



INSTITUTE FOR WOMEN'S POLICY RESEARCH
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November 30, 2009

The Honorable Christine Quinn
Speaker of the City Council

The Honorable Linda Gibbs
Deputy Mayor for Health and Human Services

The Honorable Gale Brewer

City Hall
New York, NY 10007

Dear Speaker Quinn, Deputy Mayor Gibbs, Ms. Brewer, and Members of the City Council:

As you know, advocates and many on the City Council in New York City have been supporting the passage of Introduction 1059, known informally as the Paid Sick Time Act, though others have opposed passage. The law would require businesses to provide workers with 1 hour of sick time per 30 hours worked, up to a maximum accrual of nine days, or 5 days for businesses with fewer than 10 employees. Media outlets have cited widely varying estimates of the cost of implementing the policy: the estimate released by the Institute for Women's Policy Research and that released by the Five Borough Chamber Alliance, an organization formed by the Brooklyn, Bronx, Manhattan, Queens and Staten Island Chambers of Commerce.

The Institute for Women's Policy Research has been conducting policy analysis and cost-benefit estimates regarding the implementation of paid sick days laws for almost a decade. The Institute has published estimates and analyses relevant to proposed laws in a dozen states and four cities, and has provided analysis of the proposed federal paid sick days law, the Healthy Families Act. Our estimates utilize publicly available data from the Bureau of Labor Statistics, the National Health Interview Survey, local and state labor departments, and other sources, and our methods are detailed in our reports.

In New York City, IWPR estimates that the proposed paid sick days law will cost employers, on average, \$7.50 per week for each employee receiving new leave, or a cost of about 21 cents per hour. Summed over the entire workforce, this amounts to \$332 million annually. These findings and our methodology have been published in a report available on the IWPR website (www.iwpr.org). The report was submitted with IWPR testimony to the New York City Council.

The Five Borough Chamber Alliance has publicized its own estimate of the cost of implementing the bill—\$8.8 billion, 26 times larger than the estimate produced by IWPR. There are several ways in which the Chambers' estimate utilizes erroneous assumptions to reach a vastly inflated

cost figure. **These errors are multiplicative, not additive;** the impact of each mistaken assumption is multiplied by the impacts of the others, resulting in the massive difference between the two estimates.

Issue #1: The Chambers Are Counting Workers That Don't Exist

IWPR's estimate uses employment numbers by industry from the New York State Department of Labor. The Chambers did not use any data regarding the number of employees in New York City. Instead, they used data on the number of businesses in each size category (e.g. businesses with 1-4 employees, 4-9 employees, etc.), and then multiplied the number of businesses by the upper bound of each category. For example, for businesses with 1-4 employees, the Chambers' estimate assumes that each has 4 employees. As a result, the Chambers' estimate assumes that 4.4 million people work in the private sector in New York City. The most recent count from the Department of Labor indicates that there were 3.1 million employed persons in New York City in September 2009. **The Chambers counted over a million nonexistent workers in New York City.**

Issue #2: The Chambers Are Counting Workers Who Already Receive Leave

Though at least 850,000 New York workers lack paid sick leave, most workers in New York already have paid sick days, and others have other leave they can use when ill. However, **the Chambers' \$8.8 billion estimate is an estimate of the cost of the policy applied to the entire private sector in New York, including all those workers whose employers already voluntarily provide paid sick leave.** Its own documents say—in small print, below the \$8.8 billion number—that the new cost is much smaller. Its estimate of the new cost to employers (\$2-3 billion) is also based on a likely overestimate of the number of affected workers, as it is based on the highest available estimate of workers without paid sick leave and ignores the probability that some workers without paid sick days have other leave (such as PTO or, in some cases, vacation) that can be used when ill, a factor taken into account by IWPR in its estimate.

Issue #3: Most People Do Not Use All of Their Sick Leave

A problem plaguing the perception of paid sick days laws and their costs is the idea that the cost to businesses will be equivalent to the maximum number of days an employee can accrue. **The Chambers assume that workers who earn nine sick days per year will use all nine, but on average people use no more than a few days per year, because using their leave capriciously would leave them vulnerable in the event of illness or injury, would be contrary to their work ethic, or would be viewed negatively by employers.** IWPR calculates that New York workers receiving new sick days under the proposed law would use fewer than 3 days per year on average, including use to care for family members and for doctor's visits. Analysis of data from the National Health Interview Survey, from which the IWPR calculations were derived, show that fully 48% of workers with paid sick days don't use any sick days in a given year.

Issue #4: Workers without Sick Days Earn Lower Wages

IWPR estimates the cost of providing leave based on an average wage that is weighted by prevalence of paid sick days in each industry. For example, workers in food service are particularly unlikely to have paid sick days; these workers make less on average than workers in sectors with good paid sick days coverage (e.g. the financial sector), and IWPR's estimate takes this into account. **The Chambers' estimate of average wages and benefits does not adjust their estimated average wage to reflect the reality that workers without sick days are likely to be in low-wage jobs** and thus overestimates the cost of guaranteeing new paid sick days to workers who lack them.

Issue #5: Part-Time Workers Will Accrue Less Leave than Full Time Workers

Another area of confusion surrounding the proposed New York law is part time work. Many part-time workers are currently ineligible to earn leave under employer policies and would earn new leave. However, the accrual method detailed in the bill—accruing one hour of sick leave per 30 hours worked—means that part-time workers will gain only a proportionate fraction of the leave gained by full-time workers. The business horror story of a worker with two part-time jobs receiving (and, of course, using all of) 18 days of sick leave per year is simply impossible. Someone working two jobs for 20 hours each per week would earn about nine days of leave per year, a little over four for each job. **The Chambers' estimate treats all workers in New York as though they are full-time workers** who will earn (and use) the maximum amount of leave per year. IWPR's estimate uses statistics on work hours to adjust for how much employees actually work.

The enormous difference between the IWPR estimate and the Five Borough Chamber Alliance estimate is a result of very different methodologies. Estimates of the cost of a proposed law can never be perfect predictions, of course. Researchers are not infallible and cost estimates are not prophecies. However, I hope it is clear that the Alliance methodology is rife with erroneous assumptions that result in a misleading, wildly inflated estimate of the cost of implementing Introduction 1059 in New York City.

Regards,

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