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**Testimony of Michael P. Saltsman, Employment Policies Institute
Before the Committee on Labor & Public Employees**

S.B. 913 – An Act Mandating Employers Provide Paid Sick Leave to Employees

Senator Prague, Representative Zalaski, and members of the Committee:

Thank you for the opportunity to submit testimony today. My name is Michael Saltsman, and I am a research fellow at the Employment Policies Institute, a nonprofit research organization based in Washington, D.C. Previously, I worked as a field economist for the Bureau of Labor Statistics and for the Democratic Policy Office at the Michigan House of Representatives. I'm speaking today about the consequences of Senate Bill 913, the proposed paid sick leave mandate here in Connecticut.

We're told that business owners, their employees, and the public at large will benefit dramatically from a sick leave mandate—the classic “free lunch.” But as the saying goes, a free lunch is never really free. Claims made by this bill's advocates, and the research cited in support, don't stand up to closer scrutiny:

- Research from groups like the Institute for Women's Policy Research wildly overstates the benefits of this mandate
- Evidence from San Francisco suggests that vulnerable employees and their employers were adversely impacted by the city's sick leave mandate
- The businesses in Connecticut that don't already offer paid leave are in industries most likely to be hurt by a mandate like this

**MISLEADING RESEARCH: \$72 Million in Projected Employer Savings is a Statistical
Charade**

The Institute for Women's Policy Research claims that a paid sick leave mandate will save Connecticut employers \$72 million every year, due to factors like decreased employee turnover and reduced flu spread in the workplace.¹

For instance, the Institute assumes a 5 percentage point reduction in job turnover following a paid sick leave mandate. But the evidence isn't on their side: A survey conducted of San Francisco employers by

¹ See “Valuing Good Health in Connecticut: The Costs and Benefits of Paid Sick Days.” Available online at: <http://www.iwpr.org/publications/pubs/valuing-good-health-in-connecticut-the-costs-and-benefits-of-paid-sick-days>



The Urban Institute found that very few reported employee turnover decreasing following the passage of the sick leave mandate.²

What about the claim that fewer employees will come to work sick? Buried in a table in the back of a survey released in February 2011 by the Institute of Women's Policy Research is this shocking statistic: more than eight out of 10 employers in San Francisco said that the paid sick leave ordinance had *no effect* on the number of employees who came to work sick.³ Only a small fraction (about 3 percent) noted an improvement.

Taken together, this means that the millions of dollars in employer savings projected by the Institute are no more than a statistical charade not backed by real-world experience.

UNINTENDED CONSEQUENCES: *Evidence Shows that Increased Labor Costs Force Difficult Decisions in Certain Industries*

If the benefits trumpeted by the proponents of this legislation are either exaggerated or non-existent, what about the consequences?

Three surveys of employers in cities where a sick leave mandate was either enacted or considered have confirmed that certain industries with less experienced employees are negatively impacted by such a mandate.⁴

In San Francisco, close to 30 percent of employees in the bottom fifth of earners reported layoffs or reduced hours at their place of work after passage of the paid sick leave mandate. The Urban Institute study noted that profit margins were already tight at mid-size businesses in the city, and that the sick leave mandate forced cost reductions in other areas; several companies also had trouble meeting the reporting requirements because they lacked advanced payroll systems.

The Institute for Women's Policy Research may counter that 70 percent of the businesses they surveyed in San Francisco reported no impact on their profitability following the sick leave mandate. But this is very misleading—almost the same percentage of businesses in the survey *already offered paid sick leave* before the mandate went into effect.

LOCAL IMPACT: *The Minority of Businesses in Connecticut that Don't Offer Paid Leave Are Most Likely to Be Hurt by this Bill*

Of the industries in Connecticut that are covered by this legislation, many—like manufacturing, retail trade, wholesale trade, administrative, and accommodations and food services—have a large concentration of employees earning less than half the average US private sector wage.⁵

² See "Employers' Perspectives on San Francisco's Paid Sick Leave Policy." Available online at: http://www.urban.org/UploadedPDF/411868_sanfrancisco_sick_leave.pdf

³ See "San Francisco's Paid Sick Leave Ordinance: Outcomes for Employers and Employees." Available online at: <http://everybodybenefits.org/wp-content/uploads/2011/01/san-fran.pdf>

⁴ See footnotes 2 and 3. Also see "Impact of Paid Sick Leave on NYC Businesses." Available online at: <http://pfnyc.org/reports/2010-Paid-Sick-Leave.pdf>

⁵ See Sabia (2010). Available online at: http://epionline.org/study_detail.cfm?sid=131.

These employers often have profit margins in the low single digits. So, for each dollar in revenue they bring in, only a few cents are kept in profit—meaning there’s not a lot of leeway for added labor costs without unintended consequences.

Past research helps explain why a paid leave mandate would be particularly onerous for the small number of businesses in Connecticut that don’t currently offer it. Noted economists like MIT’s Jonathan Gruber have established that the cost of a health care mandate is ultimately borne by workers—either through lower wages, or other reduced benefits.⁶ And as Larry Summers (of Harvard University, and most recently of President Obama’s National Economic Council) pointed out, the cost of a mandated benefit can’t be fully absorbed by employees already earning the minimum, and thus could cause job loss among this vulnerable group.⁷

CONCLUSION: *Costs of this Mandate Outweigh the Benefits*

Recently released data from the U.S. Census Bureau show there are approximately 5,900 private sector businesses in Connecticut that have 50 or more employees; collectively, those businesses employ approximately 1.1 million people.⁸

Using data from the Bureau of Labor Statistics, we know that approximately 77 percent of these employees *already* have access to paid sick leave. If you expand the definition to include employees with access to any type of paid leave, the number rises to 86 percent.⁹

In short: The vast majority of Connecticut workers already have access to a paid leave benefit, and the remaining employees don’t have it because their employer can’t afford it. There will surely be unintended consequences if the state mandates a leave policy for that remainder.

In 2008, researchers at Cleveland State University concluded that the costs of a proposed sick leave mandate in Ohio outweighed the benefits.¹⁰ They concluded that “unintended consequences may adversely affect workers and the state’s competitive position.” The weight of the evidence suggests a similar conclusion for the state of Connecticut.

⁶ For instance, see Gruber (1994).

⁷ See Summers (1989)

⁸ US Census Bureau, Survey of Business Owners, data released in 2009 and 2010

⁹ Bureau of Labor Statistics, National Compensation Survey, March 2010

¹⁰ See “Likely Impact of Mandated Paid Sick and Family-Care Leave.” Available at: http://urban.csuohio.edu/urban_center/sick_leave/