

**Healthy Families, Healthy Workplaces Act and Family Temporary Care Act**  
Testimony for the Pennsylvania House Committee on Labor Relations

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Chairman Belfanti and members of the Committee, I thank you for the opportunity to testify today. My name is Robert Drago. I am a Professor at the Pennsylvania State University and bring over a quarter-century of experience as an economist researching workplace issues to this hearing. I have devoted the last 13 years to the question of how employees can balance work and family commitments.

By way of background, I entered the field believing that thoughtful employees, progressive employers, and leading local and national labor unions could and would produce a situation where work-family balance was possible and even typical. I advised *Working Mother* magazine on their Top 100 list, joined the board of the *Alliance for Work-Life Progress*, and studied workplaces, families, and unions that promoted balance. I do not downplay their accomplishments, which have improved the lives of millions of Americans. And it would be unfair if I failed to congratulate my colleagues at the University of Pennsylvania here in Philadelphia upon the opening of their new childcare center earlier this week.

Nonetheless, for all the good works that individuals and organizations have accomplished, it is not enough. As recently as 2006, less than one-half of the *Working Mother* Top 100 employers offered more than 6 weeks of paid maternity leave.<sup>1</sup> For a new mother to take advantage of the 12 weeks at home provided by the Family and Medical Leave Act often requires taking unpaid leave at a time when many cannot afford it, and that is when they work for a leading-edge employer.

For the average worker, the story is bleaker. After one year of employment, 54% of employees nationwide have no paid sick leave. The story is, not surprisingly, worse among low-wage workers: a full three-quarters of low-wage employees have no paid sick days. And if you stop by a fast-food restaurant on the way here or home, you might want to know that three-quarters of those employees have no paid sick days. That is a recipe for employees staying sick longer, spreading illness to their co-workers, and passing food and change along with contagious diseases out the drive-through window.

Worse, some of our most dangerous workplaces are childcare centers. Although we do not know how many childcare employers provide paid sick days, a recent Keystone Research Center report found that while 60% of all Pennsylvania employees have employer-provided health insurance, only 25% of childcare employees do, suggesting that many and perhaps most of our childcare workforce have no paid sick days. If they do not, then many childcare workers undoubtedly feel compelled to show up for work each day even if they are ill. Unfortunately, they are likely to have ill companions as well. Without paid family leave, many employees are forced to choose between losing their job or leaving a sick child in a childcare center, often masking the symptoms with Tylenol.

You have an historic opportunity to improve this situation with the two bills before you. No doubt, you understand the workings of the bills in terms of state law and financial implications in ways that I do not. But as an economist, perhaps I can shed a different kind of light on the issues.

The Healthy Families, Healthy Workplaces act effectively asks large employers to set aside an amount equal to 2.5% of payroll to cover employee pay on sick days. Small employers are

required to set aside half as much. Either formally or informally, most employers already have such provisions, and they will be unaffected. For those who do not, an employee can miss up to 52 hours or six-and-a-half days per year for their own or a family member's illness. What those employers get out of this system is a more stable and a healthier workplace. Certainly, there will be days when employers find themselves strapped to cover the work, but they often face even more of those days now because of employee turnover. Childcare centers average 30% turnover per year, and the ability of employees to take sick days should reduce that turnover substantially. Many small businesses, including fast food restaurants, operate under what is called the 'drive' system, where employers and supervisors motivate employees by promising swift dismissal for absences from work. The system keeps some employees coming to work each day, whether they are ill or healthy, but the cost of the system is that even very promising and productive employees are often fired because they or their child becomes ill. The law promises those employees a chance to hold onto a job, and their employers a chance to retain and develop them. The workplace benefits of keeping contagious employees out of the workplace are obvious – co-workers and customers are less often exposed to disease. But there are important public health benefits as well. We not only keep sick children out of childcare centers, but also away from our public schools. Additionally, ill children recover more quickly when receiving parental care.

I would also like to reassure employers that studies of absenteeism find that most employees will take no sick days during any given year. Most people only use sick days when genuinely needed. And what happens to unused sick days? Under some systems, employees can accumulate an unlimited number of sick days over a period of years and even decades. But that setup motivates some ill employees to show up for work as they strive to hoard sick days, and the employer can end up with a large pay-out when the employee retires or quits. The Act prevents these problems by setting a limit of 40 hours on the amount of sick days that can be passed from one year to the next. That is a very sensible provision for both employees and employers.

I also respect the sensitivity to domestic violence found in the Act, although I urge you to think about an amendment to cover bereavement leave for the loss of an immediate family member. These losses are infrequent compared to illness, and you have the opportunity to prevent employees from losing their jobs at times when they are already experiencing some of the most severe losses imaginable, at times when I think we would all agree that employees should be with their families.

The Family Temporary Care Act steps in where we cannot and should not ask individual employers to tread: providing wage replacement for leaves under the Family and Medical Leave Act. This is basically an insurance system and, like all insurance, is designed to cover rare but costly events, such as the arrival of a new child. The vast majority of American women and men currently find some way to take time away from work to be with a new child, but many take less time than they need, and still others cannot take more than a day or two before returning to work. As I mentioned earlier, even our most committed employers are not providing 12 weeks of paid leave for new children, and the reason is that it is too expensive for any one employer to go it alone.

There are actually two employer problems here which the Act solves. The first is that individual employers tend to run through long dry spells with no births followed by a large clump of births

in a short period. Expecting an employer with a large number of births to cover both wage replacement for new parents *and* pay for temporary replacement workers during periods of leave is financially unreasonable, particularly for smaller employers. By financing wage replacement from a central fund, the immediate cost of leave to the employer is cut to the level of paying a replacement to do the work, making leave financially viable.

The second problem is that employers who currently provide paid family and medical leave suffer from 'adverse selection.' Employees who expect to have a new child in the future are drawn to firms with paid leave. Those employers then end up with large numbers of employees taking paid leave. Employers who try to do the right thing are penalized. The Act serves to level the playing field, making good employers competitive since they need not have their own funds for leave nor will they be swamped by employees seeking leave. Seen in this light, it is not surprising to discover in a 2007-2008 report by the World Economic Forum that each of the world's 10 most competitive economies guarantee paid sick days and paid parental leave, excepting the United States. We can do better.

Finally, both Acts would reduce employee turnover across the Commonwealth. Some turnover is both acceptable and efficient. Employees sometimes take jobs for which they are ill-suited and both the employer and employee benefit when parting ways. Further, ambitious employees may move to better jobs and employers, and no one believes that is a bad thing. But many times good employees lose good jobs either because the individual employer cannot afford to provide leave or because the employee is forced to choose between a job and an ill child. Recently, that choice became far more stark for many Pennsylvanians because of the mortgage market meltdown; today, many employees are not just forced to choose between a job and a child, but between having a home and caring for an ill child. I, like most of us, am thankful when the employee chooses the child over the job and home, but this is an awful choice, and is unnecessary.

With these two Acts you can help to eliminate these terrible choices, and benefit employers and the Commonwealth in the process. I hope you will do so.

Thank you.

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<sup>1</sup> The 2006 Top 100 figure is from an Institute for Women's Policy Research Study at <http://www.iwpr.org/pdf/parentalleaveA131.pdf>. Most other figures here are from Robert Drago, *Striking a Balance*, Boston: Dollars & Sense, 2007. See also the World Economic Forum's *Global Competitiveness Report, 2007-2008* at <http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>