

*Study 1 / 2022*

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# Sick pay: what impact did the introduction of a waiting period have?<sup>2</sup>

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## Summary of key findings

- We analyze the impacts of a waiting period for sick pay introduced in 2008 in the Czech Republic on employment absence, sick leave, and other types of absences from the workplace. The new waiting period meant that employees did not receive any sickness benefits ('sick pay') for the first three days of sick leave. The waiting period was introduced to discourage employees from claiming sick pay unnecessarily and thereby to reduce sickness benefit expenditures. However, the measure also discourages employees from taking sick leave when they are unwell and may potentially increase the risk of contagion in the workplace.
- To identify what impacts the introduction of the waiting period had, we make use of regional differences in the incidence of flu epidemics and data about employee absences from work. We find that among employees exposed to a flu epidemic for one week, the number of days of sick pay claimed decreased after the introduction of the waiting period by 6.7 days on average. Prior to the reform, employees exposed to a flu epidemic for a week claimed 5 days more sick pay than employees without flu exposure, while after the reform they claimed 1.7 days fewer. This reduction was, however, almost entirely compensated for by an increase in the number of days of paid holiday and unpaid leave claimed. The total number of days of absence thus remained practically unchanged after the introduction of the waiting period.

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<sup>2</sup> This study summarises the key findings and conclusions from Grossmann's extensive research thesis "Sick Pay and Absence from Work: Evidence from Flu Exposure", 2021. We are grateful to the examiners of that thesis: Tor Eriksson, Kamil Galuščák, Stefan Pichler, and Štěpán Jurajda, as well as to Filip Pertold and Daniel Münich for their useful comments and observations on this version of the study. Any remaining inaccuracies or errors including all opinions expressed are the authors' own. We also wish to thank the Ministry of Health of the Czech Republic for providing data on infectious diseases, the Ministry of Labour and Social Affairs for the opportunity to use ISPV data, and Trexima for providing calculations. This study was produced with support from the Czech Academy of Sciences as part of its AV21 Strategy programme "Society in Motion and Public Policies".

- Despite this reduction in sick leave taken and sick pay claimed, there is no reason to assume that the new waiting period increased flu transmission or increased contagion in the workplace, since the reduction in sick leave was offset by an increase in other types of absences.
- The extent to which sick leave was replaced by paid holiday or unpaid leave varied between employee groups. Mothers took fewer days of sick leave after the introduction of the waiting period, but this was offset by fathers taking more paid and unpaid leave. Employees exposed to a relatively higher risk of infection at the workplace or whose work involved more frequent social interaction replaced sick leave with other types of absence more often than other workers.
- The available data do not enable us to reliably verify whether the waiting period succeeded in reducing abuse of the sickness benefit system, which was one of the reform's main objectives.