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The Costs and Benefits of Paid Sick Days

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Before the Labor Relations Committee of the
Pennsylvania House of Representatives
Regarding H.B. 1830, the Healthy Families, Healthy Workplaces Act

Members of the Labor Relations Committee,

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

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. 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 during that period, initially as a Professor at the Pennsylvania State University, and recently as a Senior Economist for the Joint Economic Committee of Congress, prior to joining IWPR as Research Director in June of this year.

In terms of direct costs and benefits, IWPR has analyzed relevant legislation for the localities just mentioned, as well as New York City, Connecticut, Illinois, Maine, and other states. These studies use publically available data from local departments of labor, the National Health Interview Survey, and the U.S. Bureau of Labor Statistics. Our New York City analysis found that paid sick days yield a net cost figure of 21 cents per hour worked for large employers and 15 cents per hour worked for small employers. Assuming a 50-week working year, the legislation proposed in New York provides up to 9 sick days per year for most employees with 5 days for workers employed by small business. The proposed Pennsylvania legislation provides a maximum of 6.5 days for most employees, and 3.25 for workers in small businesses. Therefore, it is safe to conclude that the costs of the Pennsylvania legislation would lie below the 21 and 15 cent per hour costs resulting from the New York bill. I would like to submit three relevant reports, including that for New York City, along with my testimony into the record.

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 much of the cost of implementing paid sick days defrayed by a reduction in costs associated with employee turnover.

Additionally, many employers likely focus on short-term gains due to an ill employee being more productive at the workplace than at home, even if they are not 100 percent productive. Although the employer may benefit directly from the employee attending work while ill, employees who attend work while ill also experience prolonged episodes of illness, and can infect others at work, both of which serve to reduce productivity over a longer time period. Further, to the extent health insurance is experience-rated, such that employers with higher health care costs pay higher premiums, costs will ultimately rise for employers who force ill employees to attend work.

In economic terms, however, paid sick days mainly address a problem of externalities. That is, most costs related to an absence of paid sick days are borne by families, insurers, public agencies, and other employers. This is a particular concern in occupations where there is close contact with the public. For example, a recent Joint Economic Committee report found that only a quarter of food preparation and service workers and 27 percent of child care workers had access to paid sick days in 2009. A recent poll conducted by the National Opinion Research Center found that people without paid sick days are 35 percent more likely to go to work sick. So long as sick days remain uncommon in these occupations, Pennsylvanians are likely to have their food served or their children cared for by someone who may pass along a costly or even life-threatening illness.

All of these issues surfaced clearly during the H1N1 pandemic last fall. In an analysis we performed at the end of the pandemic, we found that up to 15 percent of all infections, covering some 7 million Americans, could be traced to employees who felt compelled to attend work while infected and contagious. These infections were preventable. As a society, we were fortunate that the H1N1 pandemic subsided on its own, after infecting as many as 44 million people. There is no guarantee that we will be so fortunate during the next outbreak, and we should learn from our H1N1 experience that paid sick days legislation could prevent not only substantial economic losses and health care costs, but also much human suffering and even death.

Aside from cost, 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 or even outweigh the costs of implementing such policies. For more details of our methodology and findings, I refer you to IWPR's cost-benefit report. I welcome questions regarding the monetary costs and benefits of implementing the proposed law in Pennsylvania, as well as questions about paid sick leave policies generally.