

**Testimony before the Labor and Public Employees Committee**  
**Re: SB 63 - An Act Mandating Employers Provide Paid Sick Days to Employees**  
**Submitted by Michael Winterfield, Connecticut Working Families**  
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I worked for many years in corporate America as a life insurance company actuary and executive officer. I am what you would call a "numbers guy".

I am accordingly disappointed at the "pennywise, pound foolish" opposition to Paid Sick Days (PSD) legislation. Paid Sick Days are a critically important health care benefit. They also make very good business sense.

You have heard many of the reasons why proponents of this measure support it. You have also heard opponents say it would be costly to businesses. I would like to hone in on that point. When I take a close, hard look at the actual numbers, this is what I have found:

- Paid Sick Day gross costs will be relatively minor. Depending on the type of firm and the % of total operating costs that is represented by payroll, I believe the maximum gross impact is a 0.3% to 0.5% increase in total operating costs. In short, we are talking about less than a one-half of one percent gross cost increase.
- Paid Sick Day costs should generally be offset by lower employee turnover and greater employee productivity.
- Furthermore, there are many easy ways for employers to absorb these costs through very minor price increases or very minor savings in other areas.

The Institute for Women's Policy Research has carefully studied the economic considerations. Ph.D Vicky Lovell's 2005 study "*Valuing Good Health: An Estimate of the Costs and Savings of the Healthy Families Act*" calculates the small incremental costs and the offsetting savings.

I would highlight two compelling findings in the Lovell study:

- Average utilization was just 3 days for a 7 PSD benefit as recommended by the Healthy Families Act. (I would accordingly estimate 2.5 days utilization for a 5 day benefit under SB 63.)

There are always going to be a few shirkers, but in reality most workers do not abuse their sick Days. Most workers know what it takes to hold on to a decent job and what it takes to get to the next level. They also know that they need to save their sick time for when they are actually sick or have a family medical emergency.

Some employees may need to take all of their paid sick time. However, for every employee who takes the maximum time, there are two or three who stay healthy and do not use any paid sick time at all. Thus, on average, employees only use a few paid sick days per year.

- Companies that provide PSD average about 5% less turnover than companies that do not provide PSD. The savings from a 5% reduction in turnover more than covered the costs of 3 paid sick days per year. The reasons for reduced turnover should be intuitively obvious. Businesses that treat their employees with dignity establish better morale and increased productivity. Employees

respect employers who respect their employees' maturity and their need to stay at home when they are sick.

**Example (SB 63 Costs)**

It will be helpful to give a quantitative example of the limited costs.

- Consider a \$10 per hour employee working 7.5 hours per day (250 days per year). This equates to \$18,750 per year.
- 2.5 paid sick day utilization would cost \$187.50. 3 days would cost \$225.
- These utilization rates would convert to a mere 1.0 – 1.2% of payroll for workers subject to the SB 63 requirements.
- Payroll costs are just one element of overall operating costs. For example, if covered payroll is 30-40% of overall costs, the SB 63 costs would represent just 0.3 – 0.5% of total operating costs.

Needless to say, no employer will be pushed to the brink of ruin with costs of this nature. Businessmen routinely raise prices to cover minor cost increases. For example, a \$20 dinner price at a nice restaurant could be increased to just \$20.06 - \$20.10 to accommodate a 0.3 – 0.5% cost increase. It is disingenuous for businessmen to deny their pricing power. As an actuary, I was responsible for the product design and pricing of \$ billions of annuity sales. We automatically built all costs into our pricing models.

I thank the Labor and Public Employees Committee for giving me the opportunity to testify.