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The Costs and Benefits of Paid Sick Days

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Before the House Labor Committee
of the 96th General Assembly of Illinois
regarding H.B. 3665, the Healthy Workplace Act

Members of the House Labor 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 Illinois.

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.

A year ago the Institute released a report, *Valuing Good Health in Illinois: The Costs and Benefits of Paid Sick Days*, detailing our estimate of the costs and benefits of the paid sick days policy that the Illinois legislature is currently considering. I submit the executive summary of IWPR's report, that briefly states our findings, along with my testimony. The full report contains extensive detail regarding our estimate methodology and is available on the IWPR website, www.iwpr.org.

Our analysis was conducted using publicly available data from the Bureau of Labor Statistics, the National Health Interview Survey, the Illinois Department of Employment Security, and other sources detailed in our report. In Illinois, almost 2.6 million private-sector workers lack paid sick days (43 percent of the workforce). Some workers without paid sick days have access to other forms of paid leave that they may be able to use when ill, but about 1,670,000 Illinois workers have no paid leave whatsoever and are certain to receive new leave under the law. Workers who currently have access to paid leave will benefit from additional legal rights to use leave to care for themselves and family members, however.

On average, workers receiving new sick days will use fewer than 3 days of sick leave per year. The average cost to employers of implementing the policy, per employee receiving new leave, would be about \$6.78 per week. Statewide, this comes to about \$589 million annually due to wages and benefits, and administrative costs. However, IWPR estimates that universal paid sick days will result in significant savings to employers. Employers are expected to see the cost of implementing paid sick days defrayed by a large reduction in costs associated with employee turnover. Preventing workplace contagion of communicable diseases such as influenza will save employers additional millions. In total, we estimate an annual savings of \$861 million, almost entirely to employers, for a net savings of \$272 million annually.

Contagion prevention will save millions in health expenditures by families, insurers, and public agencies, while also improving quality of life for the residents of Illinois. 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.

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, I refer you to IWPR's report. Please feel free to contact me with questions regarding the monetary costs and benefits of implementing the proposed law in Illinois, as well as questions about paid sick leave policies generally.