

INSTITUTE FOR WOMEN'S POLICY RESEARCH
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IWPR #B286

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The Costs and Benefits of Paid Sick Days

Testimony of Kevin Miller, Ph.D.,
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Submitted to the Labor and Public Employees Committee
of the Connecticut General Assembly regarding
S.B. 63, An Act Mandating Employers Provide Paid Sick Leave to Employees

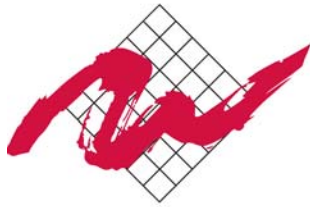
Senator Prague, Representative Ryan, and members of the Labor and Public Employees Committee,

Thank you for the opportunity to address the question of how a paid sick days policy would impact employers, workers, families, and the general public in Connecticut.

The Institute for Women's Policy Research (IWPR) has been conducting data and policy analysis and creating cost-benefit estimates regarding paid sick days for almost a decade, since the issue first drew the attention of policy makers. Our research has been presented to the U.S. Congress, state legislatures, and local governments. Our cost-benefit analyses have contributed to the adoption of paid sick days standards in San Francisco, the District of Columbia, and Milwaukee and continue to inform policy making across the country. I have been working extensively on the issue of paid sick leave since I joined the Institute full-time in July 2008 after completing my doctoral degree at Ohio State University.

The Institute will soon release a report, authored by myself and IWPR analyst Claudia Williams, detailing our estimate of the costs and benefits of the paid sick days policy that the Connecticut legislature is currently considering. The report will contain extensive detail regarding our estimate methodology and an executive summary that briefly states our findings; the report will be posted on the IWPR website and will be provided to the committee as soon as it is available.

Our analysis was conducted using publicly available data from the Bureau of Labor Statistics, the National Health Interview Survey, and other sources detailed in our report. About 553,000 workers in Connecticut lack paid sick days, or about 39 percent of the private-sector workforce in the state. Of those workers, we estimate conservatively that about 257,000 Connecticut workers currently lack any form of paid leave and work for employers with 50 or more employees, and would receive new leave under the proposed law. On average, workers receiving



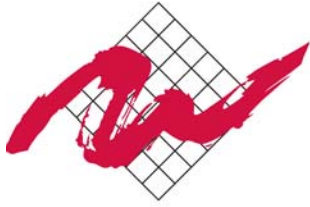
new sick days will use fewer than 3 days of sick leave per year. The average cost to Connecticut employers of implementing the policy, per employee receiving new leave, would be about \$7.50 per week—or 21 cents per hour worked. Statewide, this sums to a cost of about \$100 million annually due to lost productivity, additional wages and benefits, and administrative costs.

IWPR estimates that universal paid sick days will result in significant savings to employers, workers, families, and the general public. Employers are expected to see the cost of implementing paid sick days defrayed by a large reduction in costs associated with employee turnover—we estimate \$160 million in savings from reduced turnover alone. Preventing workplace contagion of communicable diseases such as influenza will save employers \$4 million each year. In total, we estimate an annual savings of about \$164 million for employers, for a net savings to business of \$64 million annually.

Contagion prevention and the ability to care for family members will save Connecticut workers millions of dollars each year while also improving quality of life, and reduced contagion will also result in some savings for insurers and public agencies. Indirect and long-term health and economic benefits of paid sick leave policies have not been estimated by IWPR, but are likely to be substantial.

Table 1. Summary of Costs and Benefits of the Proposed Law

		Per newly covered worker	
		Per week	Per hour
Costs to Businesses			
Wages, wage-based benefits, payroll taxes, and administrative expenses	\$ 100,000,000	\$7.51	\$0.21
Benefits to Business			
Reduced turnover	\$ 160,000,000		
Reduced flu contagion	\$ 4,000,000		
Total Benefits for Businesses	\$ 164,000,000	\$12.32	\$0.35
Net Savings for Businesses	\$ 64,000,000	\$4.82	\$0.13
Benefits to Workers, Insurers			
Reduced medical expenses	\$ 570,000		
Fewer nursing home stays	\$ 11,930,000		
Reduced norovirus outbreaks	\$ 330,000		



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It is important to note that all of our estimates utilize and produce averages; costs and benefits experienced by individual employers may vary widely along with the individual characteristics and activities of employers.

Aside from costs, one concern about paid sick days laws is that they will motivate businesses to relocate. However, an IWPR analysis of employment in San Francisco before and after the implementation of their paid sick days ordinance found that San Francisco's job growth remained stronger than that in the surrounding counties, suggesting that the policy did not have any adverse effect on employment.

IWPR's research has repeatedly found that the monetary benefits of implementing paid sick days policies substantially defray and even outweigh the costs of implementing such policies. Benefits for which a monetary value cannot be estimated are also likely to be substantial. For more details of our methodology and findings, please refer to our forthcoming report. Please feel free to contact me with questions regarding the monetary costs and benefits of implementing the proposed law in Connecticut, as well as questions about paid sick leave policies generally.