

Oregon

February 16, 2015

Senate Workforce Committee
1:00 PM, HR

RE: SB 454 (HB 2005) – Paid Sick Leave

NFIB, the National Federation of Independent Business, has been advocating for small business since 1943 with about 350,000 members nationwide and some 7,000 small business members in Oregon.

We are a member-driven organization and through ballots, polls and surveys we seek the position of our small business members on legislation that is impactful to their businesses. Through this process our members determine NFIB's position. In 2012 we balloted our Oregon members on the following question:

Do you favor legislation requiring employers in Oregon to give employees a guaranteed number of days of annual paid sick leave?

We provided unbiased opposing and supporting information. The results were 95% were opposed, 3% supported and 2% were undecided. This is a consistent message we receive nationwide from our membership. (full ballot question and results are attached)

It is not the notion of paid sick leave that is troublesome to our members, it is the *mandated* nature of HB 2005. Many of our members that voted "no" actually provide paid sick leave but they recall as a startup business that it would have been difficult if not impossible to provide paid sick leave benefits while trying to establish and grow their business. We believe that those that can afford paid sick leave should offer it as a benefit. However the one-size-fits-all nature of SB 454 is particularly destructive to small businesses.

There are four areas of negative impact upon the small employer:

1. Compensation cost (wage and benefits) are increased
2. Reduced flexibility in managing employee/employer needs
3. Increased administrative burden in tracking and reporting
4. Increased compliance liability

The employer is left with three choices:

1. Hire a temporary staff person which may double or triple the hourly cost for the absent employee
2. Pay another employee overtime to cover creating additional cost and compliance issues
3. Leave the work undone

Many small businesses do not have a HR or payroll department. The administrative burden can be significant. Front-loading fifty-six hours of sick pay does not work for many small businesses.



An example of an expense experienced by one of our small business members following the implementation of Portland's paid sick leave ordinance was a \$6,000 expense to hire an attorney and produce an update of their employment manual for compliance. This is a direct expense as a result of the ordinance and comes

right out of the bottom line. Of course, this is not the only additional expense due to the ordinance. Most small businesses simply cannot automatically raise their prices to make up this \$6,000 and other costs associated with the ordinance. They have to cut corners elsewhere.

There are tradeoffs for employees with mandated paid sick leave. Reports from Connecticut, Seattle and San Francisco indicate some adverse effects such as in Seattle. An Employment Policies Institute survey of 301 Seattle service-industry businesses reported that over half - (56%) of the respondents – would have increased business costs due to the new law. More than 25% reported a *large* increase to the cost of doing business. The following changes were made by some businesses in order to cope:

- 15.7% raised prices
- 18.3% reduced hours or cut jobs
- 17.3% either required employees to pay more for benefits or eliminated benefits altogether

Similar results have been reported from Connecticut and San Francisco.

In a 2011 study conducted by NFIB's Research Foundation on the economic impact of H.R. 2460 – requiring paid sick leave on a national level – it forecasted over a 570,000 potential job loss and cumulatively, over \$382 billion in real output would be lost between 2011 and 2015.

In another NFIB study conducted in 2014 regarding New Jersey's proposed paid sick leave legislation the same results held true. It was forecast to cost New Jersey 25,000 jobs by 2023 and real output could decrease by more than \$18.1 billion. Small firms would bear 58 percent of the job losses (50% in business with less than 100 employees) and 54 percent small business lost sales.

Oregon's small businesses are still recovering from the great recession. Although manufacturing and the Portland metro area show encouraging growth, that is not consistent with many small businesses especially those in rural Oregon. Oregon's unemployment rate remains above the national average. Now is not the time to create policy that will further suppress our economic growth and job creation.

(Please note: the EPI Study, NFIB National Study and NFIB New Jersey Study have been provided to the Senate Workforce Committee digitally.)