



▶ Social Protection Spotlight

Date: May 2020

▶ Sickness benefits during sick leave and quarantine: Country responses and policy considerations in the context of COVID-19

Key points

The COVID-19 health crisis has revealed important coverage gaps in terms of entitlements to social protection in case of sickness. It has exposed two main adverse effects of sickness benefit coverage gaps:

- ▶ A lack of coverage encourages people to report to work sick or when they should self-quarantine, increasing the risk of spreading the disease. This adverse effect has already been documented for its impact on prevention in previous public health crises and its impact on occupational safety and health.
- ▶ The loss of income during sickness increases poverty risks for workers and their families. The risk of impoverishment is even more pronounced when they are not covered by a national social health insurance scheme or a national health service and must bear the cost of accessing health care as well. The impact on the health, income and well-being of households affected by the disease is immediate and may also have a lasting impact.

The current crisis highlights the importance of sickness benefits and stresses the need for urgent short-term measures to close coverage and adequacy gaps in sickness benefits, such as:

- ▶ Extending coverage to all. This will require mobilizing additional financial resources for the immediate extension of sickness benefit coverage. The first efforts should be focused on extending coverage to uncovered groups, regardless of their type of employment. This may require the adaptation or relaxation of the eligibility criteria of existing schemes, or the introduction of new benefits.
- ▶ Expanding the scope of sickness benefits to include, for example, coverage for quarantine and the care of sick family members.
- ▶ Enhancing the adequacy of sickness benefits by increasing the benefit level in order to ensure effective income security for those affected by the disease and their families.
- ▶ Ensuring the speedy delivery of sickness benefits, for example by removing uncompensated waiting periods (if any) or making use of technology to ensure rapid payment.

The key role of sickness benefits in the response to the COVID-19 health crisis

The COVID-19 health crisis revealed important gaps in terms of entitlements to protection in case of sickness (ILO 2020e). Many workers, especially those in diverse forms of employment and self-employment, are unprotected or insufficiently protected by collectively financed sickness benefits (see **Box 1**). This threatens public health, since workers who lack income security during sickness may be compelled to work when sick, thereby possibly contaminating others. In addition, the lack of income security during illness entails important poverty risks for workers and their families, with potentially lasting economic and social effects.

The current crisis highlights the importance of such protection and stresses the need for urgent short-term measures to close coverage and adequacy gaps in sickness benefits (ILO 2020b; 2020f; 2020g), such as:

- Extending coverage to uncovered groups, regardless of their type of employment, by adapting or relaxing the eligibility criteria of existing schemes or introducing new benefits. This will require mobilizing additional financial resources from the government budget for the immediate extension of sickness benefit coverage.¹
- Expanding the scope of sickness benefits to include, for example, coverage for quarantine and the care of sick family members.
- Enhancing the adequacy of sickness benefits by increasing the benefit level in order to ensure effective income security for those affected by the disease and their families.
- Ensuring the speedy delivery of sickness benefits, for example by removing uncompensated waiting periods (if any) or making use of technology to ensure rapid payment.

The COVID-19 health crisis is a wake-up call to reinforce sustainable social protection systems in the medium term. This should be done by strengthening legal frameworks, administrative systems and sustainable and equitable financing mechanisms (OECD 2020), which will also make sure that such systems are ready for the next crisis. Longer-term investments in building sustainable systems for the provision of sickness benefits are crucial to support public health efforts to prevent communicable diseases, improve health outcomes and reduce

Box 1: Sick leave and sickness benefits: definitions

- Sick leave addresses the need to take leave when a person is sick. It is separate from holiday entitlements and should be defined in labour law. Countries define instances in which there is a suspension of earnings. In addition, some countries define a period in which there is a legal obligation for employers to cover the salary of workers (paid sick leave through employers' liability).
- Sickness benefits guarantee that an adequate income is provided during sick leave when earnings are suspended.

poverty risks (Raub et al. 2018). When making such longer-term investments, countries should consider the differentiated effect of arrangements for the provision of sickness benefits. In particular, media coverage of the COVID-19 health crisis has further demonstrated the limitations of systems that rely solely on employers' liability.

Although some governments are currently putting in place stop-gap measures to expand coverage to uncovered categories of workers, in the long term they may need to rethink some of the design features and financing structures of sickness benefits towards:

- Embedding the right to sick leave in the law wherever it is not currently the case and ensuring universal coverage of sickness benefits.
- Considering scheme designs that allow for a preventative approach in the event of a pandemic.²
- Ensuring robust, sustainable and equitable financing mechanisms based on broad risk-pooling and solidarity.

Many countries have taken immediate measures to enhance access to sickness benefits in the context of the COVID-19 health crisis. The policy considerations set out below are based on existing country responses and the guidance provided by ILO social security standards.

¹ Including via international budget support measures.

² Such as the suspension or removal of waiting periods, the inclusion of coverage for quarantine and the extension of the scope of sick leave to include caring for sick dependants.

Short-term measures to extend sickness benefit coverage and adequacy

Sickness benefits, including in situations of quarantine, play a crucial role in slowing the spread of the virus (see box 1). Some countries have identified income security in case of sickness as a priority measure within their stimulus packages. For example:

- Ecuador has requested support from the International Monetary Fund for a stimulus package that includes income security measures (Infobae 2020). This illustrates the need for international support for countries that may not have the capacity to fully fund their response to this crisis.
- Ireland³ and Canada⁴ have explicitly included in their stimulus packages significant allocations of resources for extending the coverage and adequacy of sickness benefits to ensure that paid sick leave is accessible to all in need (Canada 2020; Ireland 2020).

To be effective, sickness benefits should be extended to all. Particular efforts are needed to cover those not yet covered, focusing in particular on the self-employed, workers in new and non-standard forms of employment and the informal economy (ILO 2019a). Many healthcare workers who are now on the frontlines of the response and at high risk of being infected (Kirsch 2020) fall into those categories, thereby posing additional occupational safety and health challenges (ILO 2020d). Many of these workers are women (Mbugua 2020) and many are vulnerable groups of workers who work mostly in the informal economy, such as migrants in irregular situations for example (Rondon 2020). This lack of universal coverage of sickness benefits has been identified as one of the major challenges to the success of virus containment strategies and countries have already taken concrete actions to remedy this situation. For example:

- Singapore will pay the employers of workers in quarantine 100 Singapore dollars (US\$68.5) per day throughout the duration of their quarantine. The

benefit will also be paid to self-employed workers (ILO 2020g).

- In the United Kingdom, sickness benefits have been extended to all workers, including gig economy workers, who are in self-isolation (United Kingdom 2020a; 2020b). Ireland has extended sickness benefits to all workers currently excluded (Ireland 2020). Italy has established temporary sickness benefits for self-employed workers (Gagliardi 2020).

The parameters of sickness benefits may need to be adjusted and eligibility conditions relaxed to respond to the immediate needs of COVID-19 prevention. Countries that have a sickness benefit system in place to ensure that sick workers are paid during sick leave were able to respond quickly.⁵ The health crisis pointed to challenges with regard to the scope and levels of existing benefits and the waiting periods for the payment of sickness benefits or paid sick leave entitlements, which may force some workers to report to work despite health risks.⁶ In addition, delivery mechanisms may need to be adapted.

- Scope of benefit: Some countries have taken immediate measures to extend the scope of sickness benefits with respect to:⁷
 - Quarantine. Japan has extended access to cash sickness benefits to persons in quarantine and waived the requirement for obtaining a medical certificate (ILO 2020g). In Viet Nam, infected individuals quarantined outside the home are entitled to a daily food allowance of 60,000 dong (US\$2.59), while those quarantined at home receive 40,000 dong (US\$1.72) (Phuong et al. forthcoming).⁸
 - Care responsibilities for sick dependents. Some countries, such as France, have also expanded the scope of their sickness benefits by extending them to workers who are in self-isolation or taking care of their children (Fortunato 2020).

³ A package of reforms has been agreed for sick pay, illness benefit and supplementary benefit that is designed to ensure that employees and the self-employed can abide by medical advice to self-isolate, where appropriate, while having their income protected to a far greater degree than under the current social welfare system. This is estimated to cost up to €2.4 billion.

⁴ The Government has announced an allocation of 5 million Canadian dollars to support sickness benefits.

⁵ The different arrangements used by countries to provide paid sick leave are defined in box 1.

⁶ ILO social security standards specify that such waiting period should not exceed three days (ILO 2020e).

⁷ These measures are in line with the Medical Care and Sickness Benefits Recommendation, 1969 (No. 134) (ILO 2020e).

⁸ "Quarantined cases being held outside of the home are entitled to a daily food allowance of VND60,000 (US\$2.59), while those remaining at home as part of the quarantine measure receive VND40,000/\$1.72. Given that the average monthly wage in Vietnam is \$150, this would slash an individual's income by 2-3 times while remaining in quarantine and unable to work." (Phuong et al. forthcoming). This questions the adequacy of this protection.

- **Benefit level.** Ireland has increased the sickness benefit level from €203 to €305 per week to contain the transmission of COVID-19.⁹
- **Waiting period.** Some countries have waived waiting periods when they involve a suspension of earnings. For example, Canada has eliminated the one-week waiting period and others, such as Ireland, Sweden¹⁰ and Denmark¹¹ have taken similar measures. Australia has eliminated the one-week waiting period for income support, including sickness allowance (Australia 2020).
- **Delivery:** Measures to ensure the speedy delivery of sickness benefits, including the use of technology to ensure rapid payment. China has implemented the increasing use of online platforms for social security services (China 2020).

The need for a coordinated response

To prevent impoverishment, both effective access to health care services without encountering financial hardship and adequate sickness cash benefits are necessary (ILO 2020h; Lönnroth et al. 2020). Close coordination between sickness cash benefits and health care benefits is needed. The inclusion of prevention, diagnosis and treatment within health care benefit packages is also crucial and requires adequate budget allocation to health systems (Barroy 2020).

- In the Philippines, the national social health insurance institution, Philhealth, has established an integrated package of care and cash – the PhilHealth COVID-19 package – which includes an isolation allowance to provide financial support (14,000 Philippine pesos; US\$273.6) for persons in quarantine (ILO 2020g).
- In many countries, the coordinated response of the health and social protection systems has contributed to containing the impact of the epidemic. For example in China, this composite response included a health security plan, the construction of new hospitals, the recruitment of additional staff, pre-existing universal social health protection programmes, modified social insurance contributions and exceptional measures to supplement income in time of sickness or isolation (ILO 2020b). The Government has also pursued a

sensible administrative approach to support the physical distancing protocol, such as online processing of medical reimbursement claims (ILO 2020b).

The current crisis may call for generalized measures of income support in the form of social assistance in countries where there is no sickness benefit in place that could be quickly extended. For example:

- In Argentina, the Government has decided to establish a generalized one-off cash benefit through the existing channels of the agency in charge of providing family benefits. The inclusion of domestic workers in both formal and informal work has also been announced (*Los Andes* 2020).
- In Ireland, the removal of the means test requirement for the supplementary welfare allowance in respect of medically certified cases of self-isolation has been enacted and self-employed workers are entitled to receive either a sickness benefit or this non-means tested supplementary welfare allowance (Ireland 2020).
- In Ecuador, the Government has established a special contingency benefit for COVID-19 directed at both infected and otherwise affected workers in the informal economy and their households. This benefit is distributed through the channels of existing social assistance programmes for families (*El Mercurio* 2020).

Sickness benefits should be coordinated with a set of social protection interventions to support income security for all, including those who are not sick but impacted by stoppage of work measures and the economic downturn. In this respect, there should be a continuum between sickness benefits during sick leave, unemployment protection in case of job loss or temporary work stoppage¹² and income support for households in case of generalized stoppage of economic activities and financial and economic crisis (ILO 2020i; 2020a). In this respect, strong coordination is needed and should be administered in line with the principles of participation and social dialogue (ILO 2020f; Forthcoming). For example:

- In Argentina, special measures coordinating care interventions and economic support have been

⁹ For a maximum period of two weeks of medically certified self-isolation or the duration of a person's medically-certified absence from work due to Covid-19 diagnoses (Ireland 2020).

¹⁰ Sweden has reduced the administrative time required for sick leave payments by abolishing the qualifying day of sickness due to COVID-19 so that workers will receive sickness benefits from the moment they have to be absent from work due to illness.

¹¹ See Government of Ireland (2020); *Krisinformation.Se* 2020; Government of Denmark (2020); Government of Canada (2020).

¹² The ILO estimates that hours worked may decline by 10.5 per cent in the second quarter of 2020, which is equivalent to 305 million full-time workers, resulting in significant losses of jobs and incomes (ILO 2020a). In comparison, the global financial crisis of 2008 increased unemployment by 22 million full-time workers.

taken to respond to the specific needs of persons living with disabilities (Argentina 2020).

Considerations for designing effective sickness benefit policies for the future

The way sickness benefits are financed and provided is not neutral when it comes to leaving no one behind (ILO 2020e). The immediate extension of coverage in the context of COVID-19 will require additional resources. If sickness benefits are to play a preventative role, collectively financed mechanisms based on solidarity will be needed. Employers' liability does not provide a viable solution, as the current health crisis has amply demonstrated, and is also prone to exclusion. The self-employed are by definition excluded and many countries with employers' liability have adopted measures to provide tax-financed benefits in response to the crisis. For example, in the United States, the Government has stepped up its efforts to bridge the coverage gap left by employer-based sick pay, which had shown serious limitations in terms of communicable disease prevention during previous health crisis such as SARS, MERS and others (Cain Miller 2020; Drago 2010; James 2019).

If the pandemic persists then, additional resources may therefore be necessary to ensure the delivery of benefits and the financial sustainability of schemes.

Setting up sickness benefits through collectively funded mechanisms in order to be ready for the next crisis should be a priority when countries reach the recovery stage. Planning a sustainable extension of coverage and the regular collection of reliable information for current and future interventions will be crucial. ILO standards provide useful guidance on the principles for setting up or reinforcing such sickness benefit schemes within social dialogue processes (ILO 2020h; 2020e). Considering the adverse effects of relying on employers' liability, it is necessary to prioritize the robust collective financing of sickness benefits. The emergency measures taken during the crisis in terms of the extension of coverage should be transformed in the medium and long terms towards a solid, equitable and sustainably financed scheme or set of schemes. It is particularly important that previously excluded groups that have been included during the crisis will not again be excluded from coverage. It will also be essential to ensure a fair distribution of financial responsibilities, so that labour costs are not entirely shifted to taxpayers and the financial sustainability of the system is ensured (ILO 2019b; Global Commission on the Future of Work 2019).

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► www.social-protection.org/gimi/ShowWiki.action?id=62&lang=EN