



**EVERYONE GETS SICK.
EVERYONE NEEDS TIME
TO GET BETTER.**

An Estimate of the Economic Impact of
Paid Sick Days Legislation in Connecticut

April 2008



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EXECUTIVE SUMMARY

Across the country, policy makers and the public are taking notice that nearly half the nation's private sector workforce lacks paid sick days. The widespread absence of paid sick days presents a barrier to health care access for workers and their family members. It also presents a public health risk for customers and co-workers exposed to workers with contagious illnesses.

Without job-protected paid sick days, workers who must take time away from work to deal with illness risk job loss and many experience economic hardship due to the loss of pay. In addition, businesses without paid sick days face significant costs due to lowered productivity resulting from the spread of illness in the workplace and higher turnover-related costs.

Paid sick days policies like Connecticut's Senate Bill 217, currently pending before the General Assembly, aim to remedy these problems by setting a basic labor standard guaranteeing workers access to paid sick days. SB 217 would ensure that employees have paid sick days to take care of their own health needs, the health needs of their children, or to seek services and treatment relating to domestic violence. The bill would allow employees to accrue paid sick time at a rate of one hour of paid sick time for every 40 hours worked, up to a maximum of 52 hours of paid sick time per year. SB 217 would apply to businesses that employ at least 25 people in the state of Connecticut.

This report estimates the costs for employers associated with SB 217, as well as the savings paid sick days would yield for businesses, workers and their families, and the community as a whole. It also discusses the potential impact of the legislation on employee access to preventive medical care.

Central Research Findings

- ◆ **A significant number of employees in Connecticut—44% of private sector workers—have no paid sick days.** These workers lack the economic security and health benefits associated with this workplace protection.
- ◆ Many employees without paid sick days—who have no choice but to go to work sick—**work in sectors with the highest public health risk because of the likelihood of spreading illness to the public:** food services and accommodations, health care, and retail.
- ◆ The 25-employee threshold in the proposed legislation **protects most small 'Mom and Pop' businesses.** In fact, setting a threshold any higher risks exempting nearly all food service employees, undermining the public health protections that would result from enacting paid sick days.
- ◆ Allowing employees access to paid sick days results in **increased access to preventive health care services, which saves on health care costs in the long run.**
- ◆ Even with access to seven paid sick days per year, **research shows that most employees will take only a few paid sick days per year.**
- ◆ **The savings to businesses associated with paid sick days outweigh the costs,** due to reduced staff turnover and limited spread of illness in the workplace.

Employees Without Paid Sick Days by Industry

The estimate of the number of employees with and without paid sick days is based on data from the U.S. Bureau of Labor Statistics' March 2006 National Compensation Survey, adjusted for eligibility with data from the November 2005 through October 2006 U.S. Bureau of Labor Statistics Job Openings and Labor Turnover Survey.

Applying national estimates of the percentage of employees in each industry with paid sick days to data on 2006 employment by industry in Connecticut data, as many as 631,270 employees—approximately 44% of private sector employees in Connecticut—have no paid sick days. Of those employees, 254,901 are employed in food services, retail, and health care—industries where the risk of spreading illnesses to the public is greatest.

NAICS industry code	Private Sector Industry	Percent of workers without paid sick days, nationally ¹	Number of employees in CT, by industry ²	Number of workers in CT without paid sick days, by industry	Percent of workers in CT without paid sick days, by industry
21	Mining	52	737	380	52
22	Utilities	15	6,671	976	15
23	Construction	75	67,157	50,153	75
31-33	Manufacturing	48	193,714	92,925	48
42	Wholesale trade	29	67,660	19,561	29
44-45	Retail trade	55	191,254	105,113	55
48-49	Transportation and warehousing	44	41,710	18,390	44
51	Information	26	37,730	9,625	26
52	Finance and insurance	18	123,282	22,006	18
53	Real estate and rental	33	21,043	7,033	33
54	Professional and technical services	31	91,396	28,470	31
55	Management	23	26,370	6,126	23
56	Admin and waste services	69	88,103	60,862	69
61	Educational services	32	47,723	15,128	32
62	Health care and social assistance	29	225,015	64,984	29
71	Arts, entertainment, and recreation	65	23,821	15,462	65
72	Accommodation and food service	78	108,654	84,804	78
81	Other services	51	57,761	29,273	51
	Total	48	1,419,801	631,270	44

¹ Except where noted, industry-level paid sick days coverage rates are from Vicky Lovell, *Taking Care: Adequacy and Equity of Paid Leave* (Washington, DC: Institute for Women's Policy Research, forthcoming), using data from the U.S. Bureau of Labor Statistics' March 2006 National Compensation Survey, adjusted for eligibility with data from the November 2005 through October 2006 U.S. Bureau of Labor Statistics Job Openings and Labor Turnover Survey.

² U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages, Data downloaded from <http://data.bls.gov/cgi-bin/dsrv?en>.

³ All federal employees have flexible paid sick days.

⁴ Vicky Lovell, *No Time To Be Sick: Why Everyone Suffers When Workers Don't Have Paid Sick Leave* (Washington, DC: Institute for Women's Policy Research, 2004).

Providing paid sick days to Connecticut workers who are least likely to have access to them, those that work in industries that require high public contact, is a benefit to public health and to the overall health of our communities.

Employment by Firm Size in Connecticut

SB 217 would exempt firms with fewer than 25 employees. Census Bureau statistics for firm size provide data to estimate the total number of establishments and employees who would be covered by a policy with a 25 employee threshold.

Number of Firms Covered by SB 217

The Census Bureau collects data on businesses by separating them into categories by size. The most useful category for an analysis of which businesses would be required to provide paid sick days in Connecticut is the category of “20-49 employees.” Because the proposed legislation only applies to firms with 25 or more employees (and not 20 or more employees) these figures represent an estimate of the number of establishments and employees who would be covered by the policy, not a precise number.

Employees by Establishment Size in Connecticut

Based on these estimates, a paid sick days policy that applies to employers with 25 or more employees would exempt a significant number of smaller establishments in the state. Therefore, SB 217’s current business threshold is adequate to avoid impact on smaller businesses in Connecticut.

“Establishment size” is not identical to the total number of employees an individual employer may have, if the employer operates multiple establishments in the state (such as “chain” retail or food establishments). Even with this caveat, the majority of individually owned and operated small businesses would be exempt from SB 217.

U.S. Census Bureau, County Business Patterns, 2004 (the most recent year for which data are available)

Establishment Size	Number of Establishments in Size Category	Cumulative Number of Establishments	Number of Employees in Size Category	Cumulative Number of Employees
All Establishments	93,011		1,537,461	
1-4 Employees	49,554	49,554	86,222	86,222
5-9 Employees	18,284	67,838	121,283	207,505
10-19 Employees	12,049	79,887	162,336	369,841
20-49 Employees	8,035	87,922	245,442	615,283
50-99 Employees	2,814	90,736	193,429	808,712
100-249 Employees	1,678	92,414	259,837	1,068,549
250-499 Employees	383	92,797	127,973	1,196,522
500-999 Employees	115	92,912	75,919	1,272,441
1,000 or more employees	99	93,011	265,029	1,537,470

Number of Employees Covered by SB 217

More employees are employed by larger firms in Connecticut than are employed by small businesses. The proposed paid sick days bill would cover a majority of employees in Connecticut. A threshold of 25 employees would ensure paid sick days for between 922,200 and 1,167,600 employees in Connecticut.

Number of Accommodations and Food Service Establishments Covered by SB 217

The accommodations and food industry has a high concentration of workers without paid sick days. A closer look at the distribution of firm size in this industry can help determine the potential effects of exempting small firms from providing paid sick days.

Accommodations and Food Services Establishments by Size (U.S. Census Bureau County Business Patterns, 2004)

Establishment Size	Establishments	Cumulative Establishments	Paid Employees for pay period including March 12 (number)	Cumulative Employees
All Establishments	7,414	7,414	124,603	
1-4 Employees	3,114	3,114	5,130	5,130
5-9 Employees	1,406	4,520	9,401	14,531
10-19 Employees	1,273	5,793	17,595	32,126
20-49 Employees	1,249	7,042	38,256	70,382
50-99 Employees	300	7,342	19,926	90,308
100-249 Employees	55	7,397	5000 - 9,999	na
250-499 Employees	13	7,410	2,500 - 4,999	na
500-999 Employees	2	7,412	1,000 - 2,499	na
1,000 or more employees	2	7,414	10,000 - 24,999	na

Accommodations and Food Services Establishments by Size in Connecticut

Establishments in the accommodations and food services industry tend to be smaller in size than other industries in the state. Many of them would be exempt from providing paid sick days under the proposed legislation. More than half of businesses in accommodations and food services employ fewer than 10 employees.

Number of Accommodations and Food Services Employees Covered by SB 217

Accommodations and food services establishments in Connecticut with between 20 and 49 workers employ 38,256 workers. Many of these workers would have the protection offered in SB 217 because of the threshold of 25 or more employees. Accommodations and food services establishments with 50 or more employees employ 54,221 people in Connecticut. Given the public health concerns related to food and accommodations workers being forced to come to work sick, SB 217 would provide a vital workplace protection that would benefit workers, their families, employers, and the public.

Use of Paid Sick Days

For research on the potential impact of proposed federal paid sick days legislation, *The Healthy Families Act*, which is similar to SB 217, the Institute for Women’s Policy Research (IWPR) analyzed the 2003 National Health Interview Survey (NHIS) and other data sources to estimate the number of paid sick days that employees who have paid sick days actually use for their own health care needs, for the health needs of family members, and for victims of domestic violence.

Use of Paid Sick Days for an Employee’s Own Medical Needs

When workers have a maximum of seven paid sick days a year, they miss an average of 1.8 days annually for illness and injury, excluding maternity leave, according to the IWPR analysis of the 2003 National Health Interview Survey (NHIS). Those without paid sick time miss an average of 1.3 days annually. All workers combined miss an average of 1.6 days out of 7.53. Seven percent of workers do not take any days off for illness or injury in a given year.

Use of Paid Sick Days for Family Care

Workers with paid sick days would take an average 0.33 days of FMLA-type leave to care for ill children, spouses, and parents for every 1.0 days of their own-health leave (Rutgers University Center for Women and Work 2005). 1.8 Days * 0.33 = 0.6 days (4.8 hours).

Use of Paid Sick Days for Doctor Visits

Type of Use	Average # of Days Used
For employee’s own health care needs	1.8 Days
For family care	0.6 Days
Doctor visits	.5 Days
Total	2.9 Days

Workers with paid sick days visit a doctor an average of 3.7 times per year (IWPR analysis of the 2003 NHIS). These visits may be during or outside of work hours or may already be included in time off due to illness or injury. Workers would take 3.7 hours of leave in additional doctor visits during work hours (or 0.4625 days) if SB

217 were enacted.

Access to Preventive Medical Care by Employees With and Without Paid Sick Days

There is broad consensus that one of the best ways to reduce health care costs is through increased access to preventive medicine to ensure that individuals can prevent health problems or treat them in a timely manner, before they become more serious and costly. However, employees without paid sick days have significantly reduced ability to access reliable preventive health care services.

	Workers WITH Paid Sick Days	Workers Without Paid Sick Days
Workers who have a usual source for getting routine or preventive health care	89%	71%
Workers who have seen a doctor, nurse practitioner, physician's assistant, or midwife in the last year	75%	63%

Source: Unpublished Institute for Women's Policy Research analysis of the 2006 National Health Interview Survey.

The chart above demonstrates that workers with paid sick days are significantly more likely to be able to access health care than those without paid sick days. These disparities in access to preventive health care may have ramifications beyond the individual worker. The increased cost of caring for advanced diseases affects the entire health care system, including insurers, businesses, workers, taxpayers, and the government.

Cost and Savings of SB 217: A Bill to Provide Paid Sick Days

The Institute for Women's Policy Research has developed an empirically based methodology for estimating the potential cost to employers of proposed federal paid sick days legislation, the

Healthy Families Act, as well as potential savings from such a policy. While there are differences between the *Healthy Families Act* and SB 217, there are also enough similarities that applying the cost and savings estimate methodology used to evaluate the *Healthy Families Act* provides important insight for policy makers on the estimated financial impact of the proposal.

Applying Connecticut wage data to this established methodology, the cost to employers of providing paid sick days under SB 217 is estimated to be \$8.83 per employee per week. However, this cost is significantly less than the overall savings to the economy, estimated at approximately \$12.37 per employee per week. The savings associated with establishing a paid sick days policy in Connecticut will exceed the costs associated with providing it. Employers reap the vast majority of these savings.

Estimated savings from a minimum paid sick days standard in CT, per worker per week: ¹	Estimated costs of a minimum paid sick days standard in CT, per worker per week: ¹	Estimated net savings of a minimum paid sick days standard in CT, per worker per week: ¹
\$12.37	\$8.83	\$3.54

The estimates above are based on per-worker per-week costs (for workers with new coverage under the paid sick days proposal) and savings for the proposed *Healthy Families Act* (Lovell, 2005). The costs and benefits estimates were based on data from the 2004 Current Population Survey Annual Social and Economic Supplement and other sources to estimate the impact of the *Healthy Families Act*, in 2003 dollars. Those figures have been adjusted to 2006 dollars for this estimate using the U.S. Bureau of Labor Statistics' Inflation Calculator at <http://www.bls.gov/cpi/>. The national-level estimates from Lovell's 2005 report were adjusted to Connecticut's wage levels using the BLS' Quarterly Census of Employment and Wages (<http://data.bls.gov/cgi-bin/dsrv?en>).

CONCLUSION

SB 217 would guarantee an essential protection for workers and their families, as well as provide significant, quantifiable savings for businesses, workers, taxpayers, and Connecticut's communities. These savings outweigh the cost of providing paid sick days. Paid sick days are a solution that fulfills our collective goals of supporting the well-being of workers and families, the productivity of our workforce, and the profitability of businesses. Everyone gets sick. Everyone needs time to get better.

Appendix A: Methodology of the Cost-Benefit Analysis of Connecticut's Paid Sick Days Policy

Employer Costs

In determining the cost to employers under the *Healthy Families Act*, the Institute for Women's Policy Research considered:

1. How many employees will be affected?

- Total number of employees who meet eligibility criteria of the *Healthy Families Act*;
- The number of those eligible employees who currently have no paid sick time;
- The number of eligible employees that have paid sick days but are not permitted to use them for the purposes of the *Healthy Families Act*, such as caring for a sick family member;
- The number of eligible employees who have fewer than three days of paid sick time and would have an increase in paid sick time under the *Healthy Families Act*.

2. How many days of paid sick time will workers actually use, on average?

3. How much do employees earn?

IWPR calculated mean wages by wage quartile for non-maternity-related *Healthy Families Act* leave and used mean wages (by wage quartile) for new mothers for maternity-related *Healthy Families Act* leave. Earnings are adjusted for work hours using the median work hours for full-time and part-time employees for these two groups of employees.

4. Legally mandated payroll taxes

The employer's share of Social Security and Medicare taxes, plus federal and state unemployment insurance taxes and worker's compensation, totaling 11.46 percent of wages (U.S. Bureau of Labor Statistics 2005) are added to wage

costs.

5. Administrative expenses

Administrative expenses are estimated at 2.0 percent of wages. This is roughly one-third the average ratio of administrative costs to benefit payments for state Temporary Disability Insurance programs (TDI) in California, New Jersey, and Rhode Island (U.S. Social Security Administration 2005). TDI is somewhat similar to *Healthy Families Act* leave in that both relate to workers' illness-related work absence, but TDI is more complex, involving collection of payroll taxes, evaluation of medical disability, tracking of health status, and long-term benefit periods.

Savings

Estimating the direct cost to employers of a paid sick days policy is only part of the equation when analyzing the actual costs and benefits because such a policy also creates savings for employers. In analyzing the estimated savings to employers from the *Healthy Families Act*, the Institute for Women's Policy Research based its estimate on several criteria:

1. Wages currently paid to workers with low productivity

Employers pay substantial wages to employees who are unproductive when they have to come to work sick. Prior research estimates the average total annual productivity loss, per employee, for the top 10 most costly health conditions at between \$1,566.63, using average productivity loss estimates, and \$217.07, using low productivity loss estimates (in 2001 dollars).

Empirical studies indicate that workers with influenza have worse performance on a variety of tasks than healthy workers. A study using random assignment of experimentally induced colds and influenza found that "minor illnesses . . . have significant effects on performance efficiency" during both incubation and symptomatic periods (Smith 1989, 68). A follow-up study discovered that performance impairment continues even after clinical symptoms no longer appear (Smith 1990).

2. Reduced Turnover

Research establishes that having paid sick days reduces voluntary job mobility by 5.58 percentage points (pp) for married men, 3.61 pp for married women, 5.75 pp for single women, and 6.43 pp for single men as workers choose to retain in positions with decent labor standards.

In addition, access to paid sick days affects involuntary turnover, due to decreased job terminations related to unauthorized work absences for ill workers and for workers caring for sick family members. Seven percent of women's job separations are responses to health issues, and another 15 percent concern other family or personal reasons.

Employee turnover creates a variety of costs for employers,

of which actual outlays to recruit a new worker are only a small portion. Low productivity of new hires, drains on the productivity of the new worker's colleagues and supervisors, human resources processing time for exit and entry, training, and lost productivity during vacancies also increase costs to employers.

3. Reduced spread of the flu within workplaces reduced overall absence and lags in productivity.

Employers are becoming increasingly aware of the cost of the spread of disease within workplaces that occurs when sick employees show up for work, a practice known as "presenteeism". Two of every five employers identifies presenteeism as a problem for their organization (CCH Incorporated 2004a).

Empirical research has documented the widely suspected link between presenteeism and contagion within workplaces. Researchers found lower rates of respiratory and gastrointestinal infection among nursing home residents when nurses have paid sick days, demonstrating that the spread of disease is diminished when ill workers can stay home. Another analysis reports reduced disease and mortality among patients in long-term care hospitals when health-care workers are vaccinated against influenza. Since the flu is highly contagious and accounts for 10 to 12 percent of all illness-related employment absences, the impact of the *Healthy Families Act* on reduced transmission of the flu virus is likely to be the largest consequence of increased paid sick time on the spread of disease in the workplace.

4. Reduced expenditures from short-term nursing home stays

When workers are able to provide informal care for their disabled, elderly, and medically-fragile relatives, short-term costs related to nursing home stays are reduced. IVPR found that the savings from reductions in short-term nursing home stays would total \$225 million annually.

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