban Consumers, <http://bls.gov/cpi/>.

<sup>19</sup> Washington Department of Revenue, Quarterly Business Reviews, last and 1st quarter data, [http://www.dor.wa.gov/Content/AboutUs/StatisticsAndReports/stats\\_qbr.aspx#QBRTables](http://www.dor.wa.gov/Content/AboutUs/StatisticsAndReports/stats_qbr.aspx#QBRTables).

<sup>20</sup> Washington Employment Security Department, Washington Employment Estimates, Nonfarm jobs, Historical Employment Estimates not seasonally adjusted, <https://fortress.wa.gov/esd/employmentdata/reports-publications/economic-reports/washington-employment-estimates>.

<sup>21</sup> U.S. Bureau of Labor Statistics, CPI Databases for all Urban Consumers, <http://bls.gov/cpi/>.

<sup>22</sup> This analysis uses average monthly jobs for the January-July period of year, since that is the most recent data available for 2013. Washington Employment Security Department, Historical Employment Estimates not seasonally adjusted.

<sup>23</sup> Washington's population increased by 274,000 between 2008 and 2013, and King County's by 91,000. Washington Office of Financial Management, Historical estimates of April 1 population and housing for the state, counties, and cities, <http://ofm.wa.gov/pop/april1/hseries/default.asp>.

Special thanks to the Economic Opportunity Institute for technical assistance on this report.