

The Costs and Benefits of Paid Sick Days

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Before the Joint Standing Committee on Labor of the 124th Maine State Legislature regarding L.D. 1665, "An Act to Prevent the Spread of H1N1"

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Senator Jackson, Representative Tuttle, and distinguished members of the Committee on Labor,

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 Maine.

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 has just released 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 Maine legislature is currently considering. I submit our report along with my testimony. The report contains extensive detail regarding our estimate methodology and an executive summary that briefly states our findings; the report is available on the IWPR website.

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. We estimate conservatively that 171,000 Maine workers would receive new leave under the law. On average workers at larger businesses receiving new sick days will use fewer than 3 days of sick leave per year, while workers at smaller businesses are expected to use fewer than 2 days per year. The average cost to Maine employers of implementing the policy, per employee receiving new leave,

would be about \$6.30 per week – or 19 cents per hour worked. Costs would be lower – about 13 cents per hour worked – at small businesses due to the provisions of the bill and lower average wages paid at small businesses. Statewide, this sums to about \$56 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. Preventing workplace contagion of communicable diseases such as influenza will save employers additional millions. In total, we estimate an annual savings of \$93 million for businesses, for a net savings to business of \$37 million annually.

Contagion prevention will also save millions in health expenditures by families, insurers, and public agencies, while also improving quality of life for the residents of Maine. 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. I welcome questions regarding the monetary costs and benefits of implementing the proposed law in Maine, as well as questions about paid sick leave policies generally.