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**TESTIMONY OF
NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB)
OPPOSING
HB-5044, AAC FAIR TREATMENT OF SICK WORKERS
BEFORE THE
LABOR & PUBLIC EMPLOYEES COMMITTEE
MARCH 8, 2018**

A non-profit, non-partisan organization founded in 1943, NFIB is Connecticut's and the nation's leading small-business association. In Connecticut, NFIB represents thousands of members and their employees. NFIB membership is scattered across the state and ranges from sophisticated high technology enterprises to "Main Street" small businesses to single-person "Mom & Pop" shops that operate in traditional ways. NFIB's mission is "To promote and protect the right of its members to own, operate, and grow their businesses." On behalf of those small- and independent- job-providers in Connecticut, NFIB/Connecticut offers the following comments:

NFIB/Connecticut strongly opposes House Bill 5044, which would unnecessarily and vastly expand Connecticut's paid leave law and apply it to all small businesses with 20 or more employees, as well as require unpaid leave time for small businesses with less than 20 employees. Passage of this legislation would not only harm existing small and mid-sized business in Connecticut, but also discourage expansion and relocation of new businesses to the state. Our small businesses cannot afford another well-intended but economically harmful mandate. Additionally, state government should not be continuing to endlessly micro-manage small business operations and mandate private sector benefits. Time-off issues are currently worked out in thousands of small and mid-sized businesses in the state every day without state government intervention.

Mandated sick leave significantly impacts productivity and operations in small and mid-sized businesses and it is costly. Most small businesses do not have a Human Resource department or staff to manage the paperwork requirements needed to comply, and drawing the line at 20 employees doesn't automatically mean they can manage this type of mandate. Prescribing specific employee benefits, like 5 days of paid sick leave, restricts the flexibility of small employers to provide the wages and benefits that their employees want, and that the employer can afford. If small employers are required to pay for sick leave, there are fewer resources available for other optional benefits such as health insurance, retirement programs, or wage increases -- benefits that most would consider to have a more fundamental relationship to the workplace and that impact all workers. Particularly in small and mid-sized independent businesses, employees appreciate an employer that can tailor their benefits to their particular needs and desires. Furthermore, expanding paid leave to small employers ignores the fact that most small business owners already arrange for their employees to take time off as needed, whether for illness or for a family emergency.



CONNECTICUT

Most small-business owners already provide a great amount of flexibility and generosity in allowing their employees to take time off for family or medical purposes. NFIB surveys have indicated that 96 percent of small-business owners provide flexible hours when personal situations arise, regardless of the firm's size.

In a recent survey published in January 2016 by the NFIB Research Foundation (“Employee Compensation and Small Business”)¹, the survey found, on paid leave, for example, 73 percent of all small firms offered paid time off to their full-time workers. Among them, 67 percent offer two weeks or more. Ninety percent of small firms that offer paid sick leave allow workers to use personal sick days to take care of a child or relative. Only 27 percent require a doctor’s note. Roughly eight percent, have a formal policy regarding employees who request time off for a serious illness in the family. Eighty-six percent handle such requests on a case-by-case basis. What this means is that small employers are not as regimented in their leave policies as larger firms. This is because small business owners know their employees on a more personal level so there is often a lot less formality involved. NFIB/Connecticut must caution that proposals to mandate certain benefits, like paid or unpaid leave for all small businesses, could complicate life for small employers and backfire on the employees. This proposals contained in HB-5044 will certainly require a lot more record keeping and compliance requirements on small businesses, which they are not currently subject to, and it will place restrictions on paid time off that do not exist now in many cases.

NFIB research and our members (please see small business owner comments regarding past proposal that follows) can tell you why mandating paid sick leave is bad policy. NFIB Research Foundation studies, which utilized a Business Size Impact Module (BSIM) based on the widely regarded Regional Economic Models Inc. (REMI) economic forecasting model, conducted in three states project that mandated paid leave would result in an average of a decrease in real output by \$17.4 billion within ten years. It would also result in an average loss of 80,000 jobs over the next 10 years. Small businesses would bear an average of 56% of the job losses cause by mandated paid leave and 53% of lost sales. In neighboring Massachusetts alone, research shows that the effects of a similar paid leave law will be extremely damaging: the state would lose 16,000 jobs over 10 years and & \$8.4 billion in economic activity. In nearby New Jersey, a study found that more than 25,000 jobs could be lost by 2023, and real output could decrease by more than \$18.1 billion by 2023. A Freedom Foundation “meta study” report found paid sick leave mandates fail to decrease sickness in the workplace and do nothing to reduce turnover.

¹ Available online at: <http://www.nfib.com/assets/NFIB-Employee-Compensation-and-Small-Business.pdf>



CONNECTICUT

Connecticut is already a high-cost state for employers with energy costs, development costs, taxes, unemployment insurance costs, health insurance premiums, and employee salary and benefit costs at or near the highest in the nation. These costs as well as even the possibility of expanded mandates such as the one proposed in this bill are reflected in our state's slow job growth over the past several years, particularly in the small business sector which has traditionally been the state's job incubator. Small business owners are not a bottomless pit. Now is not the time to impose an additional unaffordable mandate on our state's smallest employers.

Thank you for the opportunity to comment, and NFIB urges lawmakers to reject any expansion of the paid leave law and vote NO on HB-5044. For any questions or additional information, please contact Andy Markowski, NFIB/Connecticut State Director, at 860-248-NFIB.



CONNECTICUT

Connecticut Small Business Owners' Reaction To Prior (similar) Expanded Paid Leave Mandate Proposal

In February & March of 2015, NFIB/Connecticut asked a variety of small businesses to respond to how HB-6784 (2015) would impact their businesses. These responses, while anecdotal, are given simply to provide lawmakers with some insight into the operations and perspectives of small business owners. A sampling of their responses is below. In order to keep their personal information from becoming public, the names of their businesses have not been provided.

“It would put an extra financial burden on us and hurt our production”

- ***Metalworking Company, New Milford - 23 employees***

“We give 6 paid days per year plus a personal paid holiday day - birthday, anniversary etc. Given the cost of running a small business, any increase in government mandates will result in: more resistance to hiring additional employees; possibly reducing staff; considering moving out of state - in my case a 7 mile move; I am 75 and business is not great, retirement to Florida is an option.”

- ***Boating Equipment Provider, Stamford - 14 employees***

“Employees whether full time or part time get 1 week vacation pay after working a full year. Two weeks after 2 years. No sick time is paid for. It would cripple us. I am a small business owner and as fair as we are this law would be devastating.”

- ***Bakery, Bristol - 30 employees***

“All salaried managers receive 2 weeks paid vacation. They also are allowed 5 sick days in the calendar year. They do not accrue. All full-time and part-time hourly wage employees do not receive any paid vacation or sick leave. They can take any time off they require and still maintain a job. Mandatory paid leave would cost my business money (and time to manage it). It has the potential to cost my business anywhere from \$0 (unlikely) - close to \$15,000 in a calendar year. I am sure that many employees would not take advantage of this leave, as most want to work and like to work. A realistic cost would be around \$7000 annually. As a small business owner, that is substantial and would result in an additional expense we don't need. Connecticut is not a small business friendly state. This just adds to



CONNECTICUT

the burden for all of us and is outright wrong. Small business in this state, myself included do not have the time, money or means to implement paid leave for all employees.”

- ***Restaurant, Pomfret – 25 employees***

“Currently offer paid national holidays, an average 2 weeks vacation. If I’m mandated to provide additional paid leave I will need to increase our labor rate to compensate for the loss of income for lost billable hours. And paying for those unproductive labor costs.”

- ***Plumbing & Heating Contractor, Bridgeport – 11 employees***

“We offer 3 sick/personal days. Any more than that and we cannot operate our business with such a small pool of others to ‘cover’ and do another’s job. It would cost us too much to operate effectively.”

- ***HVAC & Oil Company, Brooklyn – 10 employees***

“We offer 2 paid days per year. This change to the legislation will have an adverse effect on our ability to compete. We are already at a disadvantage due to other state mandated regulations and the high cost of labor and energy. This would do nothing more than increase our costs. At present I am looking for ways to relocate to a more tax and business friendly state.”

- ***Automobile Specialty Service & Restoration, New Haven – 14 employees***

“Currently offer paid leave. Expansion to family members would adversely affect us.”

- ***Transportation Company, Windsor Locks – 20 employees***

“[Employees] get 3 sick days / personnel days plus 4 paid holidays as we are a seasonal business. Any more than that would really cut into the bottom line, but more than that it hurts our production and services to our clients.”

- ***Landscaping Company, Shelton – 18 employees***