

**Testimony of Dr. Vicky Lovell, Institute for Women's Policy Research, before the
Joint Committee on Labor and Workforce Development
of the 184th General Court of the Commonwealth of Massachusetts
May 4, 2005**

Senator McGee, Representative Rodriguez, members of the Committee: Thank you very much for providing me with an opportunity to discuss with you my research on paid sick days for Massachusetts workers. I am here to present a new analysis of the costs and savings associated with the Paid Sick Days Act, which I estimate will have a net cost per covered worker of less than \$0.35 a day.

I am the Study Director for two program areas at the Institute for Women's Policy Research: Employment and Earnings, and Work and Family. The Institute for Women's Policy Research is a non-partisan, non-profit, scientific research center in Washington, D.C., dedicated to informing and stimulating debate on issues of critical importance to women and their families. I have worked at the Institute for six years, analyzing women's employment outcomes and programs and policies that increase women's economic well-being. I have a Ph.D. in Public Policy from Portland State University, where my studies were concentrated in labor economics and the public policy process.

Over the last three years, I have worked extensively on research and analysis related to paid sick leave. I have a contractual relationship with the U.S. Department of Labor that allows me access to confidential microdata from surveys of employers about their paid time off policies. A report based on that analysis, published last year, documented significant disparities in workers' participation in paid leave programs and reviewed empirical research on the effect of work schedule inflexibility that prevents workers from responsibly handling their own health issues or from caring for ill family members. I have brought copies of that report, *No Time To Be Sick*, for the Committee.

Last week, a second project report was released. This analysis estimates the costs and savings to employers, workers, and taxpayers of proposed national legislation that would guarantee eligible workers a minimum of seven days of paid sick leave annually. That cost study used nationally representative data collected by the U.S. Department of Labor and the U.S. Census Bureau to identify workers who would benefit from such a national policy and reviewed what existing research has found about links between paid time off and savings on wages paid to workers too sick to perform their job duties effectively; the spread of the flu at work; reduced turnover; and decreased spending on health care, including nursing homes.

Using this national research report as a foundation, I have completed a similar analysis of the costs of the bill you are considering this morning, the Paid Sick Days Act. The new analysis estimates that 1.5 million of Massachusetts' 3.1 million employees currently lack paid sick days—47 percent of all Massachusetts workers. As with the national proposal, I use a very conservative methodology to estimate what covering these workers would cost, and what savings

would be generated by the PSDA—a methodology that *overestimates* program costs while greatly *underestimating* benefits and savings. Research confirms a number of important benefits that will certainly accrue from workers having time to take care of their own health needs and those of their families, but in many instances we lack the necessary data to specifically measure the benefits. When resources become available to place a value on these and other benefits of the PSDA, the net *savings* to employers, workers, and society at large of this policy will unquestionably be very substantial.

Data on the Massachusetts workforce are derived from publicly available Massachusetts Department of Labor administrative records. Our study also incorporates data from the Massachusetts Department of Public Health, and uses the U.S. Department of Labor's Current Population Survey—the same dataset used to calculate monthly unemployment rates—for other data about Massachusetts workers. Where Massachusetts-specific data are not available, we modify federal data to conform to the Massachusetts workforce.

My full report on the Massachusetts Paid Sick Days Act is attached to my testimony as an Appendix. To summarize, I estimate that this proposal will entail costs to employers for wages paid to workers on leave, for payroll taxes on those wages, and for administrative expenses, totaling \$808.7 million annually, or \$8.39 per week for each Massachusetts worker who would enjoy new or expanded paid sick time under the Act. Averaged over all Massachusetts workers, the proposal's per-worker weekly cost is \$4.95, or less than a dollar a day.

Our research documents that savings under the PSDA will be very substantial. The largest cost savings will be to employers, who will save on costs related to hiring replacement workers, because both voluntary turnover and involuntary job terminations will decrease when workers can take time with pay when needed. Savings to employers from the proposal related to reduced voluntary and involuntary job turnover and lower sickness rates will nearly match the program's costs, at \$634.5 million annually, or \$6.58 weekly per covered. The net cost to employers is \$174.2 million (\$1.81 weekly per covered worker). Total net costs, including savings to workers and society at large, are \$163.7 million a year, or \$1.70 a week for covered workers and \$1.00 a week for all Massachusetts workers. Nearly 2 million Massachusetts workers (1.85 million) will see either new or expanded paid sick time under the PSDA.

Our estimates assume that all PSDA-covered workers will know about the program and be able to use it without penalty. At least for the first several years of the new policy, it is likely that program participation will be much lower than 100 percent. For any period when full utilization is not achieved, both costs and savings will be far lower than our estimates anticipate.

Healthy workers are the key to a healthy, productive economy. Employers know this, but the link between health supports like paid sick days and productive workers is not as widely acknowledged as research warrants. Small employers who feel they cannot afford to provide health insurance to their workers may especially appreciate having a universal policy of paid sick days, to promote their workers' health while remaining competitive. The Paid Sick Days Act will allow workers to take short breaks from their jobs when they are ill, allowing them to return when fully productive. Co-workers will be protected from the spread of diseases like the flu, and employers will be saved from paying for workers who are too sick while at work to perform at

their usual level. Health care costs will decline because workers will also be able to use the paid sick days to take care of family members' illnesses as well as their own.

Many workers who currently have no paid sick days have the most frequent exposure to the public: workers in food service, nursing homes, child care centers, and retail clerks. We will all be healthier, and workplaces will be more productive and efficient, when workers gain the basic right to time to maintain our society's health.