Wage continuation during sickness: Observations on paid sick leave provisions in times of crises

By

Xenia Scheil-Adlung, ILO Health Policy Coordinator and Lydia Sandner, Consultant

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1 The authors would like to thank the World Health Organization for the support provided to the data development for this paper.
The economic costs of working while sick

Over the last decades social protection programmes have been developed to mitigate damaging impacts from economic crises and individual setbacks. The role of social health protection has been particularly highlighted as a human right that safeguards the economic productivity of a healthy work force and serves as a social and economic stabilizer in times of crises.

Paid sick leave plays a crucial role especially in times of crises where many workers fear dismissal and discrimination when reporting sick. In fact, the absence of paid sick days forces ill workers to decide between caring for their health or losing jobs and income, choosing between deteriorating health and risking to impoverish themselves and often their families. Without social health protection that includes paid sick leave many people working in the formal or informal economy and living in developed or developing countries cannot afford to choose.

However, there are no doubts that gaps in paid sick leave result in severe impacts on public health and the economy as recent studies on H1N1 confirmed: In 2009, when the economic crisis and the H1N1 pandemic occurred simultaneously, an alarming number of employees without the possibility of taking paid sick leave days attended work while being sick. This allowed H1N1 to spread into the workplace causing infections of some 7 million co-workers in the USA alone.¹ In the same year, the Federal Government of Germany reported the lowest number of sickness absence ever recorded.² Fears of losing one’s job, restructuring, downsizing, and financial worries were identified as reasons for the dangerous and costly presence of the sick at work.

The economic costs of working while sick go far beyond increased health care costs due to treating a significantly higher number of people showing more severe signs of ill health. They also involve costs due to lower productivity and subsequent impacts on economic growth and development, in addition to collective costs of growing health and social inequalities.

However, many aspects of social health protection including the role, patterns and costs of paid sick leave are misunderstood or underappreciated especially during times of economic crisis and recession. It is often said that paid sick leave schemes are open to abuse, especially if the benefit levels appear generous. This is undoubtedly a danger, and points to the need for strong administration. However, it is all too easy to overstate the case. ILO analyses³ of stimulus packages and policies addressing the crises reveal that cuts of social and health budgets are among the first national responses to recover the costs of bailing out those that have contributed to the crisis. Concerned are social health protection measures that provide access to health services and financial protection in case of sickness, such as paid sick leave.

Limited evidence is available for governments, employers and workers’ unions on the consequences of gaps in providing for paid sick leave and costs of failing to address the needs of the vulnerable. Developing reliable internationally comparable data is constrained by the complex interplay of health and socio-economic conditions including regulations, labour market structure and vulnerability when taking up paid sick leave. Against this background, this paper seeks to focus on the existing national and international evidence and provides some insights into the concepts, patterns and affordability of paid sick leave in countries throughout the world. Further, it is argued that providing for sick leave and related income replacement is a key component of decent work and should be considered within national social protection floors.
What are the concepts of paid sick leave?

The notion of paid sick leave

Various ILO Conventions, regulations, concepts and approaches define a broad concept of social health protection⁴ that includes paid sick leave by focusing on providing universal access to health care and financial protection in case of sickness. In this context, financial protection includes compensation for the economic loss caused by the reduction of productivity and the stoppage or reduction of earnings resulting from ill health. Sick leave and related income replacement constitute a key component of

- **ILO Convention 102** (Minimum Standards)⁵ on Social Security that sets minimum standards for social security and is deemed to embody an internationally accepted definition of the very principle of social security. It states that sickness benefits shall cover incapacity to work resulting from a morbid condition and involving suspension of earnings.⁶ The later **ILO Convention 130** suggests a slightly higher standard of benefits.

- The **ILO Decent Work Agenda** defines work of acceptable quality that ensures, amongst others, basic security.⁷

- The **Social Protection Floor**⁸ initiative led by the ILO and WHO established in the context of the *One UN* response to the economic and financial crisis, requests countries to build adequate social protection for all through basic social guarantees for every citizen.⁹ This includes a set of essential social transfers, in cash and in kind, to provide a minimum income security.¹⁰ Key components comprise universal access to essential health care and income support for those with insufficient income and income security. The concept was endorsed by the Global Jobs Pact that the International Labour Conference adopted in June 2009.

These concepts are embedded in the Declaration of Philadelphia adopted in 1944 where social security has explicitly been recognized as a Human Right. It is expressly formulated as such in the Universal Declaration of Human Rights (Articles 22 and 25), and the International Covenant on Economic, Social and Cultural Rights (ICESCR, Article 9). The General Comment No. 19¹¹ of the Committee on Economic, Social and Cultural Rights (CESCR)¹² on Article 9 of the ICESCR defines the right to social security as encompassing the right to access and maintain benefits without discrimination in order to ensure protection from for example lack of work-related income caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member. These objectives demand the establishment of measures to provide support to those who are unable to make sufficient contributions for their own protection. In other words, it calls for the continuation of salary payments or income replacement in case of sickness.

The concept of paid sick leave consists of two components:

- Leave from work due to sickness and

- Cash benefits that replace the wage during the time of leave due to sickness.
This concept is reflected in the definition of paid sick leave as \textit{compensated working days lost due to sickness of workers}. Paid sick leave is intended to protect the worker’s status and income during the period of illness or injury\textsuperscript{13} through health and financial protection.

The key rationale for paid sick leave is that work should not threaten health and ill health should not lead to loss of income and work. Paid sick leave allow workers to

\begin{itemize}
  \item Access promptly medical care and the opportunity to follow treatment recommendations
  \item Recuperate more quickly
  \item Reduce the health impact on day-to-day functioning
  \item Prevent more serious illnesses from developing
  \item Reduce the spreading of diseases to the workplace and community
\end{itemize}

Thereby, paid sick leave aims at improving health outcomes and productivity due to faster recoveries. It also addresses income security and avoids sickness-induced financial hardship. By providing continued job and income security it is a prerequisite for accessing health care services and a tool against discrimination at the work place.

\textbf{Organization and financing of paid sick leave}

Organization and financing of paid sick leave is often associated with existing sickness, disability or other schemes and therefore shows a strong link to the overall design of the social (health) protection schemes in countries in terms of organization and financing. In principle, paid sick leave can be funded through

\begin{itemize}
  \item \textbf{Taxes} collected by the government as part of public social expenditure and provided through public authorities
  \item \textbf{Contributions or payroll-taxes} – with or without ceilings – under mandatory social health protection schemes as stipulated by legislation and operated by semi-public insurance funds. Contributions might be shared between employers and employees.\textsuperscript{14}
  \item \textbf{Risk-based premiums} for coverage in private insurance that might be mandatory. Private insurances cover the loss of earnings in the form of cash benefits, but, for individual workers, are obviously only feasible for those who can afford them.
  \item \textbf{Employers’ funds} (which might be supported by insurance) based on legislation, collective agreements on sickness benefits or provided as a specific right for employees as a part of employer-based protection schemes.
\end{itemize}

Globally, paid sick leave is provided in countries with both developed formal labour markets and social health protection schemes. In many countries paid sick leave is provided through social health insurance or national health systems and grouped together with other income replacement schemes such as disability programmes, work injury, maternity, long-term care schemes, early retirement or old age pension schemes in order to
ensure smooth transitions from temporary disability to long-term disability and retirement. This is the case in many OECD countries, but also e.g. in Egypt, the Philippines, Russia, and Tunisia.

The contribution rate for the cash benefit is usually a fixed percentage of the wage that is shared between employers and employees. In many countries the rate is jointly calculated for sickness benefits, paid sick leave and maternity protection. Some countries exclusively use employer funds. This is for example the case in Sweden, where employers contribute 8.64 percent of payroll taxes to cover the costs of cash benefits. In some countries operating social health insurance schemes governments provide a subsidy to paid sick leave.

Countries that run National Health Services usually cover costs for paid sick leave directly through employer funds such as in the UK. Exceptions where paid sick leave is administered and funded by public authorities include New Zealand.

Some private insurance companies provide benefits for income replacement during sick leave. However, these are not considered as a part of social protection and will therefore not be further considered in the following.

### Paid sick leave benefits and coverage

At the global level, as many as 145 countries provide for paid sick leave. Usually, provisions include both time for leave and wage replacement during sickness. However, the benefit schedules for paid sick leave differ widely among countries. Globally, the replacement rates vary between lump sums and up to 100 percent of wages (Table 1):

- About 20 percent of the countries have set the minimum replacement rate at 100 percent of wages
- 14 percent of countries replace wages during sickness absence between 75 and 100 percent.
- The majority of more than 50 percent of countries provide for replacement rates that vary between 50 and 75 percent of wage.
- The remaining countries provide for lump sums or other replacements.

<table>
<thead>
<tr>
<th>Countries providing for paid sick leave</th>
<th>Minimum replacement rates of wage</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in percent)</td>
<td>(in percent)</td>
</tr>
<tr>
<td>21</td>
<td>100</td>
</tr>
<tr>
<td>14</td>
<td>75</td>
</tr>
<tr>
<td>51</td>
<td>50</td>
</tr>
<tr>
<td>14</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Table 1: Minimum replacement rates of wages at global level in percent, 2007

The period of paid sick leave spans from more than one month (up to two years) to less than 7 days (Table 2).

- More than 102 countries cover a period of one month and more.
- 33 countries stipulate a period of 11 to 30 days
- 3 countries allow for up to 10 days of paid sick leave
- The remaining countries set less than 7 days or an unspecified number of days.

Table 2: Maximum period of paid sick leave at global level, 2007

<table>
<thead>
<tr>
<th>Numbers of countries</th>
<th>Maximum length of paid sick leave</th>
</tr>
</thead>
<tbody>
<tr>
<td>102</td>
<td>One month and more</td>
</tr>
<tr>
<td>33</td>
<td>11 days to one month</td>
</tr>
<tr>
<td>3</td>
<td>Up to 10 days</td>
</tr>
<tr>
<td>7</td>
<td>Less than seven days or unspecified</td>
</tr>
</tbody>
</table>


However, within these overall concepts, significant differences can be observed regarding definitions of work, wage and specific conditions and linkages with other social protection benefit schemes such as disability schemes. Table 3 provides an overview of the most common variations of paid sick leave benefits both in cash and in kind observed at global level.

Table 3: Variations in the design of paid sick leave benefit schedules

<table>
<thead>
<tr>
<th>Definition of work</th>
<th>Work in public and private sector; Uncovered work usually includes domestic work and work of self employed or work not provided under an employment contract; Limitations might apply regarding minimum working hours per week/month such as in most EU countries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages covered</td>
<td>Effective wages received before the leave or average earnings with or without supplements for dependents Coverage might be excluded below or above a certain wage ceiling</td>
</tr>
<tr>
<td>Period of leave</td>
<td>Between 1 day and up to two years Limitations might be applied based on minimum and maximum periods of paid sick leave</td>
</tr>
</tbody>
</table>
Often limited to a single disease

Income replacement rates
- Replacement rates vary between lump sums and up to 100 percent of wages.
- A few countries, such as Australia, require means testing
- Waiting times and differences for short-term and long-term sickness might apply

Linkages with other benefit schemes
- Linkages with benefits from disability, unemployment, old age pension schemes etc that allow transforming paid sick leave for example into disability benefits e.g. in most Nordic countries or other social risks.

Specific conditions and requirements
- Waiting periods might apply. Some regulations stipulate that between 3 and 6 days of waiting period are 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 e.g in Germany

Source: Authors

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

Coverage is strongly linked to the extent of social (health) protection coverage in general. While legislation is universal, effective coverage might in practice be limited to the formally employed or those that can afford voluntary insurance. In many developing countries, the large majority of workers in the informal economy, domestic workers, and workers in the agricultural sector are not covered. This also applies in countries with insurance-based schemes for the self-employed that are often not covered and excluded from receiving paid sick leave.

A selection of specific regulations at country level is provided in Table 4. Countries such as Egypt and Equatorial Guinea and Morocco provide for cash sickness benefits for insured members after a waiting period; in the Philippines, private–sector employees are covered and receive benefits when in need based on a minimum income; Australia applies a means test before providing cash benefits; and qualifying conditions in Europe include membership in an insurance fund.

Table 4: Qualifying conditions and coverage of cash sickness benefits in select countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Qualifying conditions and coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>AFRICA</strong></td>
<td></td>
</tr>
<tr>
<td>Egypt</td>
<td>The insured must have paid contributions for at least the last 3 months or for a total of at least 6 months, including the last 2 months.</td>
</tr>
<tr>
<td>Equatorial Guinea</td>
<td>The benefit is paid after a 3-day waiting period and the insured must have contributed during the last 12 months.</td>
</tr>
<tr>
<td>Morocco</td>
<td>For the first claim, the insured must have at least 54 days of contributions in the previous 6 calendar months of coverage; at least 6 days of contributions for subsequent claims. There is no minimum</td>
</tr>
<tr>
<td>ASIA-PACIFIC</td>
<td></td>
</tr>
<tr>
<td>-------------</td>
<td></td>
</tr>
<tr>
<td><strong>Philippines</strong></td>
<td>Private-sector employees up to age 60; household workers earning at least 1,000 pesos a month; and self-employed persons with at least 1,000 pesos of monthly income.</td>
</tr>
<tr>
<td><strong>Australia</strong></td>
<td>(Means-tested) Gainfully employed persons including self employed aged 21 (25 if a full-time student) or older, not receiving old-age pension, and residing in Australia.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EUROPE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Belgium</strong></td>
</tr>
<tr>
<td><strong>Germany</strong></td>
</tr>
<tr>
<td><strong>Liechtenstein</strong></td>
</tr>
</tbody>
</table>

Source: SSPTW2008/2010

**What is the current situation at the global level?**

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

**Incidence and patterns of paid sick leave**

**Incidence of paid sick leave**

The incidence of paid sick leave varies significantly across countries. In the **15 member states of the EU, 14.5 % of employees reported sickness or accident absence** of at least one day in 2000.\(^{19}\)\(^{20}\)

As shown in Figure 1:

- Workers in Greece reported with 4.8 the lowest number of paid sick leave days followed by the Netherlands with 5.5 days.
Workers in the Slovak Republic reported with 27.6 days the highest number of paid sick leave days among the EU member states followed by Sweden with 22 days.

It is striking that there are significant differences even between neighboring countries that show similar overall health status and comparable social health protection schemes. This is the case in Denmark and Sweden (8.3 compared to 22 days) as well as France and Germany (8 compared to 16.5 days).

However, these findings should be interpreted with caution and must not be compared without looking at further variables. It is important to keep in mind that there are significant differences among countries regarding definitions and criteria for inclusion and exclusion of groups of workers in paid sick leave regulations as well as overlapping leave regulations, e.g. from maternity or disability schemes. Further, there are significant differences in trends over time.²¹

Figure 1: Number of days lost due to sickness in selected countries, 2000

![Number of working days lost due to sickness](image)

Source: OECD Health Data base; WHO, Health for all Data base, CESIFO, database 2007,

When interpreting data it is also important to consider the dimension of differences in national working patterns, particularly annual working days and weekly working hours. If we consider the working days lost due to sickness in this context, figures appear to some extent more homogenous: It can be observed that in the majority of the countries considered, between 5 and 6 percent of overall working days are lost due to sickness per year (Figure 2).
However, 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 design of paid sick leave benefits in terms of replacement rates, waiting periods and other requirements?

Both 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 between the two countries with 22 and 5.5 days respectively. The income replacement rate is in Sweden\textsuperscript{22} with 80 percent significantly lower than in countries with less paid sick leave incidence such as Austria, France, Germany and Luxembourg where 100 percent of income is replaced during sick leave.

If we group countries by the scope of benefits in terms of replacement rates, waiting time, specific conditions etc and incidence of sick leave (Figure 3) we find that those countries with the most complete benefit schemes and highest income replacement rates such as Austria, Luxembourg and Germany show only average rates of sickness-related absence. However, some of the countries that limit benefits more strongly such as the Czech and Slovak Republic and Sweden show highest numbers of sick leave days.
Figure 3: Number of days lost due to sickness in selected countries grouped by scope of benefits, 2000

Source: ILO; CESifo 2001; SSA, SSPTW, 2008

However, there is no doubt that countries with no or limited benefits for paid sick leave show the lowest number of days lost due to sickness. This includes countries such as the USA without any national programme for paid sick leave where only five states provide cash benefits for workers in selected economic sectors. Further, countries concerned include those where no income-related replacement exists but a lump sum in combination with a three-day waiting period is provided such as in the UK. Such regulations might impact on workers’ decisions to continue working while being sick.

This argument is confirmed when looking into the length of paid sick leave. In the UK, 39 percent of paid sick leave lasts just one day. Enquiries revealed that 37 percent of the employees concerned indicated they had not even taken any time off when they were sick. However, many of them had to take more time off at a later time to fully recover and often other colleagues were infected as a result.

Patterns of paid sick leave

Patterns of paid sick leave can be better understood when considering aspects such as age, gender, income level, employment sector and economic and labour market developments e.g. unemployment during recession and crisis. This can be shown both at the national level and at the international level.
Germany: A case in point

Representative data from Germany suggests important differences in the incidence of paid sick leave days between men and women and with a view to occupation groups in various economic sectors, particularly agriculture and forestry, health services, postal services and metalworking (Figure 4). It is striking that gender specific differences occur in all sectors observed.

Most important differences by gender can be observed when looking at postal and health services where female workers reported 17.3 as compared to 15.6 paid sick leave days of male workers and 14.6 respectively 12.2 days. Reasons for the increased number of sick leave days of women are manifold and include precarious work and work contracts often linked to low income and part-time work involving gaps in social health protection coverage.  

Highest numbers of paid sick leave days with four and more weeks occurred among metal workers with low income aged over 55 years as compared to older workers in senior management positions that reported between one and two weeks sick leave particularly linked to stress due to the economic crisis.

Figure 4: Paid sick leave days in selected economic sectors and occupation groups by gender, Germany, 2008

Beside age and gender, income and education plays a crucial role: Scientists, lawyers and engineers reported 5-7 days of paid sick leave in 2008 in Germany, while for lower income groups the number of days ranged from 24-27 days for social workers, cleaning staff and gardeners and to as much as 35 days for street cleaners.

What do we know about the diagnostics of workers on paid sick leave? Data from Germany reveals that during the recent economic crises, medical diagnostics most frequently related to three groups of health conditions: mental disorders, musculoskeletal disorders and newly diagnosed cancer. These diagnostics allow concluding that paid sick leave is taken to treat and prevent serious health conditions.
As shown in Figure 5, data on sick leave and diagnostics by employment status suggest that the disease burden of mental disorders and musculoskeletal disorders is higher among the unemployed than the employed (27.3 percent compared to 16.9 percent and 33.4 percent resp. 31.5 percent). This finding suggests discrimination on grounds of ill health, particularly mental disorders, against the unemployed is important and might pose barriers returning to the work place.

Figure 5: Percentage of the most frequent diagnostics of the employed and unemployed during paid sick leave, Germany, 2008

Source: Bundesverband der Betriebskrankenkassen, Gesundheitsbericht 2009, Essen 2009 (Data based on a representative sample of employees and unemployed persons in Germany in 2008).

Global characteristics

Similar to sick leave patterns in Germany, data on paid sick leave at the global level is closely associated with overall economic developments and related impacts on unemployment, dismissal/discrimination practices, characteristics of different economic sectors and socio-economic factors related to gender, age and income. 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:

- Data from Sweden, Norway and the Netherlands show that the number of paid sick leave days is strongly related to economic cycles and particularly reduced during periods of high unemployment. This can be explained by the fact that workers are more likely to be laid off in times of recession and might reduce sick leave even if the health status is low. Furthermore, in many countries periods of unemployment allow exit into disability schemes and that reduces statistically the number of paid sick leave days.

- The extent of paid sick leave varies by occupation and economic sector. An example is Ireland, were civil servants take on average 11 days paid sick leave, which is almost double the rate of the private sector (6 days). In Iceland 76 percent of all employees in the health sector have taken paid sick leave. In the UK, hospital nurses take 50 percent more days off due to sickness than any other public sector workers. These results in 7.5 percent of annual working time lost. The highest numbers of sick leave days (21.4 per year)
are found among unqualified ward staff and this might be linked to both, burden of work and income situation.

- With regard to gender, numerous analyses reveal that paid sick leave is concentrated on women such as in the UK, Finland, France, the Netherlands, Norway, and Sweden. In Norway, Sweden and Denmark, women were more than 50 percent more often absent from work due to sickness than their male colleagues. However, when analysing these figures, national employment rates by gender and age should be taken into account: In Sweden and Norway the labour force is characterized by very high employment rates for workers aged 60-64, with some 44 percent of female workers e.g. compared to France with only 10 percent of female workers in the same age group.

- Singles, especially women and single parents have more days of paid sick leave than workers that are married with or without children.

- In most countries, 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). Similar results have also been observed in other European countries, with as little as 0.9 percent for the group of the 20-29 year-old workers as compared to 9.1 days for those with the age 60-64. However, more recent data in the UK indicate that paid sick leave is more and more concentrated on workers under age 34.

- Paid sick leave is also strongly linked to the socio-economic status and income level: In the UK, men in the lowest employment grades reported six times more frequently paid sick leave than those in the highest grades. For women the difference was up to five times higher. The relationship between the incidence of paid sick leave and socio-economic status is also highlighted by the fact that managers and senior officials report 2.4 percent less paid sick leave days than those working in sales and customer services (3.9 percent). In the UK, manual workers have reporter higher number of paid sick leave days (8.4 days) than non-manual workers (6 days).

- Data on the share of the population perceiving an unmet need for medical examination or treatment indicate relatively high percentages for Greece (7.2 percent) and Italy (9.0 percent) compared to Sweden (1.8 percent) and Norway (0.4 percent). Reasons include problems of access to health care due to financial constraints but also not being able to take time off.
Expenditure and affordability

Sick leave expenditure in the context of national economies

How much do countries spend on paid sick leave? Is it affordable? International data on expenditure of paid sick leave need to be interpreted very carefully since they do not control for differences in social protection schemes e.g. registering paid sick leave in sickness or disability schemes, employment and working contexts such as annual working days and hours and other aspects outlined above. Further, significant national and international inequalities in wages levels\(^{46}\) impact on expenditure data since most countries provide income-related replacement rates during sick leave. An attempt to compare international data from the EU and beyond is provided in Figure 6. It gives an overview of data on sick leave expenditure in selected countries.

**Figure 6:** Per capita expenditure on paid sick leave in selected countries, EUR in PPS\(^{47}\), 2005

![Per capita expenditure on paid sick leave in selected countries, EUR in PPS\(^{47}\), 2005](image)

Source: EUROSTAT – ESSPROS, Expenditure on chosen benefits in PPS per inhabitant in 2005, 46/ 2008 – Statistics in focus

Expenditure on paid sick leave varies drastically among countries. The average expenditure per capita in the 27 European countries amounts to 197 EUR / PPS per capita. Norway spends with 940 EUR per capita more than ten times more than Portugal (70 EUR). Greece, France, Italy, Ireland and the UK are spending comparable amounts below average whereas Sweden, Island, Luxemburg and the Netherlands are spending significantly more than average.\(^{48}\) Comparable above average per capita expenditure is also found in Austria, Finland, Germany and Switzerland.

When comparing these figures at the international level it is useful to consider the context of national wage structures, labour productivity and labour markets:
There are important disparities among and within European countries concerning wage structures that are reflected in the expenditure for income replacement during sick leave. In 2000, countries showing the highest wages in the European Union included the UK, Belgium (Brussels), Luxembourg, Germany, the Netherlands and Denmark, whereas the lowest wages were found in Italy (Southern Italy), Spain, Portugal and Greece. The closer workers were located to the geographical periphery the lower the income levels. Also, within countries, there are various wage gaps, among them the gender gap.

Further, in some of the above countries, labour markets are characterized by a high percentage of self-employed that do not benefit from paid sick leave schemes and costs are not reflected in the data presented. This is the case in Greece and Italy where we find some of the highest rates of self-employed workers e.g. 23 percent and 21 percent resp. among all OECD countries in 2004, while Norway and Sweden show very low rates with 5 and 8 percent.

Labour productivity is another important aspect to be considered when comparing data:

- When looking at labour productivity in terms of GDP per hour worked, it becomes evident that high expenditure on paid sick leave pays off: Norway’s labour productivity rate in GDP per hour worked is estimated at 75.2 US$. This stands in stark contrast to Greece with its estimated productivity rate of 32.2 and the UK of 44.9. Thus, high expenditure on paid sick leave is frequently linked to a significantly higher economic productivity than low expenditure on paid sick leave. These gains more than balance out the expenditure on paid sick leave.

- Another aspect relates to costs of reduced productivity when working while being sick: Estimates indicate that productivity losses due to working while sick are up to three times higher than loss in productivity due to sickness related absence.

Expenditure on paid sick leave has to be assessed in the context of costs of presenteeism defined by working during sickness. Presenteeism results in costs related to increased risk of work accidents, development of chronic diseases and thus incapacity to work and health impacts on co-workers.

Differences regarding national GDP levels of countries should also be considered in the context of interpreting affordability of expenditure of paid sick leave. GDP levels vary significantly among the 27 European countries.

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

Sick leave expenditure in the context of expenditure on social protection

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

The average share of GDP spent on social health protection in the 27 EU countries was 7.5 percent in 2005. The share of paid sick leave expenditure of social protection expenditure varies between 1.7 percent of expenditure on social protection in Portugal and 9.8 percent in Norway. (Figure 8) It is particularly low in Portugal and Ireland and about average in countries such as Germany and Spain. It is interesting to note that...
countries with high expenditure on social protection also often spend a high amount on paid sick leave. This is the case in Sweden, Luxemburg and Norway.

**Figure 8:** Share of sick leave expenditure of overall social protection expenditure in selected countries, in percent, 2005

Source: Authors, EUROSTAT – ESSPROS, Expenditure on chosen benefits in PPS per inhabitant in 2005, 46/2008 – Statistics in focus

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

Sick leave expenditure is a cash benefit that complements social health protection benefits in kind, particularly inpatient and outpatient care in order to provide financial protection in times of sickness. The total per capita expenditure on the three dimensions of social health protection amounts in the 27 countries of the European Union to 1638 EUR in PPS per capita in 2005. Expenditure on paid sick leave amounts to 197 EUR per capita as compared to 810 and 631 for inpatient resp. outpatient care. (Figure 9) Thus sick leave expenditure constitutes the lowest and most affordable part of the expenditure on social health protection in 27 European countries.

**Figure 9:** Per capita expenditure on health care benefits in kind and paid sick leave expenditure in 27 European countries, EUR in PPS, 2005
Similar results can be observed at the national level as shown in Figure 10. If inpatient and outpatient expenditure are compared to expenditure on sick leave, we find that it represents in all countries the smallest amount spent on social health protection. However, as expected, sick leave expenditure varies in per capita amounts between countries and is with 120 and 184 EUR lowest in the UK resp. France and with 940 and 509 the highest in Norway and the Netherlands.

Figure 10: Per capita expenditure on paid sick leave, inpatient and outpatient benefits in selected countries, EUR in PPS, 2005

Also in comparison to expenditure on other important cash transfers provided through social protection, such as old age pensions, survivors pensions, unemployment benefits and family/child allowances, paid sick leave represents the lowest expenditure per capita of all (Figure 11): In 2005, the 27 EU countries spent with 2096 EUR per capita and year the highest amount on cash transfers for old age pensions, followed by 263 for family and child allowances, 245 for survivors pensions and 215 for unemployment.
Figure 11: Per capita expenditure on paid sick leave and other cash benefits in 27 EU countries, EUR in PPS, 2005

Source: EUROSTAT – ESSPROS, Expenditure on chosen benefits in PPS per inhabitant in 2005, 46/ 2008 – Statistics in Focus

Considering the relation of expenditure on paid sick leave to the overall expenditure on social protection, particularly in health, and the potential gains in terms of health and productivity, it can be concluded that paid sick leave is needed from a (public) health perspective and is economically affordable even if benefits are designed to fully cover the risk of ill health and provide complete financial protection. It is also a prerequisite to support economies in times of crises and a tool to balance social and economic inequalities resulting from work, gender, age and income. Against this background, it might be useful for countries to consider reforms aiming at implementing or improving legislation and regulations that shift away the burden of ill health from workers that are suffering from gaps in coverage and limited benefits.

Policy lessons: Embedding paid sick leave into national social protection floors

The absence or gaps of paid sick leave leads to important costs for the economy and avoidable expenditure within health care systems due to costs related to treatments for more severe health conditions and needed public health measures. When addressing gaps and deficits, it is important to take the various socio-economic determinants outlined above into account. Against this background, it is suggested to apply a comprehensive approach addressing particularly inequalities:

- **Inequalities in health and access to health services** in both developing and developed countries are often linked to gaps in social health protection, age, gender, education, social and ethnic groups, and lifestyle.\(^7\)

- **Inequalities in income and gaps in income support** during sickness, unemployment, disability, maternity etc. concern a large part of the global population. The need for sickness cash benefits linked to paid sick leave is the more important the lower the income of the workers. Paid sick leave intends to replace income loss due to the needed interruption of economic activities. Without paid sick leave the result for many families might be not only financial hardship but also restricted access to health services, unemployment and poverty. However, financial hardship resulting from sickness does not only concern the working poor, but can plunge the non-poor into poverty. Around 150 million people suffer a financial catastrophe each
year, and the WHO estimates that each year 100 million people fall into poverty as a result of health-related financial burdens.

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

Social protection schemes are a tool to effectively address inequalities and social and economic precariousness. They empower people through providing coverage in kind and in cash in times of ill health, unemployment and loss of income. Further, social protection schemes significantly contribute to the sustainability of economic growth. All the countries most successful in achieving long-term sustainable growth and poverty reduction such as OECD countries have developed social protection schemes and, importantly, they decided to implement affordable social protection when they were less wealthy than today.

It has been widely recognized that countries can afford to grow with equity, i.e. providing some form of social protection, from the early stages of their economic development. The ILO estimates that a set of minimum guarantees for essential social benefits in kind and in cash is affordable for all countries, although it is likely to require support from external sources in the poorest settings. ILO estimates that in low income countries the costs of providing universal basic income support in the form of pensions for disability and old age would amount between 0.6 and 1.5 percent of the GDP in countries such as Kenya, Senegal and Tanzania. Cash sickness benefits could constitute a small part thereof. Past and recent history of social protection schemes in developed countries have shown that inclusive growth is a key factor for sustainability both in terms of economic development and social peace.

An essential national social protection floor – as outlined in the ILO/WHO Initiative – should serve as an overall framework for countries aiming at implementing or improving paid sick leave provisions. It is designed as a response to the current economic crises and closely linked to the ILO’s Global Jobs’ Pact and part of an agenda for decent work that focuses on sustainable globalization. This inclusive approach addresses issues related to rising poverty and loss of income due to job losses and unemployment, and growing gaps in social protection, particularly social health protection. It is based on a concerted action of the UN and G20 and helps promoting coherence in policies aiming at

- Cushioning workers and their families in times of crises and beyond
- Supporting economic demand
- Facilitating economic recovery and development.

Embedding paid sick leave provisions into a national social protection floor allows efficiently and effectively reducing health and economic impacts on workers from a holistic perspective. The economic crises has uncovered the urgent need to develop and enhance social protection in terms of access to health and financial protection, to secure jobs and promote rights at work, particularly equality regardless of gender, ethnicity, and other aspects. A sustainable and inclusive solution needs to be developed by involving all partners concerned in social, economic and health matters, particularly governments, employers’ and labour representatives and civil society at large.

Such a multi-stakeholder approach of countries is also necessary when it comes to decisions on the design and overall financing of paid sick leave through taxes, burden sharing between employers and employees or
focusing on employers’ funds to emphasize their need for a healthy work force. Decisions should be taken with a view to the following aspects:

- Paid sick leave is a key component not only of ILO Convention 102 on Social Security but also for the Decent Work and Social Protection Floor initiatives and is embedded in Human Rights. It combats health and social inequalities. Resuming work after periods of sickness should be considered as a core right to safeguard health.

- Work should not threaten health and ill health should not lead to loss of income, job or public health risks. Therefore, paid sick leave should be part of a broader social protection approach that addresses social and economic challenges regarding health, poverty, income and labour market structures from an integrated viewpoint. Paid sick leave schemes should be strongly linked to social protection, particularly social health protection schemes in order to allow burden and risk sharing. They should consider that paid sick leave is the more important the lower the income, the more likely women are concerned, the higher the age of 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 at large. It enables more sustainable economic growth through a healthy and productive work force. Further, discrimination and health impacts can be mitigated by social (health) protection.

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