

Scheil-Adlung, Xenia; Sandner, Lydia

Article — Published Version

Evidence on paid sick leave: Observations in times of crisis

Intereconomics

Suggested Citation: Scheil-Adlung, Xenia; Sandner, Lydia (2010) : Evidence on paid sick leave: Observations in times of crisis, Intereconomics, ISSN 1613-964X, Springer, Heidelberg, Vol. 45, Iss. 5, pp. 313-321,
<https://doi.org/10.1007/s10272-010-0351-6>

This Version is available at:

<https://hdl.handle.net/10419/66539>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

Xenia Scheil-Adlung* and Lydia Sandner**

Evidence on Paid Sick Leave: Observations in Times of Crisis

A large number of governments in all regions of the world have recognised the need for paid sick leave although the benefit schedules vary widely. International data show that the incidence of paid sick leave is closely associated with overall economic developments. What are the patterns of paid sick leave and its incidence around the world, and how have these been affected by the recent economic crisis?

Paid sick leave is crucial, especially in times of crisis when many workers fear dismissal or discrimination when sick. The absence of paid sick days forces ill workers to decide between caring for their deteriorating health or losing jobs and income, risking impoverishment to themselves and their families. Many workers with insufficient or no social health protection and paid sick leave cannot afford to choose.

The economic costs of working when sick exceed the increased healthcare costs of treating significantly more people showing more severe signs of ill health. They also involve costs due to lower productivity and related impacts on economic growth and development, as well as collective costs of growing health and social inequalities.

Generous paid sick leave schemes are said to be open to abuse. This is undoubtedly a danger and requires strong administration. It is true that gaps in paid sick leave result in severe impacts on public health and the economy, as recent data have confirmed: in 2009, when the economic crisis and the H1N1 pandemic occurred simultaneously, globally an alarming number of employees without paid sick leave options attended work while ill. Germany had the lowest recorded number of sickness absences.¹ Fears of losing one's job, restructuring and financial worries were identified as reasons for the costly presence of the sick at work.

In recent decades social protection schemes have been developed to mitigate damaging impacts from economic crises and individual setbacks. The role of social health protection has been highlighted as a human right that

safeguards the economic productivity of a healthy workforce and is a social and economic stabiliser during crises. This is in line with various Conventions of the International Labour Organization (ILO), such as Convention 102² that embodies the internationally accepted principles of social security.

Many aspects of social protection, including the role and costs of paid sick leave, are misunderstood or underappreciated, especially during economic crises: ILO analyses³ of stimulus packages addressing crises find that social and health budget cuts are among the first national responses to recover the costs of bailouts. This affects social health protection that provides access to health services and financial protection in case of disease, such as paid sick leave.

Limited information is available on the consequences of gaps in paid sick leave and the costs of failing to meet the needs of the vulnerable. Developing reliable data is constrained by the complex interplay of health and socio-economic conditions, regulations, labour market structure and workers' vulnerability.

This article focuses on international evidence and provides insights into the patterns and expenditure of paid sick leave in selected countries.

What is Paid Sick Leave?

The ILO defines social health protection⁴ with reference to universal access to healthcare and financial protection in

* International Labour Organisation, Geneva, Switzerland.

** Consultant, Berlin, Germany.

The authors would like to thank the WHO for the financial support provided to carry out research on paid sick leave. The views expressed in this paper are those of the authors.

1 Topnews.de, Germany, 13 July 2009, <http://www.topnews.de/so-wenige-krankte-wie-noch-nie-in-deutschland>.

2 ILO: Convention 102, Social Security (Minimum Standards) 1952 (ILO C 102).

3 ILO: Stimulus packages to counter global economic crisis: A review, Geneva 2009.

4 ILO: Social Health Protection: An ILO Strategy towards universal access to healthcare, Geneva 2008.

case of sickness; financial protection refers to compensation for the economic loss caused by the reduction of productivity and earnings due to ill health. Paid sick leave is composed of work leave due to sickness *and* cash benefits that replace wages during the absence. Accordingly, paid sick leave is defined as *compensated working days lost due to sickness of workers*.

Paid sick leave is intended to protect workers' status and income during illness or injury.⁵ Work should not threaten health and ill health should not lead to loss of income or work. From a medical viewpoint, it allows workers to:

- promptly access medical care
- recuperate more quickly
- reduce health impacts on daily functioning
- prevent more serious illnesses
- reduce the spread of diseases to the workplace and the community.

Paid sick leave thus improves health outcomes, recovery time and productivity. It grants income security and avoids sickness-induced financial hardship. It is a prerequisite for accessing healthcare services and a tool against discrimination at the workplace.

Coverage and Benefits

Globally, as many as 145 countries⁶ provide paid sick leave, usually both time off and wage replacement. However, the benefit schedules differ widely among countries. Replacement rates vary from lump sums to up to 100% of wages:

- about 20% of the countries have set the minimum replacement rate at 100% of wages
- 14% of countries replace 75-100%
- more than 50% of countries provide 50-75%
- the remaining countries provide lump sums or other replacements.

The period of paid sick leave varies from less than 7 days to 2 years:

- more than 102 countries cover one month or more
- 33 countries stipulate 11 to 30 days
- 3 countries grant up to 10 days
- the remaining countries set less than 7 or an unspecified number of days.

5 Duhaime Legal Dictionary, <http://duhaime.org/LegalDictionary/S/SickLeave.aspx>.

6 J. Heyman, A. Earle, J. Hayes: *The Work, Family and Equity Index: How does the United States measure up*, Washington 2007.

Within these concepts, definitions of work, wages, specific conditions and linkages with other social protection schemes (e.g. for disability) differ widely (see Table 1).

Usually, salaried workers and workers in the formal economy are covered on a mandatory basis. Some countries, such as the Czech Republic, also offer voluntary coverage, e.g. for the self-employed.

Coverage is strongly linked to social health protection schemes. While legislation might be universal, in practice effective coverage can be limited to the formally employed or those who can afford voluntary insurance. This applies in countries with insurance-based schemes for the self-employed, who are often excluded from sick leave schemes.

Financing and Organisation

The organisation and financing of paid sick leave is often linked to national social protection schemes (sickness, disability) and reflects the overall design of organisation and financing. It can be funded through:

- taxes collected for the purpose of public social expenditure and provided through public authorities;
- contributions with or without ceilings under mandatory social health protection schemes operated by semi-public insurance funds, where contributions may be shared between employers and employees;
- risk-based premiums for private insurance coverage that may be mandatory; private insurance covers the loss of earnings in the form of cash benefits, but is obviously only feasible for individual workers who can afford it;
- employers' funds (which might be supported by insurance) based on legislation, collective agreements or as part of employer-based protection schemes.

In many EU countries, paid sick leave is provided through social health insurance or national health systems and grouped with other income replacement schemes such as disability, work injury, maternity, long-term care, or old age pension schemes to ensure smooth transitions from temporary disability to long-term disability and retirement.⁷

The contribution rate for cash benefits is usually a fixed percentage of the wage and is shared between employers and

7 X. Scheil-Adlung et al.: *Recent health policy innovations in social security*, New Jersey 2001.

Table 1
Variations in the Design of Paid Sick Leave Benefits

Definition of work	Work in the public and private sectors; uncovered work often includes domestic work, self-employed work or work not provided under an employment contract Limitations may apply regarding minimum working hours
Wages covered	Effective wages received before the leave or average earnings with or without supplements for dependents Coverage may be excluded below or above a certain wage ceiling
Period of leave	Between one day and up to two years Limitations may apply to minimum or maximum periods of paid sick leave Often limited to a single disease
Income replacement rates	Replacement rates vary from lump sums to up to 100% of wages Some countries require means testing Waiting times and differences for short-term and long-term sickness may apply
Linkages with other benefit schemes	Linkages with benefits from disability, unemployment, old age pension schemes etc., for example transforming paid sick leave into disability benefits (Nordic countries)
Specific conditions and requirements	Waiting periods may apply. Some regulations stipulate that a 3 to 6 day waiting period is to be reimbursed at a later stage if the period of absence exceeds a specific time period Medical certificates are often required if a certain period of sickness is exceeded

employees. In many countries, the rate is jointly calculated for sickness benefits, paid sick leave and maternity protection. Some countries provide government subsidies; some exclusively use employers' funds, e.g. Sweden, where employers contribute 8.64% of payroll taxes to cover the cost of cash benefits.⁸ Countries that run National Health Services usually cover the costs through employers' funds, e.g. the UK.

Private insurance companies may provide cash benefits during sick leave but will not be considered in this paper.⁹

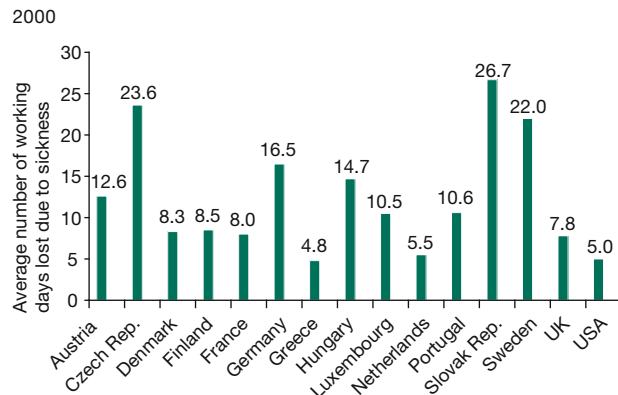
Evidence on Paid Sick Leave

A large number of governments in all regions of the world have recognized the need for paid sick leave and have included guaranteed paid sick leave into legislation, be it state-funded or in the form of social and national insurances or employer-based schemes. It is also frequently regulated in collective (bargaining / labour) agreements.

8 Social Security Administration: Social Security Programs Throughout the World, Washington 2008 (SSPTW).

9 X. Scheil-Adlung (ed.): Building Social Security: The Role of Privatization, New Jersey 2001.

Figure 1
Days Lost Due to Sickness



Source: OECD Health Data; WHO: Data base; CESifo, www.cesifo-group.de, accessed in May 2010.

What are the patterns of paid sick leave and its incidence around the world? Is paid sick leave affordable for countries?

Incidence

The incidence of paid sick leave varies significantly across countries. In the 15 EU member states (EU15), 14.5% of employees reported sickness or accident absence of at least one day in 2000.¹⁰

Figure 1 shows days lost due to sickness in selected European countries plus the USA. Workers in Greece reported the lowest average number of paid sick leave days (4.8) and workers in the Slovak Republic reported the highest number of paid sick leave days (27.6). The significant differences between neighbouring countries with a similar overall health status and social health protection schemes are striking. This is the case in Denmark and Sweden (8.3 vs. 22 days) as well as in France and Germany (8 vs. 16.5 days).

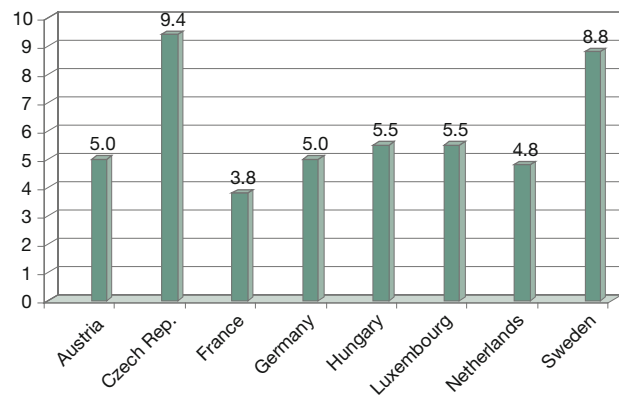
These findings should be interpreted with caution and other variables must be considered. There are significant differences among countries in the definitions, in the criteria for the inclusion or exclusion of groups of workers in paid sick leave regulations, and in overlapping leave regulations, e.g. maternity or disability schemes. Furthermore, there are significant differences in trends over time.¹¹

10 P. Paoli, D. Merllie: Third European Survey on Working Conditions 2000, Dublin 2001; National Institute of Occupational Health in Denmark, 2008.

11 D. Gimeno, F. Benavides, J. Benach, B. Amick: Distribution of sickness absence in the EU countries, in: Occupational and Environmental Medicine, Vol. 61, 2004, pp. 867-869.

Figure 2
Paid Sick Leave Days

(% of annual working days, 2006)



Source: authors; CESifo, 2006.

When interpreting data it is also important to consider differences in national working patterns such as annual working days and weekly working hours. With regard to the working days lost due to sickness in this context, the figures are somewhat more homogenous: in the majority of countries studied, 5% to 6% of all working days are lost due to sickness per year (see Figure 2).

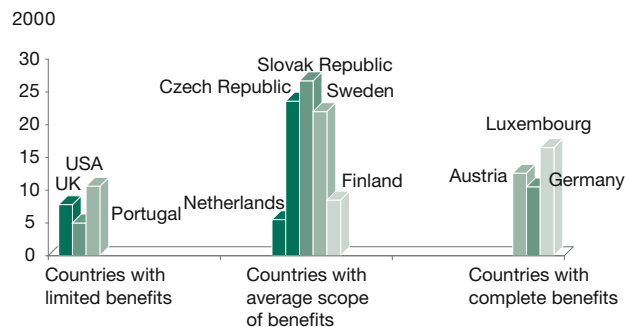
The highest rates of sickness-related absence can still be observed in the Czech Republic and Sweden, the lowest in the UK and France. Can these figures be explained by differences in the benefit design such as replacement rates and waiting periods?

In Sweden and the Netherlands, medical certificates are required only after a certain period of sick leave absence; however there are significant differences in the number of sick leave days, with 22 and 5.5 days respectively. The Swedish income replacement rate¹² is 80%, significantly lower than countries with less paid sick leave incidence such as Austria, France, Germany and Luxembourg where 100% of income is replaced during sick leave.

If we group countries by the scope of benefits (replacement rates, waiting time, specific conditions, etc.) and incidence of sick leave (see Figure 3), we find that the countries with the most complete benefit schemes and highest income replacement rates (Austria, Luxembourg and Germany) show only average rates of sickness-related absence. However, some of the countries that limit

¹² Another 10% will be added based on collective agreements. S. Bergendorff: *Sickness absence in Europe – a comparative study*, International Social Security Association, Geneva 2003.

Figure 3
Days Lost Due to Sickness, Grouped by Scope of Benefits



Source: ILO; CESifo 2001; SSPTW, 2008.

benefits (the Czech and Slovak Republics and Sweden) show the highest numbers of sick leave days.

However, countries with limited benefits for paid sick leave clearly have the lowest number of days lost due to sickness. This includes countries such as the USA¹³ that is currently without any national programme for paid sick leave and countries where no income-related replacement exists but a lump sum is paid in combination with a waiting period, as in the UK. Such regulations influence workers' decisions on whether to continue working while sick.

This argument is confirmed by looking at the length of paid sick leave. In the UK, 39% of paid sick leaves last just one day.¹⁴ Enquiries revealed that 37% of workers reported not having taken any time off even when sick, yet they infected other colleagues and many had to take time off later to fully recover.¹⁵

Patterns

Patterns of paid sick leave can be understood better by considering aspects such as age, gender, income level, employment sectors and economic and labour market developments such as unemployment during a recession¹⁶ and crisis. This can be demonstrated at both the national and international level.

¹³ SSPTW, op. cit.

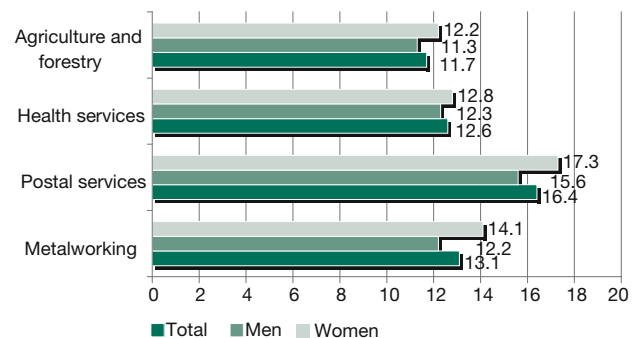
¹⁴ C. Barham, J. Leonard: *Trends and sources of data on sickness absence*, Office of National Statistics, Newport 2002.

¹⁵ BUPA Insurance Limited, Press Communication: 1 in 5 workers admit to throwing a sickie, September 2005.

¹⁶ J. E. Askildsen, E. Bratberg, O. A. Nilsen: *Unemployment, Labour Force Composition and Sickness Absence: A Panel Study*, IZA Discussion Paper 466, 2002.

Figure 4
Paid Sick Leave Days in Selected Economic Sectors and Occupation Groups by Gender

Germany, 2008



Source: Bundesverband der Betriebskrankenkassen, 2009.

Representative data¹⁷ from Germany suggests important differences in the incidence of paid sick leave between men and women in the same occupation groups in various economic sectors (Figure 4). Strikingly, gender-specific differences occur in all the sectors observed.

The greatest differences by gender can be observed in the postal and the health services; female workers reported 17.3 paid sick leave days as compared to the 15.6 of male workers in the postal services, while for the health services the figures were 14.6 and 12.2 respectively. The reasons for the larger number of days reported by women are manifold and include precarious work and work contracts often linked to low income and part-time work involving social health protection coverage gaps.¹⁸

The highest numbers of paid sick leave days (four and more weeks) occurred among low-income metalworkers over age 55. In comparison, older workers in senior management positions reported one to two weeks sick leave particularly linked to stress due to the economic crisis.

Besides age and gender, income and education play crucial roles: scientists, lawyers and engineers reported 5-7 days of paid sick leave in 2008 in Germany, while in lower income groups the number of days ranged from 24-27 days for social workers, cleaning staff and gardeners and up to 35 days for street cleaners.¹⁹

German data reveals that during the recent economic crisis, medical diagnostics are most frequently related

17 Bundesverband der Betriebskrankenkassen: Gesundheitsbericht 2009, Essen 2009. Data covers the totality of the insured in the BKK and can be considered representative.

18 Ibid.

19 KKH-Allianz, 2010.

to three groups of health conditions²⁰: mental disorders, musculoskeletal disorders and newly diagnosed cancer. It can be concluded that paid sick leave treats and prevents serious health conditions.

The diagnostic frequencies of disease are higher among the unemployed (27.3% for mental and 33.4% for musculoskeletal disorders) than the employed (16.9% and 31.5% respectively).²¹ This suggests discrimination against the unemployed on grounds of ill health, particularly mental disorders, which may pose barriers to returning to work.

International data shows paid sick leave is closely associated with overall economic developments and the related impacts on unemployment, dismissal/discrimination practices, the characteristics of different economic sectors and socio-economic factors. The following list indicates the range of issues to be considered. However, the diversity of schemes and working patterns means that conclusions must be tentative.

- In Sweden, Norway and the Netherlands, the number of paid sick leave days is strongly related to economic cycles and particularly reduced during periods of high unemployment, as workers are more likely to be laid off in times of recession and therefore may reduce their sick leave even if their health status is low. Furthermore, in many countries, periods of unemployment allow an exit into disability schemes, statistically reducing the number of paid sick leave days.²²
- The extent of paid sick leave varies by occupation and economic sector. In Ireland, civil servants take 11 days paid sick leave on average, which is almost double the rate of the private sector (6 days).²³ In Iceland, 76% of all employees in the health sector have taken paid sick leave.²⁴ In the UK, hospital nurses take 50% more sick days than any other public sector workers, resulting in 7.5% of annual working time lost. The highest numbers of sick leave days (21.4)²⁵ are found among unqualified ward staff, perhaps owing to the burden of work and their income situation.

20 Bundesverband der Betriebskrankenkassen, op. cit.

21 Ibid. In Germany, unemployed workers covered by the unemployment insurance scheme continue to be protected in case of sickness, including paid sick leave.

22 B. Holmlund: Sickness Absence and Search Unemployment, in: Center for Economic Studies and Institute for Economic Working Paper, No. 1227, 2004.

23 F. Sheahan, B. Hutton: Sick leave in public services is twice the rate of private sector, Independent Ireland, 2009.

24 Sick leave in the Nordic countries, National Institute of Occupational Health in Denmark, 2003.

25 J. Carvel: Nurses top public sector sick leave table, in: The Guardian, June 2005.

- With regard to gender, numerous analyses reveal that paid sick leave is more frequently utilised by women, e.g. in the UK²⁶, Finland, France, and the Netherlands. In Norway, Sweden and Denmark, women were absent from work more than 50% more often due to sickness.²⁷ When analysing these figures, national employment rates by gender and age should be taken into account: in Sweden and Norway, the labour force is characterised by very high employment rates for workers aged 60-64, 44% of whom are female. This contrasts with France, which has only 10% of female workers in the same age group.
- Single persons, especially women, and single parents have more days of paid sick leave than married workers whether with or without children.²⁸
- The number of paid sick leave days is generally higher among older employees. In Germany, 26-35 year-old workers have the lowest number of sick days (11) and those over 55 years the highest (25).²⁹ Similar results have also been observed in other European countries, with as little as 0.9% for 20-29 year-old workers as compared to 9.1 days for those aged 60-64.³⁰ More recent data in the UK, however, indicate that paid sick leave is increasingly concentrated on workers under age 34.³¹
- Paid sick leave is strongly linked to socio-economic status and income level. In the UK, men in the lowest employment grades reported six times higher paid sick leave than those in the highest grades. For women the figure was up to five times higher.³² The relationship between the incidence of paid sick leave and socio-economic status is also highlighted; managers and senior officials have an absence rate of 2.4³³, which is less than those in sales and customer services (3.9%). Manual workers take more paid sick leave days (8.4) than non-manual workers (6).³⁴
- Data on the share of the population perceiving an unmet need for medical examination or treatment shows relatively high percentages for Greece (7.2%) and Italy

(9.0%) compared to Sweden (1.8%) and Norway (0.4%). Reasons include problems of access to healthcare due to financial constraints but also not being able to take time off.³⁵

- Generally, exclusion from paid sick leave affects low income groups, women and minorities.

Sick Leave Expenditure

The Context of National Economies

How much can and do countries spend on paid sick leave? The data need to be interpreted carefully as they do not control for differences in social protection schemes, e.g. work contexts such as annual working days and hours and whether countries register paid sick leave in sickness or disability schemes. Furthermore, significant national and international inequalities in wage levels³⁶ impact expenditure data, since most countries provide income-related replacement rates during sick leave. A comparison of expenditure on sick leave in selected countries is provided in Figure 5.

Expenditure on paid sick leave varies dramatically among countries, and averages 197 EUR/PPS per capita in the EU27. Norway spends 940 EUR per capita, more than ten times Portugal's 70 EUR. Greece, France, Italy, Ireland and the UK spend comparable below-average amounts, whereas Sweden, Iceland, Luxembourg and the Netherlands spend significantly more than average.³⁷ Comparable above-average expenditure is also found in Austria, Finland, Germany and Switzerland.

When comparing this data, it is useful to consider national wage structures, labour productivity and labour markets:

- There are important disparities in wage structures among and within European countries that are reflected in their expenditure on income replacement during sick leave. In 2000, countries showing the highest wages in the EU included the UK, Belgium (Brussels), Luxembourg, Germany, the Netherlands and Denmark, and the lowest wages were found in Italy (Southern Italy), Spain, Portugal and Greece. Also within countries, various wage gaps, e.g. gender gaps, exist.
- Furthermore, labour markets are characterised by a high percentage of self-employed that do not benefit

26 D. Thomas: 78 million work days lost to sickness in the UK, *Personnel Today*, Surrey, August 2005.

27 S. Bergendorff, *op.cit.*

28 C. Barham, J. Leonard, *op.cit.*

29 KKH-Allianz, 2010.

30 S. Bergendorff, *op.cit.*

31 D. Thomas, *op.cit.*

32 M. Marmot et al.: Sickness absence as a measure of health status and functioning: from the UK Whitehall II study, in: *Journal of Epidemiology and Community Health*, Vol. 49, 1995, pp. 124-130.

33 C. Barham, J. Leonard, *op.cit.*

34 BUPA Insurance Limited, *op.cit.*

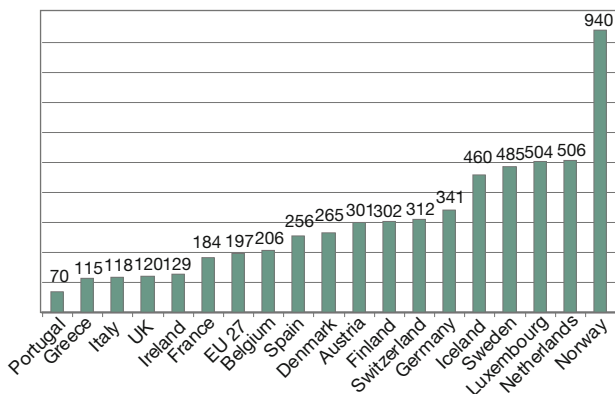
35 Eurostat: Self reported unmet need for medical examination or treatment, 2008.

36 ILO: *Global Wage Report*, Geneva 2009/2010.

37 A. Petrasova: Social Protection in the European Union, Table 6, in: Eurostat: *Statistics in focus*, 46/2008..

Figure 5
Per Capita Expenditure on Paid Sick Leave

EUR in PPS¹, 2005



¹ Purchasing power standards (PPS): unit independent of national currencies that removes price level difference distortions derived from purchasing power parities (PPPs), which are weighted averages of relative price ratios in relation to a homogeneous basket of goods and services comparable for each EU member state.

Source: Eurostat.

from paid sick leave schemes and the costs are not reflected in the data. In Greece and Italy, we find some of the highest rates of self-employment among all OECD countries in 2004 (23% and 21% respectively), while Norway and Sweden show very low rates of 5% and 8%.³⁸

- Labour productivity is another important aspect to be considered:
 - Looking at labour productivity in terms of GDP per hour worked, it is evident that high expenditure on paid sick leave pays off: Norway's labour productivity rate in GDP per hour worked is estimated at US\$ 75.2.³⁹ In contrast, Greece's rate is 32.2 and the UK's is 44.9.⁴⁰ Thus, high expenditure on paid sick leave can be linked to significantly higher economic productivity rates. These gains more than balance out the expenditure on paid sick leave.
 - Estimates indicate that productivity losses due to working while sick are up to three times higher than

38 OECD statistics: Percentage of self-employed as percentage of employed, 2004.

39 OECD statistics: Estimates of Labour productivity levels, 2008, US\$ in current prices.

40 OECD statistics, 2008, op. cit.; OECD statistics: Breakdown of GDP per capita in its components, 2008, and 2005 PPP Benchmark results.

losses in productivity due to sickness related absence.⁴¹

Expenditure on paid sick leave must be assessed in the context of the costs of presenteeism, defined as working during sickness. Presenteeism increases work accident risks, the development of chronic diseases causing incapacity to work, and health impacts on co-workers.

Differences regarding the national GDP levels of countries should be considered when interpreting the affordability of paid sick leave expenditure. GDP levels vary significantly among the EU27.

Thus expenditure on paid sick leave is strongly related to wage and labour market structures and does not support generalisations about the generosity of schemes or their misuse. The affordability of related expenditure should be seen in the context of gains in productivity and GDP levels.

The Context of Social Protection Schemes

Expenditure on paid sick leave is part of social protection. Therefore, when assessing the financial dimensions of sick leave expenditure, the overall social protection expenditure may serve as a reference.

The average share of GDP spent on social health protection in the EU27 was 7.5% in 2005.⁴² The share of paid sick leave expenditure in social protection expenditure varies between 1.7% in Portugal and 9.8% in Norway (Figure 6). It is particularly low in Portugal and Ireland and about average in countries such as Germany and Spain. Interestingly, countries with high expenditure on social protection often also spend a high amount on paid sick leave, as in Sweden, Luxemburg and Norway.

In most of the countries observed, the resources used for paid sick leave represent a modest percentage of overall expenditure on social protection.

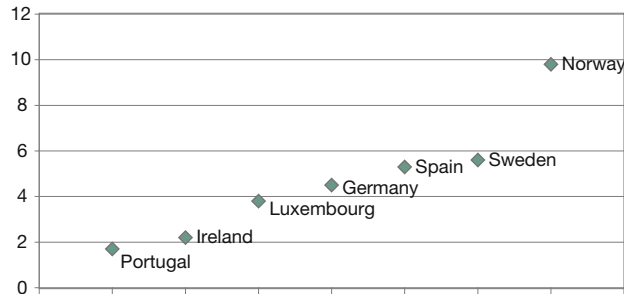
Sick leave expenditure is a cash benefit complementing social health protection benefits to provide financial protection during sickness. The total per capita expenditure on the three dimensions of social health protection in 2005 amounted to 1638 EUR in PPS per capita in the 27 countries. Expenditure on paid sick leave amounted to 197 EUR per capita as compared to 810 and 631 for in-

41 E. Nuernberger: Krankenstand runter, Kosten rauf - Was Angestellte und Chefs über das Phänomen 'Präsentismus' wissen sollten, STB Portal fuer Steuerberater, May 2006.

42 Eurostat.

Figure 6
Share of Sick Leave Expenditure in Overall Social Protection Expenditure

in %, 2005



Source: authors; Eurostat.

patient and outpatient care respectively (Figure 7). Thus sick leave expenditure constitutes the lowest and most affordable part of the expenditure on social health protection in the EU27.

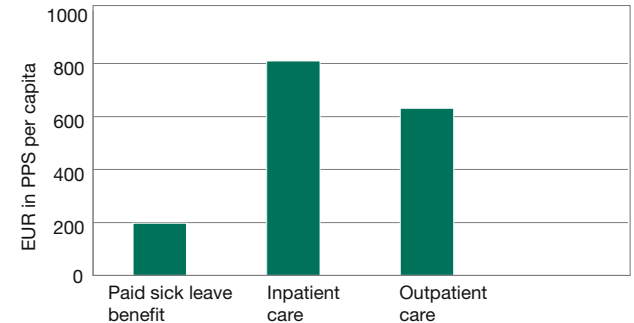
Similarly, at the national level (Figure 8) we find that in all countries paid sick leave represents the smallest social health protection cost. However, as expected, sick leave expenditure varies in per capita amounts among countries and is lowest in the UK (120 EUR) and France (184) and highest in Norway (940) and the Netherlands (509).

In comparison to expenditure on other major social protection cash transfers (old age pensions, survivors' pensions, unemployment benefits and family/child allowances), paid sick leave represents the lowest expenditure per capita (Figure 9): in 2005, the 27 countries spent the highest amount on cash transfers for old age pensions (2096 EUR per capita per year), family and child allowances (263), survivors pensions (245) and unemployment (215).

Considering the relation of expenditure on paid sick leave to the overall expenditure on social (health) protection, and the potential health and productivity gains, it can be concluded from a public health perspective that paid sick leave is needed. It is economically affordable even if the benefits are designed to fully cover the risk of ill-health and provide complete financial protection. It is also a prerequisite to support economies during crises and a tool to balance social and economic inequalities resulting from work, gender, age and income. As such, it may be useful for countries to aim at implementing or improving legislation and regulations that shift the burden of ill-health away from workers.

Figure 7
Per Capita Expenditure on Healthcare Benefits in Kind and Paid Sick Leave Expenditure in the EU27

EUR in PPS, 2005



Source: Eurostat.

Policy Lessons

The absence of, or gaps in, paid sick leave create economic costs and avoidable expenditure on healthcare due to more severe health conditions and public health measures. Paid sick leave inadequacies also result in the spread of diseases.

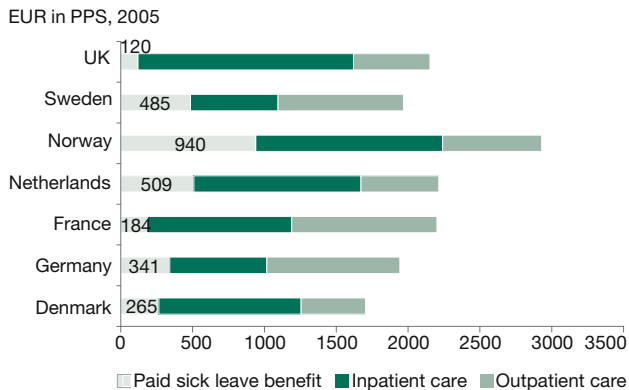
Among countries that provide sick leave, the patterns and incidence of paid sick leave vary significantly between gender, age groups, sectors, socio-economic status and income. A causal link between the generosity of paid sick leave provisions and usage of benefits could not be shown. However, it is likely that workers' fear of economic cycles results in a decrease in the use of benefits.

When addressing deficits, it is important to account for various socio-economic determinants and tailor paid sick leave to those most affected. In this context, a comprehensive approach addressing inequalities is suggested:

- Inequalities in health, access to health services and financial protection in times of illness are linked to gaps in social health protection, age, gender, education, social and ethnic groups, and lifestyle.⁴³
- Inequalities in income and gaps in income support must also be addressed. The need for sickness cash benefits is more important the lower the workers' income; without paid sick leave, many families face financial hardship as well as unemployment and restricted access to health services.

⁴³ European Commission, 2009.

Figure 8
Per Capita Expenditure on Paid Sick Leave, Inpatient and Outpatient Care



Source: Eurostat.

- Inequalities due to varying economic, labour market and working conditions significantly impact workers' health and wealth.

Social protection schemes effectively address inequalities and social and economic precariousness. They empower people by providing coverage in kind and cash during illness, unemployment or loss of income. Further, social protection schemes significantly contribute to the sustainability of economic growth. Countries that are most successful in achieving long-term growth and reducing poverty have developed and implemented such schemes when they were less wealthy than today.

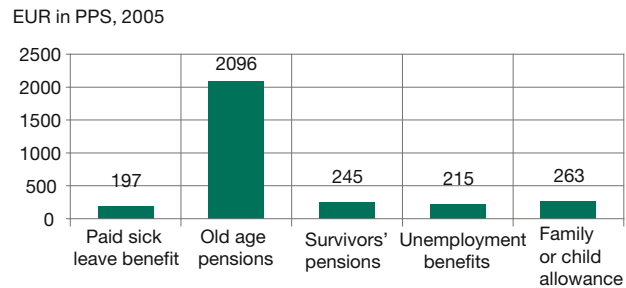
It is widely recognised that countries can afford to grow with equality, i.e. providing some form of social protection. The ILO estimates that a set of minimum guarantees for essential social benefits in kind and in cash is affordable for all countries. The history of social protection has shown that inclusive growth is a key to sustainable economic development.⁴⁴

A national social protection floor⁴⁵ might serve as an overall framework to improve paid sick leave provisions. This approach addresses issues related to rising poverty, loss of income due to job loss or unemployment, and growing gaps in social (health) protection. It aims at cushioning workers and their families during crises and beyond. It supports economic demand and facilitates economic recovery. Embedding paid sick leave into a

44 X. Scheil-Adlung: Protection against impoverishment: Beyond Quality and Access to Health Services, in: World Bank, Scaling Up Affordable Health Insurance, Washington 2010.

45 UN System Chief Executive Board for Coordination, New York 2008.

Figure 9
Per Capita Expenditure on Paid Sick Leave and Other Cash Benefits in the EU27



Source: Eurostat.

national social protection floor efficiently and effectively reduces health and economic impacts on workers. The economic crises have uncovered the urgent need to develop and enhance financial protection, to secure jobs and to promote rights at work, particularly as regards equality. Countries deciding to finance paid sick leave through taxes, burden-sharing between employers and employees or focusing on employers' funds should consider the following:

- Paid sick leave is embedded in human rights. It is a key component of ILO Conventions and the Decent Work Agenda. It combats health and social inequalities. Resuming work after times of sickness should be considered a core right to safeguard health.
- Work should not threaten health and ill-health should not lead to loss of income, loss of jobs or public health risks. Therefore, paid sick leave should be part of a broader social protection approach that addresses challenges in health, poverty, income and labour market structures. Paid sick leave schemes should be strongly linked to social protection schemes based on burden and risk sharing. It is more important the lower the income, the more women are involved, the older the workers and the more physically demanding and hazardous the work.
- Paid sick leave is not only affordable but pays off in terms of health and economic gains for employers, workers and the economy. It can contribute to higher productivity and moderate the consequences of economic and public health crises. It enables more sustainable economic growth through a healthy and productive work force.

Providing for paid sick leave is thus in the interest of everyone. It is a right, much needed, and affordable.