



CITY OF PHILADELPHIA

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MICHAEL A. NUTTER
Mayor

June 28, 2011

**To The President and Members of
The Council of the City of Philadelphia:**

For the following reasons, I am returning herewith to your Honorable Body as disapproved Bill No. 080474-AA, which was passed by Council at its session on June 16, 2011.

Bill 080474-AA, also known as the paid sick leave bill, would require all but the very smallest employers in Philadelphia to guarantee a minimum level of paid sick leave to their employees. The laudable goal of the bill is to ensure that all workers employed in Philadelphia are able to take time off from work to address their own health needs and those of their family without having to lose pay for doing so.

I commend Councilman Clarke and Councilman Greenlee for asking us all to take a look at this important issue. All working people, at some time or another, have to take time away from work for health reasons. Unfortunately, the imposition of this requirement on Philadelphia alone – and not state-wide or on a national basis – would simply create too great a burden on our local businesses, would render us uncompetitive in the global marketplace and would cost Philadelphians jobs. As my Deputy Mayor for Economic Development Alan Greenberger stated at the public hearing on this bill, Philadelphians would like jobs with good benefits. But first and foremost, Philadelphians simply want and need jobs.

Mandating employers to provide sick leave benefits to employees raises the cost of labor for businesses that do not already provide such benefits. Moreover, the bill imposes considerable administrative burdens on businesses, particularly on small businesses that do not have sophisticated time-keeping systems in place. All of the local Chambers of Commerce – the African American Chamber, the Greater Philadelphia Hispanic Chamber, the Asian American Chamber, the Greater Northeast Chamber, and the Greater Philadelphia Chamber – have gone on record opposing this bill because of its costs to businesses and the bill's negative impact on our competitiveness for jobs in Philadelphia.

Some members of Council expressed concerns during the course of the debate on this bill regarding the need for a detailed economic analysis of the bill's likely actual economic impact. To this end, the Greater Philadelphia Chamber of Commerce requested an analysis from Dr. William Dunkelberg, Professor of Economics at Temple University. His analysis concludes

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that employees' use of paid sick leave, the costs of substitute workers to replace those sick workers, and the administrative costs of business compliance with the bill would cost businesses in Philadelphia hundreds of millions of dollars annually and lead to the loss of thousands of jobs. Even though this analysis was prepared before amendments were made to reduce the amount of sick leave employers would be mandated to provide under the bill, Professor Dunkelberg's analysis still largely applies to the bill as it was passed by Council. The analysis projects hundreds of millions in costs for Philadelphia businesses if employees use sick leave even under the lesser amounts they would be guaranteed under the amended bill.

Moreover, this bill fails to exempt businesses that already provide the mandated number of paid sick days from complying with other aspects of the bill. The bill would require businesses that already provide generous sick leave benefits to change practices regarding when employees begin to accrue sick leave, when employees can begin to use sick leave, how employers provides notice of the employees' new benefits, the records employers keep and even the types of people the employee can take sick leave to care for.

In addition to the economic impact on our existing Philadelphia businesses, we operate in a regional economy. Philadelphia competes for new businesses and jobs with the surrounding suburbs and counties in the region. Employers who consider locating in the City often are able to, and do, locate in the surrounding counties instead. The economic reality is that between 2000 and 2009 the total number of jobs in Philadelphia decreased by about 7% or 46,400 jobs. Philadelphia's unemployment rate for December 2010 was 11.2%, which was 1.8 percentage points higher than the national rate and 3.1 percentage points higher than the unemployment rate in Pennsylvania. Our unemployment rate has improved somewhat, declining to 10.1% by May 2011, but is still 1% higher than the national rate, 2.7% higher than the unemployment rate in Pennsylvania, and well above the unemployment rates of counties surrounding Philadelphia.

We are working extremely hard to reverse these trends, but this requirement would seriously impede that work. In my view, the cost of this legislation to business expansion and attraction is simply too high. This is not the right time to adopt a bill that places significant additional operating costs on all but the smallest of City businesses. Philadelphia cannot be competitive, regionally, or nationally, if this bill is enacted only within our borders.

For the foregoing reasons, I am returning to you disapproved Bill 080474-AA.

Respectfully,



Michael A. Nutter,
Mayor