Disability, Work and Inclusion in Korea

TOWARDS EQUITABLE AND ADEQUATE SOCIAL PROTECTION FOR SICK WORKERS

OECD

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BETTER POLICIES FOR BETTER LIVES

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Foreword

The COVID-19 pandemic has underlined the importance of statutory social protection for sick workers, which uniquely protects their health, jobs and incomes. Soon after the start of the pandemic, several countries reacted promptly by expanding the coverage of sickness benefits, including to self-employed workers or those in quarantine, and by reducing the cost of sick pay for employers. Countries that had only weak or no country-wide statutory social protection for sick workers in place at the time, such as Korea and the United States, introduced temporary protection for those workers. Other countries with less generous sickness benefits, such as New Zealand and Canada, introduced higher temporary emergency benefits.

Building on the experience of the pandemic, the then Korean government has decided to close the last existing gap in its fast-expanding social protection system and introduce a sickness insurance system. Consequently, it has agreed on running sickness benefit pilots in several regions to test the health and labour market implications of different models for sickness benefit regulations.

This report supports the Korean government in its reform efforts by making a case for a strong and effective system of social protection for sick workers and summarising the literature on the impact of such a system on the health, productivity and labour market attachment of workers. The report also looks in depth at some of the key features of effective sickness protection, including: coverage and eligibility criteria; payment levels, payment durations and waiting times; return-to-work characteristics and employer involvement; and funding mechanisms.

The report suggests that Korea should consider introducing a system with: wide coverage, including all employees and self-employed workers; with entitlements that are in line with the ILO's Medical Care and Sickness Benefits Convention from 1969; and with a strong return-to-work focus. It also suggests that the country's business culture, characterised by long working hours and a reluctance by many workers to fully use leave entitlements, will make it critically important to ensure high take up of any new sickness benefits. Lastly, while the reform efforts in Korea are currently limited to the introduction of a public sickness insurance, as part of the existing health insurance, the report also makes the case for the parallel introduction of statutory employer-provided sick pay, regulated in the labour law, as a second pillar of an effective social protection system for sick workers.

A related report considers reform efforts and directions in Korea to make jobseeker support, which was initially introduced in the mid-1990s, more accessible and more effective.

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Executive summary

The lack of statutory social protection for sick workers is the last major gap in Korea's welfare system. Most Korean workers experiencing temporary sickness have no or limited job and income protection. The importance of comprehensive sickness programmes in simultaneously protecting workers' jobs, their incomes, and their (and their co-workers') health became very apparent during the COVID-19 pandemic, when Korea had to introduce ad hoc measures to fill part of the gap.

The introduction of sickness benefits would reduce existing labour market inequalities. Currently, only few workers in Korea have sickness protection (e.g. public employees) or benefit from voluntary sick pay by their employer (e.g. in some large companies). A statutory sickness programme would remove these large difference across workers in rights and entitlements. It would also improve job quality by helping to reduce the cultural stigma of taking leave for reasons of sickness and lower unhealthy presenteeism where workers continue to work even when sick.

There is significant political momentum for change. The Korean government is determined to close this welfare gap. However, the ongoing sickness benefit pilots to test alternative models for a new system of social protection for sick workers could be strengthened to ensure that Korea can take advantage of its position as a relative latecomer in this policy field to obtain an optimal system right from the start.

Evidence from other countries and research provides a good yardstick for the right characteristics of an effective, adequate, and equitable system of social protection for sick workers. A comprehensive system would ideally fulfil the following criteria:

- *Cover all workers against all diseases that can cause temporary sickness*. Sickness protection should cover all types of workers; this is especially important in a country like Korea where the labour market is dominated by very small firms and a large share of workers are self-employed or in non-standard work. Sickness protection should also cover all types of health issues, including mental health issues, and all degrees of illness severity. A system limiting access to social protection to hospitalised workers, as in one of the pilots in Korea, would be insufficient.
- *Provide adequate income support while limiting undue absenteeism*. Adequate income support is important to allow sick workers to stay home to recover, whereas full income replacement for an unlimited period may augment unnecessary absenteeism and hamper return to work. The long waiting periods and low flat-rate payments in Korea's pilots prevent any system misuse but are not in line with the principles laid down in the ILO convention on sickness benefits nor with other parts of Korea's social protection system.
- *Combine sickness benefits with a robust return-to-work component*. An effective social protection scheme for sick workers promotes recovery and return to work of partially recovered workers early during a sickness spell. Effective principles include a focus on gradual return to work as soon as possible and on accommodating workplaces and work of returning workers. In this regard, Korea could draw from experiences with its own successful workers' compensation system.
- *Design sustainable payments involving employer-provided sick pay*. Out of the 36 OECD countries with statutory social protection for sick workers, 30 require employers to carry part of the risk associated with temporary sickness. Such financial liability gives employers strong incentives to prevent sickness absence and promote return to work, and rewards good employers.

Korea should not delay the implementation of social protection for temporarily sick workers. Apart from most states in the United States, Korea is currently the only OECD country without statutory social protection for sick workers. This gap in social protection also means that temporary sickness can easily lead to job loss – there is no protection against dismissal for sick workers although there have been court decisions that a dismissal can be unjustifiable – which is not only unfair for sick workers but also inefficient for the Korean labour market and economy.

Korea should also pilot-test the introduction of statutory employer-provided sick pay. In most OECD countries, sick pay and sickness benefits are two parts of one system. In Korea, the issue of employer-provided sick pay is disconnected from the discussion on sickness benefits. This is unfortunate, given the important advantages of a period of employer liability during the initial phase of sickness. Actively involving social partners in the design can help facilitating dialogue and implementation later on.

Korea should keep equity issues in mind when introducing a new system. The parameters in Korea's sickness benefit pilots are much less generous than those in the statutory system for Korean government officials, with full wage replacement without any waiting period for up to 60 days per year. Such a large difference will reinforce Korea's already segmented labour market. Instead, Korea should seize this opportunity to implement adequate sick leave for all to reduce labour market duality.

Korea should consider making sickness benefits dependent on previous earnings, especially if funding will come from insurance contributions. Korea is considering social insurance funding to pay for sickness benefits, as it does for other parts of its social protection system. Contributions for these insurances depend on earnings. Coupling funding to earnings but offering earnings-independent benefits would reduce the legitimacy of the new programme.

Korea should pay attention to the take up of sickness benefit entitlements. Korea's strong business culture often prevents workers from fully taking up their entitlements to leave – whether annual leave, sick leave, or any other leave. Sickness benefit programmes can only be effective if sick workers use the scheme to stay home and recover. The Korean government can take several measures to stimulate a cultural shift in leave-taking behaviour.

- *Make entitlements mandatory*. A statutory entitlement to equitable and adequate sickness benefits is an essential condition to normalise taking leave because of temporary sickness.
- *Address widespread labour market duality*. The impact of sickness benefits will be stronger if Korea also makes further efforts to address labour market duality and job insecurity, e.g. by eliminating incentives to hire workers on non-regular contracts or engage dependent self-employed workers.
- *Improve enforcement of labour legislation*. Compliance with labour legislation is weak in Korea, as reflected in a high occurrence of unpaid overtime work and payment below the minimum wage. Increasing the number of labour inspectors and enhancing their skills will be important.
- *Learn from the lessons of the COVID-19 pandemic*. Academic evidence for the United States shows that the introduction of statutory social protection for sick workers decreased the spread of COVID-19 and thereby contributed to lower overall sickness absence.
- *Consider adopting additional measures to facilitate staying at home when sick*. Workers could have a statutory entitlement to remote working, to facilitate working with partial capacity while preventing undue presenteeism. In addition, forcing sick workers to come to work could be made illegal.
- *Provoke a cultural shift towards valuing efficient output rather than office hours*. Korea should promote the spread of high-performance work practices that emphasise the importance of good working conditions for high worker productivity and firm profitability.

1 Introduction and overview

Korea is the only OECD country without statutory sickness benefits and statutory employer-provided sick pay, unpaid or paid, potentially leaving many workers experiencing temporary sickness without a job or income protection. It also deprives the Korean society from an important policy to protect people's health, as sickness benefits and paid sick leave allow sick workers to recover at home instead of going to work and infect others. The importance of sickness benefits and paid sick leave to protect jobs, income, and health for all has become more apparent than ever before during the COVID-19 pandemic. The OECD has recommended at multiple instances in the past that the Korean government should implement statutory social protection for sick workers (OECD, 2018[1]; OECD, 2020[2]).

The Korean government now has concrete plans to implement public sickness benefits. It has announced a Pilot Project for sickness benefits in 2022 (Box 1.1). This is commendable although a full system of social protection for sick workers, in line with systems in place in most other OECD countries, will also necessitate conversations on the simultaneous adoption of statutory employer-provided sick pay.

This report aims to help Korea with the design and implementation of an equitable and adequate system of social protection for sick workers. The launch of the Pilot Project indicates clear political commitment and momentum for change. Yet, the Pilot Project's long waiting periods and rather low benefit payments, the lack of employer-provided sick pay and the limited discussion on a return-to-work component are far away from what a comprehensive, equitable and adequate system of social protection for sick workers would look like. Korea should be more ambitious and use its position as a relative latecomer to build a comprehensive and efficient system right from the start.

Box 1.1. A short description of the 2022 Pilot Project for Sickness Benefits in Korea

In December 2021, the National Assembly approved a pilot for sickness benefits as laid down in the 2022 Budget Proposal (budget of KRW 11 billion or EUR 8 million, financed out of general taxes). The pilot will assess take-up of sickness absence, health outcomes and fiscal impact under three different models. The pilots will be implemented in six regions with a total population of 3.4 million, covering an estimated number of 1.8 million workers. The three models share the following characteristics:

- Coverage: All workers (including self-employed workers);
- Eligibility requirement: sickness certificate from a doctor (for model 1 and 2) or hospitalisation (for model 3);
- Replacement rate: Lump sum amount equal to 60% of the minimum wage (KRW 41 860 or about EUR 31 per day as of 2021);
- Employer-provided sick pay: There is no mandated employer-provided sick pay foreseen; the pilot models only consist of public sickness benefits paid out of general taxation.

The models differ in the following characteristics:

1. Model 1: Waiting period of 7 days and maximum benefit payment duration of 90 days;
2. Model 2: Waiting period of 14 days and maximum benefit payment duration of 120 days;
3. Model 3: Waiting period of 3 days of hospitalisation and outpatient days related to hospitalisation and maximum benefit payment duration of 90 days.

Source: 2022 Budget Proposal for the Pilot Project for Sickness Benefits; 2022 Budget Drawn up to Help Make Strong Leap Forward beyond Riding Out Pandemic.

The report discusses the protective role of sickness benefits and paid sick leave for workers, firms, and society (Section 2). It underlines the importance of statutory social protection for sick workers generally and in Korea (Section 3). The report discusses the key policy parameters of equitable and adequate social protection for sick workers: ensuring effective coverage (Section 4), the design of an adequate system that discourages undue absenteeism (Section 5) and the promotion of return-to-work of recovered workers (Section 6). Section 7 discusses the funding side, aimed at making a system financially sustainable and at encouraging buy-in from employers. Section 8 concludes by providing policy lessons to implement equitable and adequate statutory social protection for sick workers in Korea.

2 The important protective role of sickness benefits and paid sick leave for workers, firms and society

2.1. The many protective roles of sickness benefits and paid sick leave

The core role of sickness benefits and employer-provided sick pay is to support workers during a temporary sickness spell. By doing so, sickness benefits and paid sick leave prevent workers from facing a dismal dilemma between going to work sick or losing income and, in the worst case, even their job. Sickness benefits and paid sick leave supports workers in three ways:

- They help to protect workers' jobs, by keeping employment relationships intact during a sickness spell. Public sickness benefits and employer-provided sick pay automatically provide some form of employment protection for workers in case of sickness.
- They help to protect workers' income, in the form of employer-provided sick pay (continued wage payments by the employer) or sickness benefits (paid through taxes or social insurance). Lack of sickness benefits or paid sick leave deprives sick workers of income needed for necessities – an amount that adds up quickly for a persistent sickness (Box 2.1). Service-sector workers experiencing sickness with access to social protection in the United States report less difficulty making ends meet, less hunger and utility payment hardship and better sleep quality as a result of improved economic security compared to their colleagues with similar health needs but without any sickness-related social protection (Goodman and Schneider, 2021[3]).
- They help to protect workers' health, by allowing sick workers to recover at home rather than to continue going to work. Going to work sick reduces the time and energy to rest and recover. This can exacerbate existing health problems, augment stress, and increase the risk of subsequent sickness and absence. Moreover, not going to work sick reduces the time to use medical care. An estimated three million employees go to work sick every week in the United States (Susser and Ziebarth, 2016[4]). Sick employees without social protection forgo medical care three times more often for themselves and almost twice as often for their family compared to their peers covered by sickness benefits or paid sick leave in the United States, with higher rates still for lower-income households (DeRigne, Stoddard-Dare and Quinn, 2016[5]; Skagen and Collins, 2016[6]).[1]

A second role of sickness benefits and employer-provided sick pay is to protect workplaces, societies, and economies by reducing the spread of contagious diseases. Social protection for sick workers facilitates workers with a contagious disease (such as a cold) to stay at home, avoiding infections at work, or on their way to work, as collateral damage. Empirical results shows that access to sickness benefits and employer-provided sick pay reduces so-called presenteeism, i.e. workers going to work sick, by 5-15 percentage points (Callison and Pesko, 2020[7]; Schneider, Harknett and Vivas-Portillo, 2021[8]; Schneider, 2020[9]; DeRigne, Stoddard-Dare and Quinn, 2016[5]). The risks of infecting others are particularly large at the workplace where a large part of the day is spent, often in proximity with colleagues. The health of those vulnerable to sickness, such as persons with pre-existing health problems, elderly and children, is particularly put at risk (Webster et al., 2019[10]; OECD, 2020[11]).

Box 2.1. Lack of social protection deprives sick workers of income for necessities

An absence of social protection deprives workers of money for necessities for themselves and their families when they are temporarily sick. Workers not covered by social protection are forced to make a choice between going to work sick or losing income and, in the worst case, losing their job. Taking unpaid sick leave where this is possible has serious repercussions for the household budget of an average worker without access to paid sick leave through his or her firm:

- Half a day of unpaid sick leave amounts to a loss in wage equivalent to an average household's monthly spending on fruits and vegetables;
- A full day of unpaid sick leave implies a wage loss roughly equivalent to a household's monthly utilities budget;
- Lost wages from three days of unpaid sick leave equal an average household's grocery budget for an entire month;
- Lost wages from four days of unpaid sick leave equal a household's monthly health, education and transportation expenditures combined;
- A longer temporary sickness, for instance of nine days, means a loss of income equivalent to the monthly rent or mortgage payment.

Source: KOSIS (2020[12]), *Household Income and Expenditure*, https://kosis.kr/eng/statisticsList/statisticsListIndex.do?menuId=M_01_01&vwcd=MT_ETITLE&parmTabId=M_01_01#content-group; Gould and Schieder (2017[13]), *Work sick or lose pay?: The high cost of being sick when you don't get paid sick days*, https://www.epi.org/publication/work-sick-or-lose-pay-the-high-cost-of-being-sick-when-you-dont-get-paid-sick-days/.

The negative health effects on society of "contagious presenteeism", i.e. workers going to work despite being sick with a contagious disease, are large. The implementation of sickness benefits in certain states in the United States between 2010 and 2018 lowered doctor-certified influenza-type infection rates by 11% in the first year after the implementation (Pichler, Wen and Ziebarth, 2020[14]). Influenza-type infection rates decreased by 16% in cities in the United States that introduced public sickness benefit between 2003 and 2015, measured using Google Flu data (Pichler and Ziebarth, 2017[15]).

Engaging employers by means of mandatory employer-provided sick pay adds a third role to the protection of sick workers. Employer-provided sick pay helps to prevent and reduce health problems at the workplace and associated labour market exit.[2] Most OECD countries operate a dual, consecutive system of social protection for sick workers, consisting of (i) employer-provided sick pay, i.e. continued wage payments by the employer for a certain period (often around two weeks and in some countries even several months), followed by (ii) sickness benefits paid through taxes or social insurance after the end of employer-provided sick pay and typically for a period up to one year. Korea is currently not considering the introduction of mandatory employer-provided sick pay although such a system component has multiple purposes:

- Employer-provided sick pay lowers labour market risks. Financial obligations encourage employers to invest in the quality of the work environment to prevent labour market risks such as (work) accidents and (occupational) sickness (Pouliakas and Theodossiou, 2013[16]);
- Employer-provided sick pay helps to accommodate employees who become sick or disabled and are still at work. These responsibilities stimulate employers to reduce the consequences of health problems and impairments on work performance, by accommodating workers or by facilitating vocational rehabilitation. Such early intervention when sickness or disability arises is important to avoid progression to chronic disability (Hullegie and Koning, 2015[17]);

- Employer-provided sick pay reduces labour market exit of workers into disability benefits or early retirement. Employers may be tempted to allow less employable or redundant workers to leave their payroll onto the disability and retirement benefit programme. Such incentives are amplified when employers' social security contributions and wages rise with age or length of service, while productivity might not grow in tandem, such as in Korea (OECD, 2008[18]). Entering disability and (early) retirement benefits is generally a one-way street, with large economic costs for workers involved and public finances. Employer-provided sick pay obligations can strengthen the role of employers as partial gatekeepers in an effective way (Autor and Duggan, 2010[19]; Burkhauser and Daly, 2011[20]; Liebman and Smalligan, 2013[21]; Liebman, 2015[22]). For instance, the introduction of financial incentives for employers was a main driver of the reduction in disability insurance award rates in the Netherlands between 2001 and 2011 (Koning and Lindeboom, 2015[23]).

Fourth, sickness benefits and employer-provided sick pay play an even larger protective role during contagious pandemics and subsequent economic and labour market crises, such as currently during the COVID-19 pandemic (OECD, 2020[24]):

- Sickness benefits and employer-provided sick pay are effective instruments to encourage workers to quarantine. Providing financial compensation is of major importance for workers (potentially) exposed to the virus to self-isolate. Survey data for Israel collected in the lead-up to the COVID-19 outbreak indicate that 97% of adults report they would quarantine if their wages were compensated, whilst compliance would drop to 57% without such compensation (Bodas and Peleg, 2020[25]).
- Sickness benefits and employer-provided sick pay help to contain and mitigate the spread of the virus, corroborating evidence from influenza-type infections. The introduction of temporary sickness benefit for COVID-19 related disease patterns in the United States contributed to an 18% decrease in full-time presence at the workplace and an 8% increase in staying at home, as evident from cellular mobile data (Andersen et al., 2020[26]). Its introduction led to an estimated one prevented COVID-19 case per day per 1 300 workers, or a 56% lower case number per 100 000 population (Pichler, Wen and Ziebarth, 2020[27]).
- Sickness benefits and employer-provided sick pay help to preserve the jobs of a potentially large number of sick and quarantined workers who are temporarily not available to work but valuable to their employers and society at-large in the longer term. Sickness benefits can reduce pressure on unemployment benefit systems and job retention schemes and contribute to stabilising the economy. Job losses in the United States between 8 March and 25 April 2020, measured by the number of initial unemployment insurance claims, were larger in the 38 states that did not have statutory sickness benefits in place (Chen et al., 2020[28]).
- Sickness benefits and employer-provided sick pay are a crucial component of an effective testing, tracking, tracing and isolating strategy to allow for an orderly de-confinement, by providing the compensation to (potentially) infected workers who should self-isolate (OECD, 2020[29]).

2.2. Undesirable effects of statutory sickness benefits or employer-provided sick pay on sickness absence and employment are small, but should be taken into account

Academic evidence for the United States shows that implementing moderately generous statutory sickness benefits has limited undesirable effects on sickness absence, labour costs and employment.[3]

Sickness benefits and paid sick leave may encourage undue absenteeism of workers who are not actually sick, by lowering the negative consequences of absence for the worker through the job protection and income replacement that the systems provide. There is room for undue absenteeism as employers cannot observe well if an employee truly is sick or not (Pauly et al., 2008[30]). While it is challenging to empirically

assess undue absenteeism, studies have examined whether access to social protection increases total sickness absence, i.e. the sum of undue and justified absence. Studies for the United States find between zero and two additional sickness absence days per year. The increase in individual sickness absence is stronger for women and may be related to caregiving tasks, including for sick family members (Maclean, Pichler and Ziebarth, 2020[31]; Callison and Pesko, 2020[7]; Chen, Meyerhoefer and Peng, 2020[32]).

However, sickness benefits and paid sick leave lower total sickness absence at the country level, since the effect of contagious presenteeism, i.e. coming to work sick and infecting others, outweighs the effect of undue absenteeism, by lowering infection rates and contagious presenteeism (Pichler and Ziebarth, 2017[15]; Pichler, Wen and Ziebarth, 2020[27]). Empirical evidence indicates that these lower infection rates translate into lower total sickness absence. The introduction of sickness benefits in Connecticut and Washington DC, for example, led to an estimated 18% decrease in sickness absence (Stearns and White, 2018[33]).[4]

Furthermore, presenteeism, where sick workers come to work, brings little benefits to the employer. Employees who go to work sick more frequently commit errors and report lower levels of productivity and performance. This can have knock-on effects on productivity and health status of their colleagues (Ruhle et al., 2019[34]; Kinman, 2019[35]; Saint-Martin, Inanc and Prinz, 2018[36]). Moreover, presenteeism can exacerbate existing health problems, augment stress, and increase the risk of subsequent and prolonged sickness and sickness absence.

Employer-provided sick pay may even decrease labour costs. The introduction of statutory sick pay in the United States between 2009 and 2017 increased individual employer-provided sick pay costs by 21 cents per hour, or about 1% of the hourly wage (Maclean, Pichler and Ziebarth, 2020[31]). However, taking into consideration the reduction of contagious presenteeism, expanding statutory paid sick leave to United States workers could save employers an estimated USD 0.63 to USD 1.88 billion per year in sickness absence costs from influenza-type infections (Asfaw, Rosa and Pana-Cryan, 2017[37]).

Sickness benefits or paid sick leave could hurt employment or wage growth because of increased expenses in sickness absence, taxes, or social security contributions. Empirical evidence for the United States, however, shows insignificant effects on employment and wages.[5] The authors speculate that this is due to the positive effects on health, limited undue absenteeism and low productivity of sick workers coming to the office (Pichler and Ziebarth, 2020[38]). There is also no evidence that employers cut fringe benefits, such as paid vacation, holiday, or additional insurance, in response to high sick leave expenses (Maclean, Pichler and Ziebarth, 2020[31]). On the worker side, sickness benefits or paid sick leave can even stimulate employment during a pandemic, as workers without sickness benefits or paid sick leave are less willing to expose themselves to health risks (Adams-Prassl et al., 2021[39]).

Still, governments should take undesirable effects on sickness absence into account when setting the parameters for sickness benefits and employer-provided sick pay. While such systems have important beneficial effects on workers, firms, and societies, it may not be optimal to provide full insurance to workers during a temporary sickness spell. Governments can decide to implement waiting days before any benefit is paid, restrict payment duration, and set payment rates lower than previous earnings.

Governments should also prevent labour market exit of workers through sickness benefits, by promoting recovery and return to work early in a sick-leave spell. Sickness benefits can become a pathway into disability or early retirement, for instance if workers cannot return to their previous job because of health considerations or if their skills have depreciated during a long sickness spell.[6] Governments should therefore implement obligations and incentives to promote return to work for all actors involved: workers, employers, certifying doctors and government bodies.

Employer obligations on sick pay, employment protection and return to work can reduce hiring of persons who are more likely to experience health problems. Such measures serve to protect the jobs of existing workers but may inadvertently reduce hiring opportunities for jobseekers with health problems or disability.

Employers may form a view that the imposed responsibilities and potential costs are too onerous and that it is safer not to take on any workers with (potential) health problems. Countries with strong employer obligations, such as the Netherlands, therefore often provide financial support for employers hiring persons with pre-existing health problems (Hullegie and Koning, 2015[17]; Hassink, 2018[40]).

2.3. Korea stands out by not providing statutory sickness benefits or statutory paid sick leave

All OECD countries and all G20 countries, except Korea and the United States at the federal level, have a statutory system of social protection in place for sick employees in dependent employment. In the United States, several states, cities, and counties have similar regulations.[7] Most OECD countries also provide statutory sickness benefits for self-employed workers, though access is often more limited. Korea has a few statutory programmes in place that can provide some relief, but only to specific groups of workers and/or for specific injuries or sicknesses (Box 2.2).

Often linked with sickness benefit regulations, OECD countries generally provide employment protection to sick employees, with noticeable variation (Table A A.1). In several countries, whether medical problems are a reason for fair dismissal is linked to the length of sickness and the degree of remaining work capacity. For instance, employees who have lost their capacity to work more permanently can be fairly dismissed in the Czech Republic, Estonia, Latvia, and Mexico. Estonia explicitly stipulates a four-month period of sickness. Other countries explicitly say that employers have a duty to rehabilitate and accommodate sickness before a dismissal could be fair, including Germany, Lithuania, and Hungary. Yet other countries provide explicit employment protection to workers experiencing temporary non-work-related sickness. Temporary sickness and disability are an explicit reason for unfair dismissal in the Netherlands and Norway during the entire period of sickness absence (up to one year in Norway and up to two years in the Netherlands). Nevertheless, workers on sickness benefits or employer-provided sick pay are obliged to facilitate their return to work and can be dismissed if they do not comply with their obligations. Contrary to this, in Denmark, lack of competence including unsuitability for medical reasons is a fair reason for dismissal after a one-month notice period (which is the minimum period of statutory employer-provided sick pay). Collective agreements and individual contracts may restrict the possibility for fair dismissal based on sickness in Denmark. For instance, such agreements can include a “120-day rule”, in which fair dismissal because of sickness is only possible after having received sickness benefit for a total period of 120 days during any period of twelve months.

Employment protection for sick workers in Korea is limited. While Korea’s occupational health and safety Insurance protects workers who cannot work due to work-related diseases or injuries, similar protection against dismissal is not regulated for non-work-related diseases or injuries. However, there have been court decisions that the dismissal of workers who are temporarily unable to work due to non-work-related diseases or injuries is unjustifiable.

Unpaid leave can be a surrogate for statutory paid-leave entitlements but unpaid leave in case of sickness is not statutorily regulated in Korea. In the United States, the US Family and Medical Leave Act (1993) entitles most employees who cannot work because of non-work-related illness or injury to up to 12 weeks of *unpaid*, job-protected leave per year. Not all employees are eligible, however. Eligibility is restricted to those who work at a location with at least 50 employees and within 75 miles of the workplace (about 120 km), have worked for their employer for at least 12 months and have worked for at least 1 250 hours during the previous 12 months.

Box 2.2. Korea's existing statutory programmes do not sufficiently protect sick workers

Korea has a few statutory sickness benefit programmes in place. These programmes only provide limited support to specific groups of workers and/or specific disease patterns.

- Government officials are entitled to two paid sick leave schemes. The first scheme ("Sick Leave") provides 100% salary replacement for up to 60 sick days per year. The second scheme ("Leave of Absence") provides 24 months of paid sick leave, with a replacement rate of up to 70% of the salary for the first 12 months and up to 50% after. There is no waiting period.
- Jobseekers who have become sick or injured and who cannot continue their job search are entitled to sickness benefits. Sick employees cannot access these benefits.
- The City of Seoul has a means-tested sickness benefit system for severe sickness cases. Workers without private sick pay arrangements, with earnings below median income and who are hospitalised can access benefits equivalent to the living wage of Seoul (KRW 84 180 or EUR 62 per day) for up to 11 days of hospitalisation and three days of outpatient care. Only 14 000 workers received this benefit between June 2019 and August 2021 (less than 0.002% of the Seoul population).
- Workers quarantined or hospitalised because of COVID-19 can receive exceptional sickness benefits through the 2015 Epidemic Act. These temporary sickness benefits are not available for other diseases. Benefits amount to KRW 775 000 (EUR 580) per month for a two-person household. Employers who provide sick pay through contractual arrangements to their employees receive a reimbursement of up to KRW 130 000 per day (EUR 100).

Several other policies function as imperfect substitutes for the lack of statutory social protection in the case of a sickness spell. None of these programmes is designed to be used by workers facing a temporary non-work-related sickness spell.

- Statutory paid annual leave is available to employees in all firms with at least five employees. Full-time employees in such firms are entitled to 15-25 days of annual paid leave, depending on tenure. Employers can refuse a leave request only for imperative business reasons. Employees in small firms and self-employed workers are not entitled to paid annual leave.
- Employees with care obligations for ill or very old family members (not because of their own sickness) can request unpaid family care holidays and leave. Employees can take up to 10 days of unpaid holidays per year, and up to 90 days of unpaid leave per year.
- Workers suffering from work-related injuries or diseases can benefit from the occupational accident insurance, which collects premiums from the insured and can provide medical care benefits when the insured needs more than four days of rest due to work-related injuries or diseases. For the days the insured could not work due to work-related injuries or diseases, the insured person can receive 70% of the average daily wage.
- Workers with disability are eligible to disability benefits. The entire working age population is covered. Benefit levels depend on the assessed degree of disability and the insured's contribution rate, with decreasing benefit levels over time. There is no maximum benefit duration.

Source: Seoul Metropolitan Government (2021[41]), *"Seoul-type Paid Sick Leave" Now Supports Treatment of COVID-19 Vaccine Side Effects*, https://world.seoul.go.kr/seoul-type-paid-sick-leave-now-supports-treatment-of-covid-19-vaccine-side-effects/; Kim (2020[42]), "Paid Sick Leave, Its Absence in Korea, and What to Do to Implement It", , http://repository.kihasa.re.kr/handle/201002/35763.

Where statutory sickness entitlements are lacking, voluntary sick pay by employers may protect sick workers. In voluntary systems, however, firms have low incentives to provide sick pay to their employees. First, firms will be tempted not to provide any sick pay to keep labour costs low. Since firms know that competitors also face this temptation, an equilibrium will emerge with little employer-provided sick pay. Second, firms likely will not and cannot fully take the positive external effects of employer-provided sick pay on society's health into consideration. Employers cannot even fully internalise the positive health externalities of allowing contagious workers to stay at home as they have only incomplete information about their employees' sickness and contagiousness (Pauly et al., 2008[30]). Employees may have only mild symptoms or be asymptomatically infectious, for instance because of over-the-counter drugs that suppress disease symptoms (Pullano et al., 2020[43]; Earn, Andrews and Bolker, 2014[44]).

Many workers also underestimate their benefits of paid sick leave. First, workers with low health risks may not demand employer-provided sick pay. Those who expect to need employer-provided sick pay the most, for instance because of age or pre-existing health problems, will have stronger preferences to work for firms that provide employer-provided sick pay, as vignette evidence for the United Kingdom shows (Adams-Prassl et al., 2021[39]). This, however, means that those with high risk of using employer-provided sick pay pool together in firms offering such sick pay, in turn increasing those employers' sick pay costs. This may lead even fewer employers to offer sick pay or only at substantially lower wages, further driving those who do not expect to need employer-provided sick pay to firms that do not offer any sick pay. Second, individuals generally underestimate long-run risks such as sickness and disability. Individuals tend to undervalue the importance of being covered against sickness now to have financial security in the future, much like with pensions or health insurance.

Korea's current system of voluntary employer-provided sick pay between employers and employees leaves large parts of the workforce without any protection. Fewer than half the private-sector employees say that they work in a firm with a paid or unpaid sick leave plan (Table 2.1) (Kim and Kim, 2020[45]).[8] Firm-level evidence also indicates significant coverage gaps, with different methodologies leading to different coverage estimates. An analysis of employment regulations of 493 firms with 10 or more permanent workers show that 42% of firms offered paid or unpaid sick leave (Table 2.2) (Kim et al., 2018[46]). A survey among HR managers in 1 000 firms with five or more employees indicated that 70% of firms offered paid or unpaid leave (Table A B.2) (Kim, Lee and Lee, 2016[47]). Voluntary employer-provided sick pay does not provide any income protection to the large group of self-employed workers in Korea, who often face labour market disadvantage (OECD, 2020[2]).

Korea's voluntary system widens structural inequalities, as those more likely facing labour market disadvantages are the least covered. Employees in small firms, those with a temporary contract or daily workers much less often have access to (paid or unpaid) sick leave than employees on a permanent contract and those in large firms. Differences are large: Whereas about four in five workers in large firms (300 or more employees) have access to (paid or unpaid) sick leave, this figure shrinks to only one in six in small firms (1-9 employees) (Table 2.1). Employees on a permanent contract have access to paid sick leave three times more often than have employees on a temporary contract. Only 4% of daily workers states having access to paid sick leave (Kim and Kim, 2020[45]).[9]

Many of the voluntary employer-provided sick pay schemes are unpaid. The analysis of employment regulations of 493 firms with 10 or more permanent workers suggest that only 7% of Korean firms offer paid sick leave, with a maximum duration of 1.7 months (Table 2.2) (Kim et al., 2018[46]). Numbers are notably higher in the study surveying HR managers, indicating that about half the firms offered paid leave for a maximum duration of 2.7 months (Table A B.2) (Kim, Lee and Lee, 2016[47]).

Table 2.1. Few Koreans have access to paid or unpaid employer-provided sick leave

Share of private-sector employees having access to paid or unpaid employer-provided sick leave, 2016-18 (in %)

	Total	Type of contract		
		Permanent	Temporary	Daily
Total	46.4	59.6	19.3	3.5
1-9	16.5	25.2	5.7	1.6
10-99	46.3	52.1	24.5	8.8
100-299	66.9	70.9	36.5	8.6
300+	81.0	84.3	51.3	17.8

Source: Kim and Kim (2020[45]), *Sickness Absence and Sickness Presenteeism in Korea: Implications for the Introduction of a New Employer-Provided Sick Pay Scheme*, based on Korean Labor & Income Panel Study (KLIPS) 2016-2018.

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Table 2.2. Only 7% of all companies in Korea offer paid sick leave

Share of firms that offer sick leave in their employment regulations, by firm size and sector (2017)

		Total number of firms	Paid or unpaid sick leave (%)	Paid sick leave (%)	Maximum period (months)
Total		493	42.2	7.3	1.66
Manufacturing and construction sectors		169	47.9	3.0	1.47
	10-99	123	49.6	0.8	1.58
	100-299	23	52.2	13.0	0.94
	300+	23	34.8	4.3	1.41
Service sector		324	63.0	9.6	1.74
	10-99	228	65.8	7.5	1.70
	100-299	51	51.0	7.8	1.65
	300+	45	62.2	22.2	2.07

Source: Kim et al. (2018[46]), *Impact of Ill Health on Employment and Household*, http://repository.kihasa.re.kr/bitstream/201002/32584/1/%EC%97%B0%EA%B5%AC%EB%B3%B4%EA%B3%A0%EC%84%9C%202018-07.pdf.

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Findings from other OECD countries corroborate that voluntary employer-provided sick pay arrangements between employees and employers provide low coverage, especially among those with a weaker labour market position, and low generosity.[10]

- In most states in the United States, paid sick leave is left as a private affair between individual employers and employees, although employees have a statutory entitlement to unpaid sick leave. About one-quarter of employees working in the private sector do not have any paid sick leave arrangement in their contracts in 2021, rising to two-thirds in the lowest wage decile. Those in small firms (1-49) are particularly often excluded from paid sick leave (about two-thirds compared to only about 10% in firms with 500 employees or more). Employer-provided sick pay coverage rates for part-time workers are only about half of those of full-time workers (BLS, 2021[48]). Moreover, generosity is generally low. Among the two-thirds in 2019 with a fixed number of sick days per year, about four in five were entitled to fewer than ten paid sick days per year (BLS, 2019[49]).

- Ireland has (very low) statutory sickness benefits but, until a year ago, had no employer-provided sick pay obligations for employers. The Irish Government introduced employer-provided sick pay in 2022, to provide better protection to employees and to strengthen the engagement of employers. Referring to the situation prior to the reform, a non-randomised private sector pay survey found that 44% of the 500 surveyed organisations provided some form of employer-provided sick pay, which is likely to be an upper bound estimate.[11] Other non-randomised surveys indicate that only 10% of employees in the red meat sector and 16% of employees in childcare had access to employer-provided sick pay (OECD, 2021[50]).[12]
- In the United Kingdom, 18% of employees report not having employer-provided sick pay beyond the statutory minimum in their job. Employees with low wages, on temporary contracts, working varied hours, the lower educated, women and older workers have access to employer-provided sick pay significantly less often or have less generous entitlements. Moreover, those without access are less likely to be able to work from home and more likely to work in close proximity to others, posing a large health risk for societies (Adams-Prassl et al., 2021[39]).

2.4. As a laggard in terms of sickness protection, Korea should harvest the opportunity to get its planned sickness benefit system right from the start

An advantage of being a latecomer is that Korea can build an equitable and adequate system of social protection for sick workers from the start, by learning from other countries. Parameters of sickness benefit systems and employer-provided sick pay differ substantially across OECD countries. These variations offer important lessons on what works. Moreover, the ILO convention on medical care sickness benefits from 1969 provides minimum standards that a sickness benefit system should adhere to (Box 2.3). Important system parameters include benefit coverage, benefit generosity, return-to-work features, and funding; these issues are discussed sequentially in the following.

Box 2.3. The ILO convention on sickness benefits

Already in 1969, the ILO adopted the *Medical Care and Sickness Benefits Convention*. The Convention prescribes principles and standards for healthcare and sickness benefits for workers who cannot work due to temporary sickness. While only 16 countries have ratified this ILO Convention, it nevertheless provides useful minimum standards that a statutory sickness benefit system should adhere to:

- *Coverage*: at least 75% of the entire economically active population should be covered;
- *Qualifying period*: shall not deprive persons who normally belong to the categories of persons to be protected from executing their entitlement;
- *Waiting period*: shall not exceed three days;
- *Minimum duration*: benefit duration may not be limited to less than 52 weeks for each individual sickness spell (temporary deductions can be applied to 26 weeks);
- *Benefit rate*: at least 60% of the total previous earnings of the beneficiary.

3 Social protection for sick workers is especially important in Korea

In view of the characteristics of the Korean labour market as well as work cultures and work practices, the implementation of an effective system of social protection for sick workers is essential for Korea.

First, job quality is a major concern in Korea, with important compromising effects on worker health. Almost one in six full-time workers earns low wages (below two-thirds of gross median earnings). Although the proportion of low-wage workers has decreased substantially, it is still higher than the OECD average. More than one in ten workers works very long hours (60 hours or more per week), which is double the OECD average. Long working hours increase the risk of work accidents and negatively affect worker health, by increasing stress and fatigue while reducing the time available for recovery (OECD, 2020[2]; Hijzen and Thewissen, 2020[51]).

Second, Korea has important social protection gaps, which fuel labour market insecurity and work stress. By providing income replacement, social protection reduces the risk of falling into poverty when losing a job or leaving the labour market. A broad evidence base shows that labour market insecurity negatively affects health, by causing stress, sleep disturbance, lower job satisfaction and gloomier expectations about the future (OECD, 2022). Korea's social protection system has important gaps and is not overly generous. Redistribution through taxes and benefits is weaker in Korea than in most OECD countries. Social protection is particularly weak for the large group of non-regular workers, who are over-represented in small companies with less than five employees and among older and low-educated workers and women (Table 3.1). Although important advancements have been made, there are still significant coverage gaps in Employment Insurance, Health Insurance and Pension Insurance. Income replacement rates are also relatively low, for both pension insurance (partly because of a still immature National Pension Scheme) and employment insurance (because of a gradual shift to de-facto flat-rate payments).

Table 3.1. Many Koreans are in non-standard employment and self-employment

Share of different types of employment by demographic and job characteristics, 2021 (in percentage)

	Regular employees (full-time, permanent)	Non-regular employees[1]	Total (all salaried workers)	Self-employed (with and without employees)
Age				
15-29 years	16.6	19.4	17.7	3.4
30-59 years	76.8	50.9	66.8	61.8
60+ years	6.6	29.8	15.5	34.8
Gender				
Men	61.4	44.3	54.9	72.1
Women	38.6	55.7	45.1	27.9
Education attainment				
Completed middle school or less	4.8	21.6	11.3	20.7
Completed high school	31.6	43.2	36.0	42.2
Completed tertiary or higher	63.6	35.2	52.7	37.2
Occupation[2]				
Administrators, managers, engineers	29.4	16.3	24.4	15.1
Assembly and elementary workers	28.9	48.2	36.3	30.4
Clerks	28.2	10.7	21.5	2.7
Others	13.5	24.8	17.8	51.7
Economic activity				
Manufacturing	25.0	7.8	18.4	6.4
Wholesale and retail	10.4	9.3	10.0	19.0
Construction	6.6	11.0	8.3	6.9
Other sectors	58.0	71.8	63.3	67.8
By size of establishment				
1-4 employees	12.8	26.6	18.1	…
5-299 employees	69.3	67.5	68.7	…
300+ employees	17.9	5.9	13.3	…
Tenure (in years)				
Average tenure	8 years	2.4 years	5.8 years	10.5 resp. 15.3 years (with/without employees)
Coverage by social insurance				
Employees' Pension Scheme	88.8	38.4	69.4	77.7[3]
Employees' Health Insurance	93.6	50.3	77.0	-
Employment Insurance	90.9	52.6	75.2	-

Note: "…": no information available. Self-employed includes those with employees (employers) and without (own-account workers). The sum of the columns may not be 100% due to rounding.

1. Includes employees on a temporary contract, part-time employees, and non-typical workers (daily workers, contractors, temporary agency workers and domestic workers, other non-permanent workers).
2. Top three occupations for regular workers.
3. Includes workplace-based insured, individually insured and pensioners.

Source: Statistics Korea (2021[52]), Supplementary Results of the Economically Active Population Survey by Employment Type and Additional Economically Active Population Survey for Non-wage Workers in August 2021.

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Third, Korea has low labour market inclusion, including among groups facing higher risks of sickness and disability. Persons with disability face an employment gap of almost 60% compared to prime age men, well above the 45% across OECD countries on average (OECD, 2022[53]). On the contrary, employment rates of older workers are relatively high. However, workers aged 55-64 earn 6% less than prime-age workers, whereas they earn 6% *more* on average across OECD countries (OECD, 2018[1]). Workers over age 60 are substantially overrepresented among non-regular employees and self-employed (Table 3.1). Older workers also more often work very long hours. Improving labour market circumstances for older workers is particularly pertinent in Korea, given its ageing challenge that is more acute than in any other OECD country (OECD, 2020[2]; Hijzen and Thewissen, 2020[51]).

Fourth, a salient feature of the Korean labour market is a negative cultural perception of taking leave. Koreans only took an average 10.9 days of annual paid leave in 2019, well below their 15 days of entitlement. In almost all OECD countries for which data are available, except Denmark and Japan, the average number of paid leave days taken is higher than the statutory minimum where it exists (OECD, 2021[54]). The take-up of parental leave is also low. Only 19% of full-time working mothers with a child aged below eight took parental leave in 2019. The equivalent number for fathers is even lower: only 2% made use of their parental leave entitlement (OECD, 2019[55]).[13] The business culture that promotes attendance and presenteeism is also reflected in Korea's long working hours. Even after a recent reform which reduced maximum weekly working hours from 68 to 52, very long working hours remain prevalent (Hijzen and Thewissen, 2020[51]). This is even more striking given that a previous statutory working hour reduction in Korea improved health outcomes, through positive effects on health behaviour and a reduction in work injuries. The reform also increased production per worker: the reduction in working hours was more than offset by an increase in hourly labour productivity (Park and Park, 2019[56]; Ahn, 2016[57]; Lee and Lee, 2016[58]; Hamermesh, Kawaguchi and Lee, 2017[59]).

Sickness benefits and employer-provided sick pay are important policy tools to enhance job quality, social protection coverage and labour market inclusion, and to reduce the stigma of taking leave. Sickness benefits and paid sick leave reduce labour market insecurity by providing employment protection and income replacement for workers experiencing temporary sickness. Such protection is especially pertinent in Korea, since many workers who are in low-quality jobs are exposed to important health risks. A statutory entitlement to equitable and adequate sickness benefits helps normalising leave-taking behaviour because of temporary sickness. However, while this is a crucial first step, it is likely that more is necessary to create a culture where workers feel confident to take leave.

4 Ensuring effective population coverage

Sickness benefit can only play its role to protect income, health and jobs of workers, firms and societies, if benefits are widely available to the labour force and encompasses all diseases.[14] Article 19 of the ILO sickness benefits convention from 1969 stipulates that at least 75% of the entire economically active population should be covered.

Korea should opt for a system as inclusive as possible. Most importantly, an effective system must cover the large group of non-standard workers – including employees on temporary contracts or working part-time but also those working in (very) small firms and the self-employed.

4.1. Sickness benefit provisions should cover all employees

Statutory sickness benefits should cover all employees, regardless of sector, firm size, type of contract and working hours. The same applies to employer-provided sick pay, should Korea ever consider introducing statutory sick pay. None of the OECD countries with a statutory sickness benefit or sick pay system excludes employees working in particular firms (e.g. small firms) or sectors. Unpaid statutory sick leave in the United States is restricted to employees in firms with at least 50 employees employed within 75 miles (about 120 km) (Table A A.1). The temporary sickness benefits for COVID-19 symptoms in the United States are also restricted to public sector employees and private sector employees working in firms with up to 500 employees, leaving an estimated 11% of private-sector employees in firms with more than 500 employees unprotected (BLS, 2019[49]; OECD, 2020[24]). Some countries, such as Belgium, France and Italy, have (slightly) different regulations and systems for the public and private sector.

Korea should ensure that employees of all firm sizes would be entitled to statutory sickness benefits. Firm size is an important dimension of labour market duality in Korea. Workers in small firms with fewer than five employees are not entitled to statutory annual paid leave, which in the current system without statutory sickness benefits acts as a key substitute for sick workers. Workers in these mini firms are exempt from employment protection legislation, except for prior notice or notice allowance. Maximum working hour legislation also does not apply. However, and partly exactly because of these special disadvantages, 18% of Koreans work in mini firms – about two-thirds higher than the OECD average. Productivity and job quality tend to be low in those mini firms (OECD, 2020[2]; OECD, 2018[1]; OECD, 2021[60]; Hijzen and Thewissen, 2020[51]). Rightly, Korea's 2022 Pilot Project for Sickness Benefits does not exclude workers in small firms. The Pilot Plan only covers private sector employees, as public sector employees already are eligible to paid sick leave (Box 2.2). The Pilot Plan offers low sickness benefits, however, and no employer-provided sick pay – in stark contrast to the very generous sickness protection for public employees, which includes sick pay. Such differences in entitlements will reduce labour market mobility. Ideally, Korea would aim for a system that offers similar protection to all.

OECD countries with statutory sickness benefits generally grant access to temporary and part-time employees alike, although there may be certain exceptions and conditions (Panels A and B and for details Table A C.1). It is very important to grant access to both groups of employees given their size. Across OECD countries, on average, 14% of employees work part-time and 11% of employees are on temporary contracts in 2020. In Korea, the part-time employment rate is similar (15%) and the share of employees on temporary contracts (26%) is the highest in the OECD, only after Colombia.[15]

Minimum income requirements for eligibility may exclude certain part-time employees who work very few hours, though the requirements are low across OECD countries. Austria, Czech Republic, Germany, Ireland, Japan, Luxembourg, Norway, Slovak Republic, Spain, Sweden and the United Kingdom exclude employees with very low earnings. Whilst this may affect certain part-time workers, it will not affect many given that the minimum income thresholds are all below EUR 500 per month.[16]

Several OECD countries have minimum tenure restrictions that disproportionally affect employees on temporary contracts. New Zealand has the most stringent requirement: employees need six months of tenure with an employer before they can access sickness benefits. Austria demands three months of tenure, Iceland two months, Germany, and Norway one month, Greece 10 days and Denmark 240 hours within the past six months and 74 hours within the past eight weeks. In Finland, employer-provided sick pay is 50% rather than 100% of salaries for employees with less than one-month tenure.

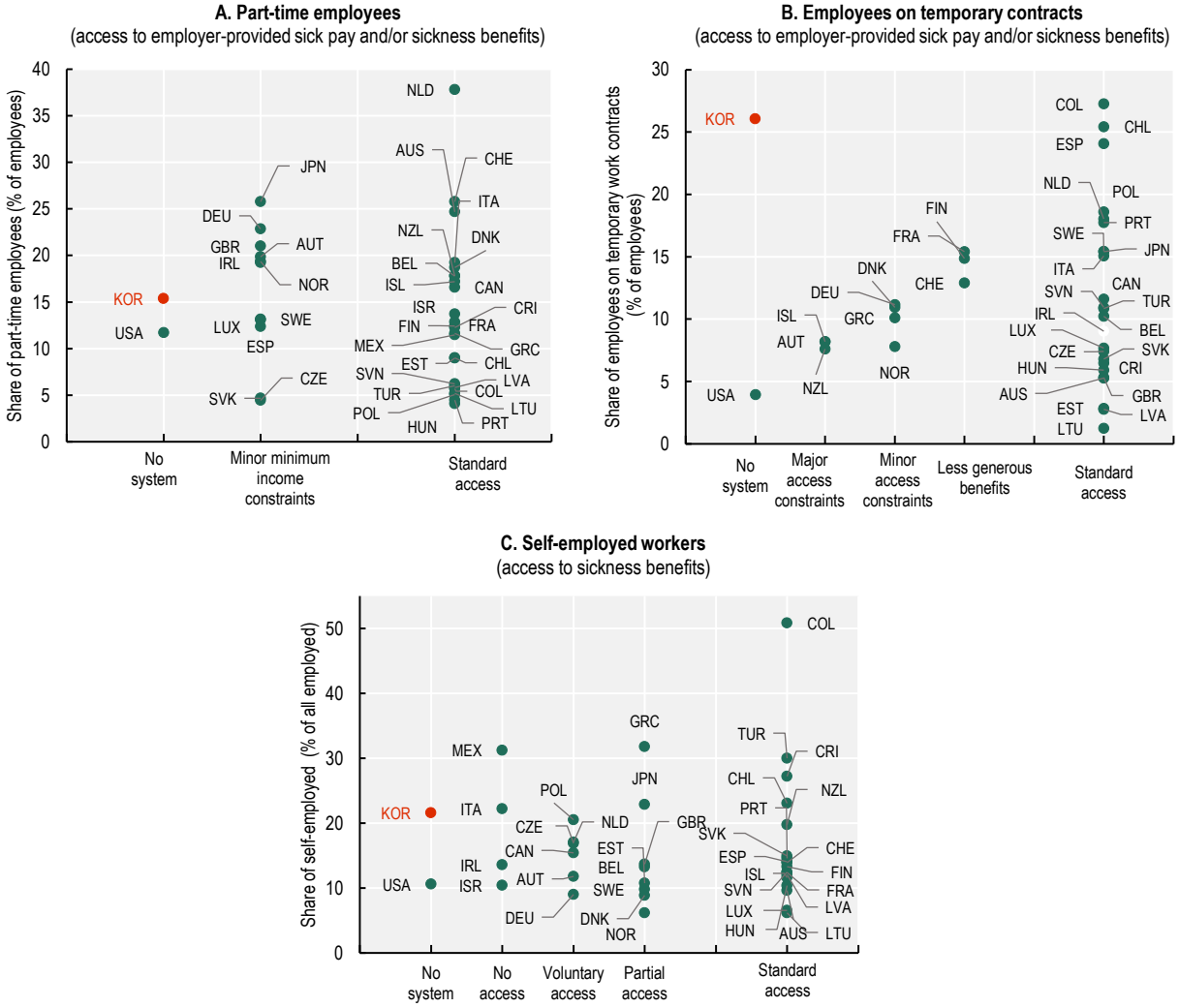
A few OECD countries provide benefits that are more generous to employees with long tenure. Maximum benefit duration of benefit payment is longer for employees with long tenure in Austria, France, Iceland, New Zealand, and Switzerland.[17] More generally, maximum sickness benefit payment durations for temporary workers may de facto also be shorter than for those on permanent contracts where benefit duration is limited by the end of the employment contract.

Many countries with social insurance systems demand minimum contribution periods. However, since employees can contribute under different employers, this does not necessarily put employees on a temporary contract at a disadvantage. The ILO sickness benefit convention requires ratifying countries to prevent depriving persons from sickness benefit by demanding long contribution periods.

Certain other groups of workers in non-standard dependent employment can be excluded from sickness benefits or employer-provided sick pay. For instance, workers in the Netherlands with a zero-hour contract (about 7% of all employees) are only eligible to paid sick leave for those hours they were called upon by their employer.[18] In Australia, temporary migrant workers are not entitled to sickness benefits or paid sick leave (OECD, 2018[61]; OECD, 2019[62]; Spasova et al., 2017[63]).

Figure 4.1. Self-employed often have no or only limited access to sickness benefits or paid sick leave

Statutory access to sickness benefits or paid sick leave for different workers compared to full-time employees on a permanent contract (2021 situation excluding temporary improvements throughout the COVID-19 pandemic)



Note: Employment data refer to 2020 except for Australia and the United States (2017) in Panel B and Australia (2018) in Panels A and C. Data refer to 2021, except for Canada, Chile, Colombia, Costa Rica, and Mexico (2019), and for Iceland, Israel, Japan, Türkiye and the United Kingdom (2018). *No system*: no statutory benefit entitlements. Panel A: *Minor minimum income constraints*: below EUR 500 per month. Panel B: *Major access constraints*: tenure with same employer of more than one month. *Minor access constraints*: tenure with same employer of less than one month. *Less generous benefits*: longer maximum benefit duration or higher benefit rate for employees with longer tenure. Austria and Iceland have both major tenure requirements and less advantageous benefits. Panel C: Figure is restricted to statutory access to sickness benefits. *No access*: self-employed workers are excluded. *Partial access*: eligibility conditions, waiting period, benefit level or benefit duration are less advantageous for self-employed compared to employees. *Voluntary access*: self-employed can choose to opt in the existing system.
Source: European Commission's Mutual Information System on Social Protection (MISSOC), United States' Social Security Administration's Social Security Programs Throughout the World (SSPTW); OECD (2020[24]), "Paid sick leave to protect income, health and jobs through the COVID-19 crisis", *OECD Policy Responses to Coronavirus (COVID-19)*, , https://doi.org/10.1787/a9e1a154-en; and the *OECD Employment database* www.oecd.org/employment/database.

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4.2. Sickness benefit provisions should also cover the self-employed

Self-employed workers stand out as a major group who often have no or more limited access to statutory sickness benefits (Panel C and for details Table A C.2).[19] Self-employed workers have the same access as employees in only half of the OECD countries with statutory sickness benefit entitlements. Eight countries only provide partial access to self-employed, with longer waiting periods, lower benefit levels or less advantageous eligibility conditions because of longer contribution requirements. Six countries have voluntary schemes only. Voluntary schemes wherever they exist lead to very low coverage, potentially even lower than among employees in voluntary schemes. Between about 2% and 13% of eligible self-employed workers opted into voluntary sickness insurance in Austria, Czech Republic and the Netherlands (CBS, 2019[64]; Avlijas, 2021[65]; OECD, 2018[61]).[20] Four OECD countries – Ireland, Israel, Italy and Mexico – exclude self-employed workers from access to sickness benefits.

Workers in hybrid forms of self-employed work, such as freelancers, gig workers or casual workers, are particularly often excluded from sickness benefits (OECD, 2019[66]). About half of the platform workers in EU countries and the United States indicated not to have access to sickness benefits in a 2017 survey (Eurofound, 2020[67]). Informal workers, such as unpaid family workers, are also generally excluded from statutory sickness benefits (OECD, 2020[24]).

Multiple reasons are put forward to restrict access to social protection for self-employed workers. These arguments are little convincing in the case of sickness benefits (OECD, 2019[66]; Avlijas, 2021[65]).

- A first common argument is that *entrepreneurship is an activity where owners take on themselves the risks of business failure*. However, sickness is largely out of a person's control and should therefore not be a determinant of business success. It is inefficient if healthy firms go bankrupt because of a temporary sickness spell of the owner – a real risk.[21] It is also inequitable, since in that case those more prone to health problems, such as persons with disability or older workers, would be disproportionally affected or refrain from becoming entrepreneur in the first place.
- A second common argument is that *requiring the self-employed to pay the equivalent of both employer and employee contributions is an excessively large financial burden*.[22] However, it is much healthier for the person and the firm to contribute and be eligible for sickness benefits, and if deemed necessary receive public financial support unrelated to sickness.
- A third common argument is that it is *too complicated to calculate social security contributions for the self-employed*, because of fluctuating earnings and possibilities to avoid contributions by optimising the contribution base. Many OECD countries use declared income from tax information to calculate the earnings base. Tax information is a high quality and readily available data source that is deemed to be of sufficient quality for tax purposes. A promising practice is found in Denmark, where workers only need to provide earnings information, irrespective of income source (self-employment or dependent employment) (Box 4.1). Countries also sometimes use average income of multiple years to reduce fluctuations and contribution base optimisation.
- A fourth common argument is that *undue absenteeism (fraud) may be a more important concern, as there is no employer to confirm absenteeism*. Undue absenteeism in general is not very common and may be even less common among self-employed workers who take less sick leave even in countries with voluntary systems such as Germany and the Netherlands (Baert, van der Klaauw and van Lomwel, 2018[68]; Lechmann and Schnabel, 2014[69]). Moreover, undue absenteeism can be reduced by requiring medical certification and participation in return-to-work programmes.

Box 4.1. Calculating earnings for granting access to unemployment benefits in Denmark

In 2018, Denmark implemented a reform with the aim to make unemployment benefits more accessible to self-employed and other non-standard workers. Before the reform, self-employed workers applying to unemployment benefits had to provide earnings documentation just like employees but also revenue and tax declarations, and proof of orders. This reduced effective coverage for self-employed. Further, since enrolees could only be insured as dependent employees or self-employed, it was difficult for workers combining dependent and self-employment to meet minimum earnings requirements.

The 2018 reform harmonised these rules. First, eligibly is now solely based on reaching a minimum (taxable) income over a three-year period irrespective of the source of employment. This should make eligibility more predictable for all workers and extend eligibility to workers who combine income from various income sources. Second, the reform simplified the administrative process of proving that a company has in fact closed. To avoid that those who are self-employed continue to work while receiving unemployment benefit, the reform introduced a six-month job-search period. During this period, benefit recipients must look for dependent employment and are not allowed to start their own business.

Source: OECD (2018[61]), *The Future of Social Protection: What Works for Non-standard Workers?*, OECD Publishing, Paris, https://doi.org/10.1787/9789264306943-en.

On the contrary, the arguments in favour of universal access to sickness benefits are strong. First, all workers regardless of their income source deserve protection of their income, their job, and their health. Second, the danger of contagious presenteeism applies to all workers, including self-employed. Third, efficient, equitable and affordable social protection requires pooling of risk. Separate regimes with lower contribution rates lead to incentives to turn to (fake) self-employment (OECD, 2019[66]).

Korea should ensure that its new sickness benefit covers self-employed workers as well. More than one in five workers in Korea are self-employed, compared to about one in seven across the OECD on average. Self-employed workers are excluded from most forms of social protection, including statutory annual paid leave and unpaid family care leave (Box 2.2). Unlike workers and dependent self-employed workers who are covered by mandatory employment insurance, self-employed people can opt into the employment insurance voluntarily.

4.3. Sickness benefit provisions should cover all diseases

Statutory sickness benefit entitlements should cover all diseases that cause temporary sickness spells. There is no rationale to exclude *a priori* workers with less severe sickness from access to sickness benefits. There are also no reasons to make sickness benefit generosity dependent on the severity of a sickness. First, what matters is that a worker cannot come to the office and be productive because of a temporary sickness, not the cause of the sickness. Second, less severe sicknesses such as colds may be very contagious. Workers with a cold should therefore stay home to protect others. Third, severity of disease may not be clear at the onset. Fourth, restricting access to certain disease types leads to an unnecessarily complicated system that loses its efficacy. For instance, temporary sickness benefits restricted to workers experiencing COVID-19 symptoms in the United States led to low take-up. More than half the employees in the United States were not even aware of the emergency sick leave measure (Jelliffe et al., 2021[70]).

None of this means that workers who experience a minor and non-contagious discomfort but are still productive should be entitled to statutory sickness benefits. Certifying doctors should verify presence and severity of sickness, as well as remaining work capacity.

There are no OECD countries where statutory sickness benefit entitlements dependent on severity or type of sickness.[23] Model 3 in Korea's 2022 Pilot Project for Sickness Benefit in which only hospitalised workers are eligible would therefore be unique – and not in a desirable way.

5 Designing adequate and efficient sickness programmes

Sickness benefits should be designed in such a way that they provide adequate income support while at the same time limiting undue absenteeism and stimulating a fast return to work for recovered workers. Providing adequate income replacement is important to allow sick workers stay home to recover. Full income replacement for an unlimited period, however, may not be optimal if this leads to a strong increase in undue absenteeism or if it hampers return to work.

Governments have three major policy parameters to play with in designing social protection programmes during a sickness spell: waiting periods before income support is paid; maximum benefit payment duration; and benefit levels at the onset and throughout the sickness spell.

5.1. Waiting period

A waiting period refers to days at the beginning of a sickness absence during which workers do not receive any sickness benefit or employer-provided sick pay. Waiting periods have a direct impact at the beginning of a sickness spell and therefore affect the entire workforce. A waiting period is in essence a deductible: the worker pays a fixed cost for the first day or days of a sickness spell, after which the worker receives income compensation. Ignoring behavioural effects, waiting periods directly lower sickness expenditures by postponing income compensation.

Waiting periods generally reduce the incidence of sickness absence. Waiting periods discourage sickness absence at the beginning of a sickness spell. This can reduce both undue absenteeism and sick leave by workers who are genuinely sick. The effect on undue absenteeism may be substantial. Causes for short-term sickness more often include flues and light sicknesses that leave more space for undue absenteeism, especially when monitoring is light (Ziebarth, 2013[71]). The introduction of a one-day waiting period in the French public sector in 2012 decreased the incidence of short-term sickness absence of 1-2 days by about 50% (Cazenave-Lacroutz and Godzinski, 2017[72]).[24]

However, waiting periods may lengthen sickness absence duration, leading to ambivalent effects on total sickness absence and total expenditures. Waiting periods increase the costs of starting a new sickness spell, which can encourage workers to stay on benefit for longer, as observed in Sweden when a one-day waiting period was introduced (Johansson and Palme, 2005[73]; De Paola, Scoppa and Pupo, 2014[74]; Eliason, Johansson and Nilsson, 2019[75]). In addition, waiting periods may prolong sickness duration if sick workers do not take the necessary leave to recover. The introduction of a one-day waiting period in the French public sector in 2012 increased the incidence of longer-term sickness absence (between one week and three months) by about 25%. This cancelled out the reduction in short-term sickness absence (Cazenave-Lacroutz and Godzinski, 2017[72])

Waiting periods also likely increase contagious presenteeism with negative health consequences for workplaces, societies, and economies. The risk of contagious presenteeism likely is larger for waiting periods than for other system parameters such as the maximum benefit duration or benefit levels. Waiting periods particularly affect sick leave at the beginning of a sickness spell, which is when it may not yet be

clear whether the sickness is contagious or not. Furthermore, persons tend to be most contagious at the beginning of a sickness spell. For instance, most transmission of COVID-19 occurs between two days before and five days after symptom onset (Mina et al., 2021[76]).

Most OECD countries do not impose a waiting period for eligible employees (Table A D.1). Those who do tend to impose a waiting period of 1-3 days, which is in line with the 3-day maximum waiting period recommended in the ILO convention. Canada is the OECD country with a statutory sickness benefit that imposes the longest waiting period: all eligible employees who claim benefits under Canada's Employment Insurance system (which covers both unemployment and sickness) have a waiting period of seven days. The waiting periods proposed in Korea's 2022 Pilot Project for Sickness Benefit of seven days (Model 1) and 14 days (Model 2) would therefore be very long in international perspective, and well beyond the maximum recommended in the ILO convention. Model 3 has a shorter waiting period of three days, but this model only covers hospitalised employees. Statutory paid sick leave for public officials in Korea, on the contrary, does not have any waiting period (Box 2.2).

5.2. Maximum payment duration

The maximum payment duration is the maximum number of sickness absence days for which a worker is eligible to receive sickness benefit or employer-provided sick pay.[25] The maximum payment duration is the mirror image of a waiting period: its direct impact is concentrated later during a sickness spell and therefore affects fewer persons. The maximum duration brings income compensation to zero at a certain point during a sickness spell, rather than at the beginning. Its impact is therefore concentrated on a smaller set of persons with long sickness absence spells (Hägglund, 2012[77]).[26] For this group, the impact is substantial, however. The probability of exiting sickness benefits in Norway increases two weeks before benefit exhaustion after one year from 5% to 26% for minor sicknesses and from 5% to 37% for more serious sicknesses (Markussen et al., 2011[78]).

Ignoring behavioural effects, a shorter maximum duration decreases sickness expenditures. Effects on expenditures may be substantial. While many sickness spells are relatively short, those with long duration contribute disproportionally to total days lost and total costs. For instance, in Finland, only 15% of sickness spells are longer than 10 days but they contribute about 60% of total sickness absence days (Böckerman, Kanninen and Suoniemi, 2018[79]). The implementation of a maximum duration in Sweden in 2008 reduced sickness absence by 22% among the group reaching the threshold (Vaez et al., 2020[80]).

The maximum duration likely has less impact on undue absenteeism and may affect those with more severe sicknesses more. Those with longer sickness spells more often have serious sicknesses, such as chronic diseases or cancer. Such sicknesses are easier to verify and leave less space for undue absenteeism (Ziebarth, 2013[71]). On the other hand, this also means that a shorter maximum benefit duration likely principally affects those who are seriously ill and may need protection the most.

Promoting return-to-work is even more important when the maximum duration is long. A longer duration provides incentives for workers to stay on sickness benefit for an extended period, until they become too distant from the labour market to re-enter. Therefore, a system with a longer maximum duration should have even more emphasis on early intervention and return-to-work measures and obligations. Promoting (gradual) return-to-work may even accelerate recovery of certain sicknesses.

The maximum benefit duration likely does not affect contagious presenteeism as it has little consequences on the incidence of short sickness absences when contagion is at its peak.

While a shorter maximum payment duration may lower sickness spending, it may increase expenditures on other benefits. It may be that those who exhaust their sickness benefit entitlement enter other benefits, such as disability benefits or social assistance. This then reduces the net fiscal gain and may even place sick workers at a greater distance from the labour market (Koning and Lindeboom, 2015[23]; Engström, Hägglund and Johansson, 2017[81]).

Maximum payment duration for eligible employees for OECD country is around 54 weeks (OECD median). The maximum varies from 13 weeks or 91 days in Israel to no limitation in six OECD countries (Table A D.1). Maximum duration of employer-provided sick pay tends to be substantially shorter than that of sickness benefits. It is about 15 days in the median OECD country, ranging from two days in Colombia and Lithuania to two years in the Netherlands. Maximum sickness payment duration is one year in the median OECD country, ranging from 105 days in Canada to no limitation in Costa Rica, New Zealand, Portugal, Slovenia, Sweden and Türkiye.

The maximum duration of 90 days (Model 1 and 3) and 120 days (Model 2) proposed in Korea's 2022 Pilot Project for Sickness Benefits would be short in international perspective. Only Israel has a payment duration below 120 days. The maximum durations proposed in Korea's 2022 Pilot Project for Sickness Benefits are all well below the one-year duration recommended in the ILO convention on sickness benefits.

5.3. Sickness benefit payment rates

The benefit payment rate is the level of income that a person receives from either employer-provided sick pay or sickness benefit at a certain point during the sickness spell.[27] Payment rates are often linked to the earnings of the individual, i.e. calculated as a percentage of the past wage, but they can also be provided as a fixed (lump sum) amount. Countries may set minimum and maximum payment levels to reduce the bandwidth of income replacement that individuals can receive.

Ignoring behavioural effects, a lower payment rate reduces sickness spending at the expense of income protection throughout the entire benefit duration. As opposed to the waiting period (at the beginning of a sickness spell) and the maximum payment duration (later during a sickness spell), payment rates have a direct impact throughout the entire period of receipt. Depending on the payment rate, this can mount to significant benefit savings. The other side of the coin is that the income effects for recipients can be large. These income effects weigh larger on persons with low income or longer sickness absence spells.

Lower payment rates discourage sickness absence. Less generous payment rates lower the relative value of remaining on benefit compared to working. An evaluation for Finland exploiting kinks in sickness benefit replacement rates by earnings level shows that a 1% increase in generosity leads to a 0.9% increase in absence duration (Böckerman, Kanninen and Suoniemi, 2018[79]).[28] The behavioural effects can be even stronger for workers with lower earnings or poorer health (Ziebarth and Karlsson, 2014[82]).

Some countries have systems where payment rates increase or decrease in the course of a single sickness spell. In increasing (decreasing) payment rate designs, the percentage of past income received increases (decreases) over the course of the benefit payment duration. An increasing payment rate design has similarities with a waiting period. The lower payment rate at the beginning of a sickness absence spell discourages taking sick leave. However, the duration of a sickness absence spell may increase, since the cost of starting a new absence spell goes up. Reforms in Germany, Italy, Spain and Sweden, and that reduced payment rates at the beginning of a sickness spell, thereby creating systems with an increasing payment rate, all reduced total sickness absence. The reforms led to fewer absences, while average duration went up. The reform in Germany was undone three years later, which brought total sickness absence back up again. The evaluations show strong effects of payment rates on sickness absence levels: a 1% payment rate increase translates into an almost equivalent 0.9-1% increase in sickness absence (Box 5.1) (Johansson and Palme, 2005[83]; Eliason, Johansson and Nilsson, 2019[75]; Ziebarth and Karlsson, 2010[84]; De Paola, Scoppa and Pupo, 2014[74]; Marie and Vall Castello, 2020[85]; Ziebarth and Karlsson, 2014[82]).

Benefit generosity later during a sickness spell has less impact on sickness absence behaviour. A benefit generosity cut in Germany for sickness spells longer than six weeks did not affect the incidence, duration, and total level of long-term sickness absence. The reform decreased the duration of long-term sickness absence groups, including employees with lower earnings. This suggests that reforms to lower payment rates later in a sickness spell do not decrease undue absenteeism but cut sickness expenditures at the expense of income protection for sick workers (Ziebarth, 2013[71]).

Box 5.1. Evaluations of benefit payment rate reforms in Sweden, Germany, Italy and Spain

Sweden reduced its sickness benefit payment rates in 1991. The 90% replacement rate throughout the sickness spell was reduced to 65% for the first three days and 80% from day four to day 90. The reform increased total sickness absence, because of an increase in average absence duration and delayed and reduced returns to work among long-term sickness absentees, while the incidence of sickness absence decreased (Johansson and Palme, 2005[83]; Eliason, Johansson and Nilsson, 2019[75]).

In **Germany**, sickness benefit is only paid after six weeks of employer-provided sick pay. Replacement rates were reformed in different ways during 1996, 1997 and 1999.

- In 1996, the replacement rate of employer-provided sick pay in the first six weeks of sickness absence was reduced from 100% to 80% for private sector employees. The reform decreased the total incidence of sickness absence significantly because absences of six weeks or shorter dropped (-30%), whereas the share not taking any sickness leave increased (+15-20%). In total, the reform reduced annual employer-provided sick pay expenditures (-7%), potentially creating 30 000-70 000 jobs (0.2% of total employment) (Ziebarth and Karlsson, 2010[84]).
- In 1997, public sickness benefits for sickness spells longer than six weeks were cut from 80% to 70%. This reform did not affect sickness incidence, duration, and total long-term sickness absence. However, the duration of long-term sickness absence decreased for certain groups, including workers with lower earnings (Ziebarth, 2013[71]).
- In 1999, the employer-provided sick pay reform of 1996 was undone, bringing replacement rates for the first six weeks back to 100%. The increase in benefit generosity increased total sickness absence (+20%). The increase in total sickness absence was much stronger among those with higher sickness absence, such as those with low self-assessed health and with disability certificates, and among workers with lower earnings. The reform did not affect self-assessed health of workers. The reform increased annual employer-provided sick pay expenditures (+8%), implying potentially 40 000-80 000 job losses (0.2% of total employment). The reform did not increase layoffs, but employers hired fewer unhealthy employees and asked healthy employees to work more overtime (Ziebarth and Karlsson, 2014[82]).

Italy in 2008 decreased certain payment components for public sector officials, de facto implying a cut in generosity from 100% of the past wage for nine months to around 80-90% for the first 10 days. The reform also increased monitoring intensity. The reform reduced total sickness absence very significantly (-53%). This was the result of a decrease in the duration of short absence spells, while the duration of long spells slightly increased (De Paola, Scoppa and Pupo, 2014[74]).

Spain in 2012 decreased replacement rates for public sector employees from 100% throughout the absence spell to 50% for the first three days, 75% for day four to day 20, and 90% thereafter. The reform reduced total sickness absence (-10%). It decreased sickness absence incidence (-29%) but increased average duration (+28%). The reform may have had negative effects on health as it increased the proportion of relapses (+8%), especially for short sickness spells (+30%) and for sick leave due to infectious diseases (+20%). Moreover, the reform led to large increases in workers' compensation claims, cancelling out about half of the gains from reduced absences (Marie and Vall Castello, 2020[85]).

Source: Various studies cited in the text.

Less generous payment rates may have negative effects on health and increase contagious presenteeism. The payment-rate increase in Germany in 1999 during the first six weeks of sickness absence did not affect self-assessed health of workers. On the other hand, groups with higher sickness absence, such as those with low self-assessed health and with disability certificates, substantially increased their total sickness absence. A reform in Spain that reduced benefit generosity substantially at the beginning of a sickness spell revealed some negative effects on health, including an increased likelihood of relapses for infectious diseases. This suggests that low payment rates at the beginning of a sickness spell may lead to contagious presenteeism, much like in the case of a waiting period (Marie and Vall Castello, 2020[85]; Ziebarth and Karlsson, 2014[82]).

Less generous payment rates can lower labour costs and increase employment, though the effects are likely small. The cut in employer-provided sick pay in Germany from 100% to 80% during the first six weeks of sickness absence reduced annual employer-provided sick pay expenditures by 7%, with a potential increase in jobs of about 0.2% (Box 5.1). The reform in Germany was undone three years later, which had mirror image effects of about the same size. This latter re-reform did not increase layoffs, which may be due to strong employment protection legislation in Germany. However, there is evidence that employers reacted by hiring fewer unhealthy employees and letting healthy employees work more overtime (Ziebarth and Karlsson, 2014[82]; Ziebarth and Karlsson, 2010[84]).

While less generous payment rates may lower sickness expenditures, it may increase expenditures on other social benefits. The 2012 benefit rate cut in Spain at the beginning of the sickness spell led to large increases in workers' compensation claims, cancelling out about half of the gains in sickness absences from the reform (Box 5.1) (Marie and Vall Castello, 2020[85]).[29]

Payment rates for sick pay or sickness benefit depend on past earnings in most OECD countries. In many countries, benefits replace earnings fully during the beginning of a sickness spell, although there can be benefit caps. The statutory system has 100% income replacement initially in 15 OECD countries, and in a few other countries such as France, the Netherlands, and Sweden, collective agreements include top-ups to 100% for many employees. Ireland, still lacking statutory sick pay, is the country with the least generous earnings-dependent payment at the beginning of a sickness spell, setting four fixed amounts of sickness benefits for four earnings brackets; the payment levels vary between EUR 93 and EUR 208 per week.[30] Canada offers sickness benefits at 55% earnings replacement throughout the sickness spell, identical to its unemployment benefit and run under the same Employment Insurance.

Payment rates differ over the course of a sickness spell in about two-thirds of OECD countries (Table A D.2). Payment rates decrease with duration of absence in 12 OECD countries, including Continental European countries such as Austria, Belgium, and Germany, as well as Northern European countries such as Denmark, Finland, and Sweden. Replacement rates generally drop to about 50-80% of previous earnings, not including any top-ups in collective agreements as well as benefit caps. In eight countries, payment rates increase over the course of a sickness spell. This is the case for instance in Greece, Portugal, and Spain.

Many countries have benefit caps that can reduce replacement rates for persons with high earnings. Benefit caps vary substantially and may be only binding after a certain length of sick leave. Canada is an example with a more stringent benefit cap of CAD 638 (around EUR 440) per week.

There are only a handful of OECD countries, which provide fixed-amount payments unrelated to earnings. The United Kingdom is the only country that offers a fixed amount from the start of a sickness spell, in the form of employer-provided sick pay of GBP 96 (about EUR 110) per week (see (Patel and Jung, 2022[86])). Other countries, such as Australia and Denmark, offer fixed-amount sickness benefits, which employees receive after having exhausted employer-provided sick pay that fully replaces their earnings. The fixed amounts are AUD 287 (about EUR 187) per week in Australia and DKK 121 (about EUR 16) per contractual working hour, which would sum to about EUR 600 per week for a fulltime employee. New Zealand also offers fixed amount payments that may be received together with employer-provided sick

pay, at a level of NZD 227 (about EUR 135) per week. The benefits in Australia and New Zealand are not exclusive to persons with temporary sickness, but are also offered to, for instance, unemployed persons.

The payment level in Korea's 2022 Pilot Project for Sickness Benefits is extremely low in international perspective. The proposed fixed amount of KRW 41 860 or about EUR 31 per workday, or about EUR 153 per work week, makes it one of the least generous, together with the United Kingdom, New Zealand, and Ireland. The payment level would be well below the level for Korean public officials who receive 70% to 100% at the beginning of their sickness spell (Box 2.2). It is also lower than the minimum benefit level recommended in the ILO convention on sickness benefits, which stipulates 60% of the person's *previous earnings* instead of a fixed amount of 60% of the minimum wage.

5.4. Income replacement levels across OECD countries

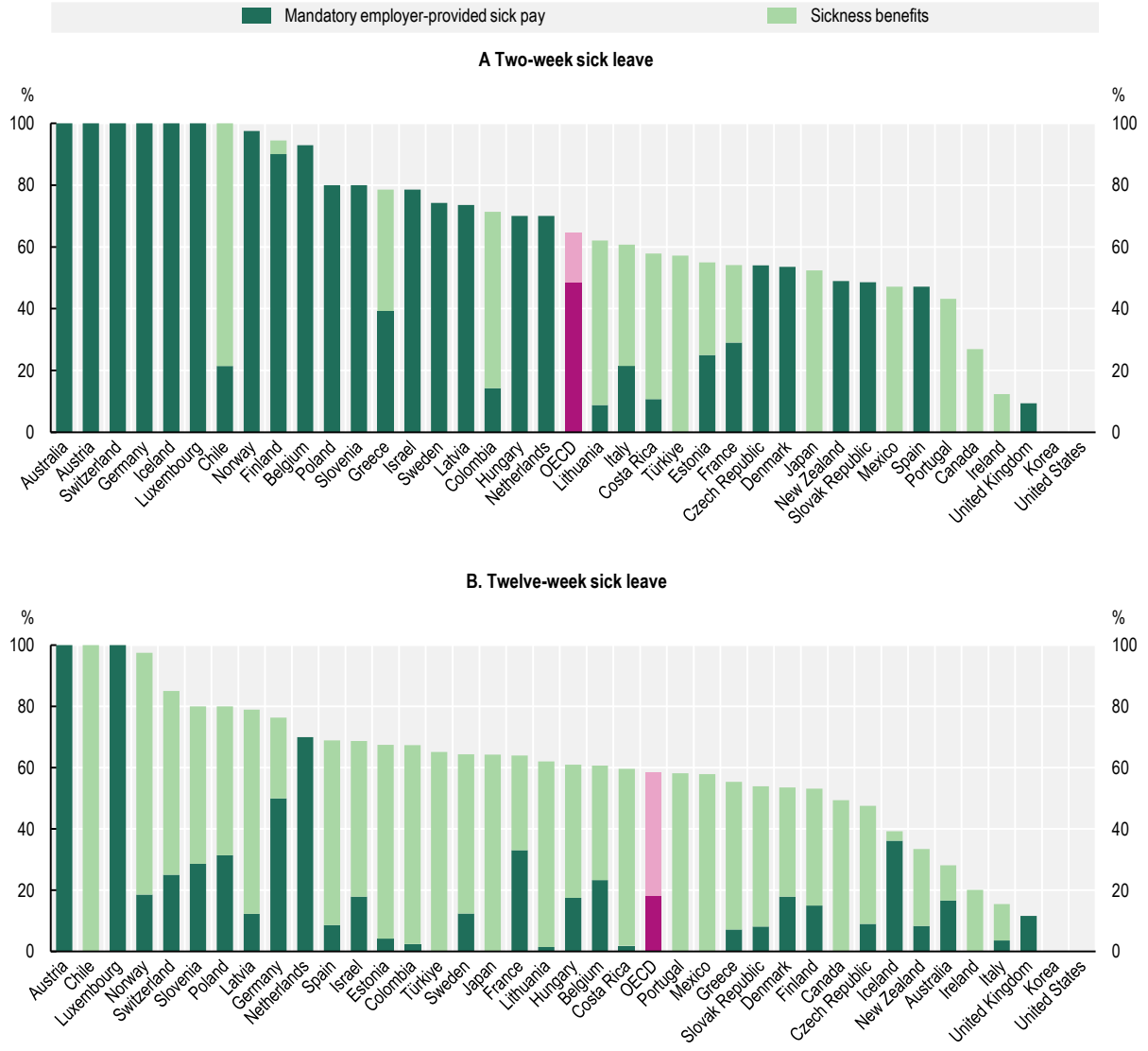
The income replacement rates of social protection programmes for sick workers in OECD countries differ substantially, due to considerable variation in waiting periods, maximum payment duration and payment levels. Sickness benefit and/or employer-provided sick pay replace, on average, about 65% of an eligible employee's past wage during a two-week sickness spell (Figure 5.1, Panel A). This replacement rate, calculated for a full-time private-sector employee earning an average wage, is above 90% in many countries in Northern and Central Europe. Eligible employees would receive less than half of their last wage over this two-week period in only a minority of countries, including Canada, Ireland, the United Kingdom, Portugal, Spain, Mexico, and the Slovak Republic. Korea and the United States have no statutory social protection for sick workers; hence, replacement rates are shown to be zero as the data refer to the situation in 2019 and do not include special COVID-19 regulations.

Mandatory payment rates decline slightly over time on average across OECD countries. The average payment rate falls to around 58% of an eligible person's past wage for a sick leave lasting twelve weeks (Figure 5.1, Panel B). Income replacement rates drop by more than 40 percentage points in Australia, Iceland, Italy, and Finland. Payments become more generous in several other countries, for instance in Spain and Canada – the latter due to its long waiting period of one week, which considerably lowers the value of payments for a two-week absence. For a twelve-week sickness spell, on average, two-thirds of the income replacement comes from the state in the form of sickness benefits and the remaining one-third from employer-provided sick pay. For a two-week absence, three-quarters of the income replacement comes from employer-provided sick pay on average across all OECD countries.

Take-home benefits, however, may be different from the presented figures. Firstly, the figures do not take into consideration top-ups in collective agreements regulated in individual contracts. In some countries, including Denmark, France, the Netherlands, Norway and Sweden, collective agreements with wide coverage include top-ups generally up to 100% of previous earnings. In other countries, including Ireland, the United Kingdom, the United States and Korea, some workers may receive voluntary sick pay from the employer. Secondly, taxation rules and possible entitlements to other benefits are not included in the calculations shown in Figure 5.1.

Figure 5.1. Income replacement rates of social protection programmes for sick workers differ substantially across OECD countries

Cumulated gross payment of sickness benefits and employer-provided sick pay as a percentage of previous earnings, rules valid in June 2019



Note: The results refer to an eligible full-time private-sector employee who is married with no kids, age 40, earning an average wage and working with the same employer for one year. Several countries (Denmark, France, the Netherlands, Norway and Sweden) have top-ups regulated in collective agreements, generally up to 100% of previous earnings. Sickness benefit and sick-pay entitlements refer to regulations in place in June 2019. OECD is an unweighted average.

Source: OECD calculations based on European Commission's Mutual Information System on Social Protection (MISSOC), United States' Social Security Administration's Social Security Programs Throughout the World (SSPTW).

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6 Promoting a fast return to work

Governments should promote recovery and return to work of (partially) recovered workers early during a sickness absence spell, to avert that the sickness programme becomes an exit route out of the labour market. Sickness absence may have undesirable employment effects as workers' skills depreciate during a long sickness spell. In addition, sickness absence may lead to labour market exit if workers cannot return to their previous job because of health considerations.

Early intervention during a sickness spell is key for a successful return to work. Data for Norway, by way of example, show that the probability to exit sickness benefit and return to work decreases rapidly from 70% during the first two weeks of absence to around 5% from week 10 onwards for minor sicknesses, and from 28% to about 5% from week 10 onwards for more serious sicknesses (Markussen et al., 2011[78]).[31] Data for other countries confirm that return to work becomes very difficult for people off work for health problems after a period of around three months (OECD, 2015[87]).

Countries should promote return-to-work approaches by focusing on remaining work capacity throughout the sickness spell, by promoting workplace accommodation and a gradual return to work, and by actively involving all actors in a mutual-responsibilities framework.

6.1. Assess remaining work capacity throughout the sickness spell

Countries should focus on what the worker can still do by adopting capacity-oriented sickness certificates. Rather than describing a worker's sickness, capacity-oriented sickness certificates (in the United Kingdom called a fit note instead of a sick note) indicate how to promote recovery, what work tasks a sick worker reasonably can perform, and what workplace accommodation, if any, may be necessary. Denmark, the Netherlands, and Norway are examples of countries with capacity-oriented sickness certificates (Box 6.1).

Remaining work-capacity assessment should take place early on in a sickness spell. Requiring a sickness certificate from day eight rather than fifteen in a sickness benefit spell reduced average sickness absence duration by 0.6 days in Sweden. This effect is comparable to a five percentage-point cut in the payment rate and is highly cost effective (Hartman, Hesselius and Johansson, 2013[88]).

Countries should reassess remaining work capacity systematically and frequently with all actors involved. Compulsory reassessments with all actors involved are an efficient way to reduce sickness absence and promote return to work. A reassessment six months into the sick leave spell reduced duration until partial or full work resumption by approximately 20 days in Norway (Markussen, Røed and Schreiner, 2018[89]). Reassessments after 181 days of sick leave in Sweden increased (partial) return to work of reassessed workers by 36%, without leading to a higher probability of re-entering sickness benefit (Hägglund, 2012[77]). In addition, countries may implement random verifications. Random home visits of public sector officials on sick leave in Italy reduced their sickness absence duration by 12% in the following 16 months. One Euro spent on visits reduced sickness expenditure by about nine Euros (Boeri et al., 2021[90]). The effect on sickness absence of the random home visits is comparable to that of a 20 percentage-point cut in the payment rate for short sick leave spells (D'Amuri, 2017[91]).

6.2. Stimulate work accommodation and a gradual return-to-work

Work accommodation – any change in the workplace, such as changes in job tasks, working time or the work environment to enable a person to access, perform and advance in a job – is of major importance for return to work. A large evidence base indicates that work accommodation helps reducing employment and work barriers for all workers with individual constraints, with and without sickness or disability. Moreover, work accommodation contributes to firm performance and costs for employers are often extremely low: in most cases, more flexibility is required rather than any costly work accommodation. Countries should make low-cost mainstream work accommodation widely available, for instance by adopting statutory entitlements to working time flexibility, working part-time, or working from home. A more elaborate discussion of work accommodation is published elsewhere (OECD, 2021[50]).

Box 6.1. Capacity-oriented sickness certificates in Denmark, the Netherlands and Norway

In **Denmark**, employees and employers must discuss return to work and accommodation needs in the workplace within the first four weeks of sickness absence. Within eight weeks of sickness, a social insurance doctor must conduct a "fit for work" assessment. The social insurance doctor must reassess remaining work capacity every four weeks for complicated and every eight weeks for less complicated cases. The social insurance doctor can initiate vocational rehabilitation measures, including graded work, job counselling, wage-subsidised job training and professional courses, as well as active labour market programs (ALMPs), including (subsidised) internships and job training in private or public firms and educational measures. Employees with remaining work capacity are obliged to participate.

In **the Netherlands**, employers and employees are obliged and have strong incentives to follow a defined return-to-work track with fixed milestones and dates. Within six weeks of sickness, employees need to see a social insurance or occupational physician for a remaining work-capacity assessment. Within eight weeks, the individual employer and employee must write an action plan how both parties can promote return to work. This includes the obligation to examine whether a return to the previous job, or to the same company but another job, is possible and if so, under which conditions (e.g. with an adjusted workplace or schedule, or with graded work). The parties must reassess remaining work capacity every six weeks. About three quarters of employers have insured themselves against the risk of continued wage payments via private insurers (Kools and Koning, 2019[92]). These private insurers can facilitate return to work further. All involved actors have strong incentives to cooperate. Employees on employer-provided sick pay (which, in the Netherlands, is paid for two years) have legal obligations to collaborate, with the risk of dismissal and losing eligibility to employer-provided sick pay and disability benefits. Employers have long and expensive employer-provided sick pay obligations that can be further extended (by yet another year) in case of non-compliance with their obligations. They also face experience-rated disability benefit costs after employer-provided sick pay. The private insurer has a direct financial incentive to stimulate return to work to lower insurance payments.

In **Norway**, employees and employers must discuss return to work and accommodation in the workplace within the first four weeks of sickness absence. Within eight weeks of sickness, a social insurance doctor assesses remaining work capacity. Employees must engage in graded work unless the social insurance doctor can make a compelling case for full sick leave. After 12 weeks, the social insurance doctor will also assess whether it is possible for the employee to work in another job.

A particularly important type of work accommodation for sick workers is graded work, which facilitates a gradual return to work for workers with remaining work capacity. Graded work (sometimes referred to as part-time sick leave) is the possibility for temporarily sick workers with remaining work capacity to perform regular duties for fewer hours than in their contract, topped up by partial receipt of sickness benefits or partial sick pay. The allowed working hours in such models usually increases gradually during recovery, up to full work resumption. Gradual return-to-work possibilities are particularly promising for Korea, given its long working-hour culture that makes a full return to work demanding for recovering workers.

Graded work directly reduces sickness expenditures and increases production. Sickness programmes only need to complement working hours under graded work. Graded work further reduces the negative effect of sickness absence on firm profits. The effect can be substantial, around 70% in Norway (Box 6.2) for instance (Godøy, 2016[93]).

Graded work can speed up recovery for certain diseases. Graded work reduces the depreciation of skills and experience, allows the worker to keep a certain work routine and facilitates interaction between employer and employee. Graded work can even accelerate the recovery from health problems that are not completely disabling and thus not needing a full break and not contagious. For instance, individuals with musculoskeletal problems participating in graded work in Sweden showed a 25 percentage-points higher probability of recovering to full work capacity (Andrén and Svensson, 2012[94]). Likewise, individual placement and support (IPS) interventions for persons with mental health problems that combine health support with work activity generally show the most promising health and labour market outcomes (Frederick and VanderWeele, 2019[95]; OECD, 2015[87]; OECD, 2021[50]).

Research almost unanimously shows that graded work is very effective to promote return to work. These findings hold across different countries, graded work regimes and sickness types. The most promising graded work systems have mutual obligations frameworks and strong incentives for all actors to promote graded work. Such systems, for instance in Denmark, the Netherlands and Norway, lead to strong and lasting positive labour market outcomes (Box 6.2). Graded work even has positive impacts in countries without mutual obligations, when employees, employers and certifying doctors together need to agree on graded work. For instance, in Germany and Finland, graded work increases (long-term) work resumption, while it reduces the risk of labour market exit into disability benefits (Schneider, Linder and Verheyen, 2016[96]; Bethge, 2016[97]; Kausto et al., 2014[98]).[32] Early interventions and higher initial work resumption rates show better labour market outcomes (Kools and Koning, 2019[92]). Graded work should therefore be initiated as soon as the certified physician has identified disease cause and remaining work capacity.

Box 6.2. Graded work in Denmark, the Netherlands and Norway

In **Denmark**, employees with remaining work capacity can be obliged to participate in various vocational rehabilitation measures, including graded work. An evaluation shows that graded work programmes are the most effective intervention for improving sick workers' subsequent labour market outcomes. Participation in graded work increased regular employment up to three years after the initial enrolment, and decreased unemployment and the receipt of other benefits. Graded work had much stronger labour market impacts than traditional active labour market policies and paramedical care (Rehwald, Rosholm and Rouland, 2018[99]).

In **the Netherlands**, employees with remaining work capacity can be obliged to participate in various vocational rehabilitation measures, including graded work. An evaluation with data from a large private insurer shows that graded work initiated in the first 26 weeks of absence led to 18 more work weeks during sickness absence. Starting graded work at a 10 percentage-points higher work resumption rate increased the probability to return-to-work within two years by 5 percentage points. The effects lasted beyond the employer-provided sick pay period (Kools and Koning, 2019[92]).

In **Norway**, graded work is obligatory for employees at the latest after eight weeks of sickness, unless certifying doctors can make a compelling case for a full sick leave. The system reduced working hours lost due to sickness absence by between 12% and more than 50%, both because more persons with remaining work capacity started working part-time and the average duration back to full-time work was reduced. Participation in graded work increases the probability to be in employment two years later by 16 percentage points. Graded work directly reduces social security spending by USD 310 per employee per year, not taking into consideration any savings because of lower permanent disability benefit uptake later on. Furthermore, grading mitigates the negative effect of sickness absence on firm profits by 70% (Godøy, 2016[93]; Hernæs, 2018[100]; Markussen, Mykletun and Røed, 2012[101]).

6.3. Involve all actors to promote recovery and return to work

Governments should integrate in their social protection programmes for sick workers responsibilities and financial incentives for all actors involved to promote a swift return to work, i.e. workers, employers, certifying doctors and relevant public authorities.

Workers should be obliged and encouraged to facilitate their return to work to the extent possible, be it in their current job or another if necessary. All workers should be obliged to promote recovery, and those with remaining work capacity should be obliged to collaborate actively in return-to-work activities. Countries may also adopt incentives for employees on sick leave to participate in training, as for instance in Belgium (Box 6.3). Worker obligations and incentives help to reduce undue absenteeism and labour market exit. Workers may also underestimate the negative effect of absenteeism on their career. Data for Norway show that a 1 percentage point increase in sick leave reduces the probability to be employed two years later by 0.5 percentage points and earnings by 1.2% (Markussen, 2012[102]).

Employers should be actively involved in the promotion of the worker's return to work. Employers should play their role in reducing sickness absence and labour market exit by investing in safe workplaces, accommodating employees who become sick or disabled and are still at work and by enforcing monitoring to reduce undue behaviours. Governments can engage employers by means of multiple policies.

- Employer-provided sick pay gives strong financial incentives to firms. The implementation of sick pay obligations for firms in Austria reduced total sickness absence by 9% and the incidence of sickness absence by 6% (Böheim and Leoni, 2020[103]). A reimbursement of sick pay obligations

for small firms in Denmark doubled the sickness absence rate, because of a much higher incidence of shorter sickness spells. The reimbursement scheme has a minimum cost of 1 100 full-time equivalent jobs (Pertold and Westergaard-Nielsen, 2018[104]). Out of the 36 OECD countries with social protection programmes for sick workers, 30 have a system of statutory employer-provided sick pay.

- The employer plays a pivotal role in the successful arrangement and implementation of work accommodation. Employers should be both obliged and encouraged to provide reasonable accommodation to all employees to the extent this does not impose a disproportionate burden to the organisation. This obligation should extend to all work-related activities, from the job application process through to termination, and includes working conditions, training, and fringe benefits. The obligation should also cover procedural obligations to sufficiently enquire into and consider special treatment and facilities, and to consult with the employee throughout the process (OECD, 2021[50]). Korean employers currently only have an obligation for reasonable accommodation of employees with disability and not for employees experiencing temporary sickness.
- Vocational rehabilitation with shared responsibilities for the employer helps to restore and develop skills and capabilities of persons who become sick or acquire disability while at work, so that they can continue to participate in the general workforce. Vocational rehabilitation schemes consisting of rapid placement in regular jobs can significantly increase return to work (Markussen and Røed, 2014[105]). Many European countries have in place strong vocational rehabilitation systems with a defined role for the employer, for instance the Netherlands (Box 6.3).
- Employers and managers need to have the awareness and skills to accommodate the needs of their workers. A first tool in this regard is the promotion of disability awareness training as part of broader inclusion training. Over 90% of supervisors who received disability awareness training in the United States believed that this helped them to accommodate, facilitate return-to-work and employ persons with health problems or disability (Erickson et al., 2014[106]; Phillips et al., 2019[107]). Employers may also need financial support for hiring persons with pre-existing health problems, in particular when they have strong sick pay obligations (OECD, 2021[50]; Fevang, Markussen and Røed, 2014[108]; Koning and Lindeboom, 2015[23]).

Box 6.3. Engaging all workers in the promotion of return-to-work in selected OECD countries

In **Belgium**, sick workers receive support in the form of a rehabilitation or reorientation path that includes medical support, drawing up a professional plan, and exploring possibilities for (re)training. The worker can keep the compensation and recognition of incapacity to work, receives reimbursements of any costs related to the return to work, and obtains a EUR 5 premium for each hour of training followed, with a EUR 500 premium after successful training completion.

In **the Netherlands**, employers have an important role in the vocational rehabilitation scheme, where they must do their utmost to reintegrate sick employees. This includes a retraining responsibility of their employees during the entire length of their two-year sick-pay obligation.

Sweden has worked with medical associations to draw up diagnosis-specific sickness absence guidelines, which, among other things, lay down the typical duration for a sick leave for a particular illness. Evaluations indicate that the guidelines have improved decision-making, although certificates still often lack information on remaining work capacity and doctors do not always apply them consistently (Nilsing, Söderberg and Berg, 2012[109]; Svärd and Alexanderson, 2021[110]).

In **Denmark**, municipalities – which implement all social and labour market policies – have strong economic incentives to promote return to work. The state reimburses municipalities' expenditure on sickness benefit differently, depending on whether any return-to-work activities are implemented or not. Municipalities also have an incentive to reduce sickness benefit expenditures, since the entitlement to reimbursement only applies to cases lasting less than 52 weeks. Municipalities can initiate different active labour market programmes. Individuals with certified remaining work capacity need to participate. Evaluations show positive effects of subsidised job training on the transition into employment and education on employment duration for sick-listed workers (Holm et al., 2017[111]).

Korea has a long history of return-to-work programmes as part of its workers' compensation scheme, which provides protection to employees after an industrial accident or occupational injury. In 2020, about 3 100 injured workers participated in a programme called My job, Tomorrow Service (which compares with 11 000 workers approved for medical care benefits for occupational accidents). The programme provides integrated medical care, psychological care and vocational rehabilitation services to workers who find it difficult to return to their previous job. Services are tailored to individual needs and can include rehabilitation aids, workplace accommodation support, vocational training, return-to-work subsidies, and consultations with employers. Employees who cannot return to their original job can receive matching support, such as job information and support for interview processes. Services can also include job introduction support when returning to the original job is not possible. About 70% of the participants of the programme found their way back to work.

Certifying doctors should address sickness with a strong (re)employment focus. Doctors have the skills to verify the presence and severity of sickness and should be able to assess remaining work capacity and propose return-to-work strategies. They are, in most countries, critical gatekeepers for access to sickness and disability benefits. Governments can support certifying doctors in multiple ways in taking a more employment-oriented approach to sickness certification.

- Countries should provide clear guidelines on the typical duration for a sick leave related to specific diseases and associated (re)assessment of remaining work capacity and return-to-work strategies. In Sweden, doctors have developed guidelines for assessing doctors on typical sickness duration, which has improved the quality of certification and certificates (Box 6.3). Evaluations of "fit notes", i.e. the capacity-oriented sickness certificates in the United Kingdom, show that guidelines need continuous updating and that doctors require specialist training to comfortably use such guidelines to effectively reduce sickness absence and promote return to work (Gabbay, Shiels and Hillage, 2015[112]; Dorrington et al., 2018[113]). Governments can also improve transparency by demanding that doctors need to justify their decision if they deviate from the typical sick-leave duration. In Norway, certifying doctors receive feedback about their certification behaviour to nudge them towards more work-encouraging certifications.

Family doctors selected by workers generally are not good gatekeepers for benefit entitlements. Operating in a competitive environment, they may be tempted to give easier access to services and sick leave certificates to attract and retain patients. A large literature shows important variation in sickness certification decisions by family doctors, with important ramifications for absence behaviour of sick workers (Markussen et al., 2011[78]; Godøy and Dale-Olsen, 2018[114]). Evidence for Norway indicates that a reputation for lenient gatekeeping increases demand for doctors' services in competitive physician markets (Markussen and Røed, 2017[115]; Markussen, Røed and Røgeberg, 2013[116]). Family doctors may underestimate the negative long-term employment effects of lenient benefit decisions (Ahammer, 2018[117]). Given inherent incentives to be lenient, countries should involve independent social insurance doctors in the (re)assessment of work capacity and sickness certificates, as is done in many OECD countries. Governments should encourage social insurance doctors to take a strong early-intervention and employment-focused approach and follow up on these (re)assessments (Marklund et al., 2015[118]).

Relevant public authorities can also contribute in several ways to the promotion of return to work.

- Policymakers should design sickness programmes with a balanced set of mutual and reasonable obligations and incentives for everyone and supply the necessary support and guidance for all actors involved to promote an effective return to work.
- Workers receiving sickness benefits should have access to public employment services and active labour market programmes, such as career advice and retraining programmes. Often, only those on unemployment benefits or social assistance, i.e. those who have lost their job have access to such services; services which however could have been more effective had they been accessed earlier (OECD, 2021[50]).
- Countries may create specific financial incentives to encourage a return-to-work focus by public authorities, as is the case in Denmark (Box 6.3).

Currently, there is no indication of any return-to-work promotion in Korea's 2022 Sickness Benefit Pilot Project. It would be a missed opportunity to not include and test these important measures as well, so that Korea's sickness benefit functions as an effective employment policy from the start. Korea could draw from its successful return-to-work programmes in place for employees on workers' compensation benefits. This programme has a long history of providing encompassing and tailored support (Box 6.3).

7 Designing financially sustainable social protection with buy-in from employers

Countries should ensure that their social protection programmes for sick workers are financially sustainable and promote buy-in from employees and employers.

About two out of three OECD countries organise and fund their statutory sickness programmes through a combination of employer-provided sick pay and social insurance (Figure 7.1). Four OECD countries use a combination of employer-provided sick pay and taxes. Three countries only rely on employer-provided sick pay, and six OECD countries only rely on social insurance. Employer-provided sick pay obligations are an important instrument to provide financial incentives to firms to promote their workers' return to work.

Countries that use social insurance to fund sickness benefits all provide earnings-related benefits. This is no coincidence. The social contributions to fund sickness insurance are in all OECD countries with such a system a fixed percentage of earnings (Table A D.3). In this way, participants insure themselves against earnings loss during temporary sickness. The link between earnings and sickness payment levels can be made less strong by means of minimum or maximum contribution rates and/or payment levels.

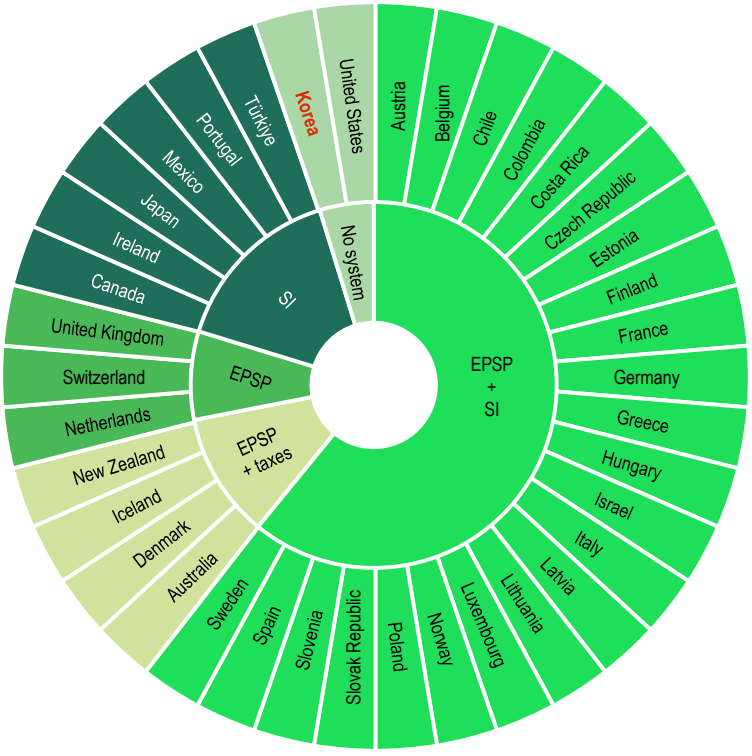
Conversely, countries using taxes to fund sickness benefits offer fixed-amount payments, unrelated to earnings. These countries are Australia, Denmark, Iceland and New Zealand, who have essentially opted for a social assistance scheme. The United Kingdom is the only country providing fixed-amount payments through employer-provided sick pay rather than taxes as the funding source.

Finland, Israel, Italy, Mexico and Portugal are the only OECD countries with dedicated sickness benefit contribution rates (Table A D.3). The sum of employer and employee contribution rates in these countries varies between 1% and 2.5% (no information for Israel). Sickness insurance contributions are sometimes part of larger employment insurance or health insurance systems. Canada, Hungary, Ireland and Norway combine contributions for sickness, unemployment, and maternity benefits, as well as workers' compensation benefits in the latter three countries. Costa Rica, Germany, Japan and Slovenia combine contributions for sickness and health insurance, as well as maternity benefits in the first two countries.

Contribution rates for employers and employees are at a similar level in 13 OECD countries. In 12 OECD countries, employers pay a higher share of the total. This is more often the case in countries, in which insurance covers multiple types of social benefits. For instance, in Spain, employers contribute 23.6% of earnings and employees only 4.7% to the insurance scheme that covers sickness, disability, maternity, and pension and survivors' benefits. In France, employers contribute 13.3% to sickness, disability, maternity, and survivors' benefits insurance, while employees do not contribute. In Chile and Poland, only employees contribute to the insurance that covers sickness and maternity benefits.

Figure 7.1. Most OECD countries fund the social protection programmes for sick workers through a combination of employer-provided sick pay and sickness insurance

Situation as of 2018



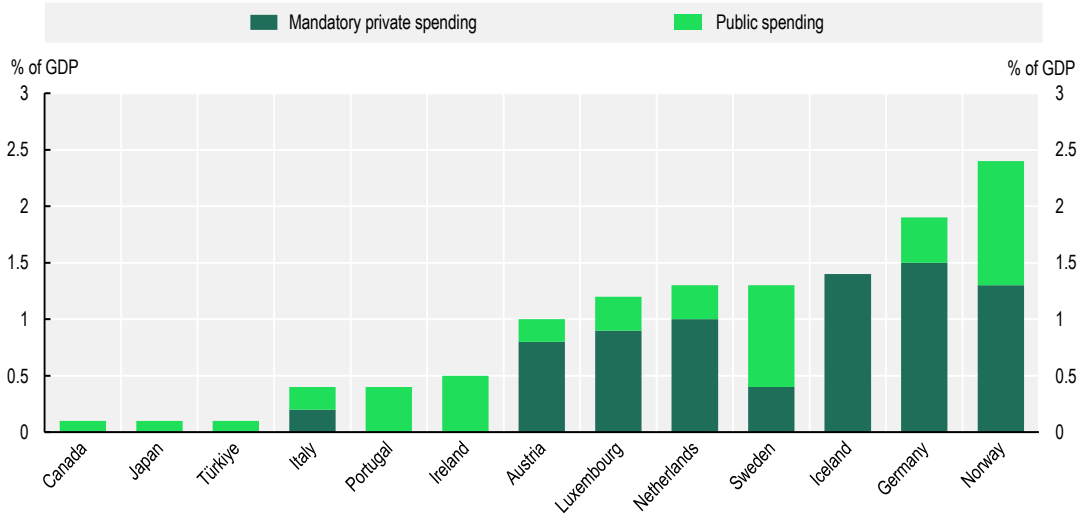
Note: Regulations in place in 2018, except for Chile, Colombia, Costa Rica and Mexico (2019), and Korea and the United States (February 2022). EPSP=employer-provided sick pay. SI=sickness insurance.
Source: European Commission's Mutual Information System on Social Protection (MISSOC), United States' Social Security Administration's Social Security Programs Throughout the World (SSPTW).

Self-employed workers, if covered by social insurance, are treated in different ways. The earnings base also differs. In Colombia and Luxembourg, self-employed pay the sum of the employer and employee contributions. Self-employed contribute the employer amount in Lithuania and Türkiye where employees do not contribute, and they contribute the employee amount in Chile where employers do not contribute. Self-employed contribute slightly less than the sum of the employee and employer contributions in Finland (1.7% rather than 2.4%). They only contribute the employer amount in Hungary and Latvia. In France and Costa Rica, contributions by the self-employed are earnings dependent. In Portugal and Slovenia, sickness insurance contributions for the self-employed are part of a larger insurance scheme than for employees, making a comparison of contribution rates more complicated.

Total spending on social protection for sick workers varies between 0.1% and 2.4% of GDP across OECD countries for which data are available (Figure 7.2).[33] The countries with social insurance schemes spend between 0.1% (Canada, Japan and Türkiye) and 0.4-0.5% (Portugal and Ireland) of GDP on their sickness benefits. The countries with a combined system of employer-provided sick pay and sickness benefits spend between 0.4% and 2.4% of GDP in total. Mandatory private spending on employer-provided sick pay is in most countries higher than spending on sickness benefits, except for Sweden and Italy, which have relatively short maximum sick-pay durations (two weeks and three days, respectively).

Figure 7.2. Social protection spending for sickness programmes varies between 0.1% and 2.4% of GDP across selected OECD countries

Data refers to 2017



Note: Data for Canada refer to 2018. Public spending in the Netherlands covers workers who do not have a liable employer; for those workers the public employment services pay instead (e.g. workers with expired fixed-term contracts, agency workers or unemployed workers with an unemployment benefit who become sick).
Source: OECD Social Expenditure Database (SOCX), https://stats.oecd.org/Index.aspx?DataSetCode=SOCX_AGG.

StatLink https://stat.link/ilk3y1

Total spending on sickness programmes cannot be explained fully by benefit generosity. This suggests that factors such as prevention, return-to-work focus, and take-up as part of the broader social security system have an important bearing. Benefit replacement rates in Ireland are the least generous among the countries with a social insurance system during a two-week and 12-week sick leave (Figure 5.1). Replacement rates are also less generous in Portugal compared to Japan and Türkiye. Still, sickness spending in Portugal and Ireland is about five times higher than in Canada, Japan and Türkiye.

Korea's Sickness Benefit Pilot Project only foresees the introduction of statutory sickness benefits. This is unfortunate, given the important advantages of a period of employer liability during the initial phase of a sickness spell. Moreover, introducing employer-provided sick pay in Korea would secure a minimum level of protection for all salaried workers, and thus provide more fairness, given that currently some (albeit few) private-sector firms in Korea offer sick-pay arrangements in individual contracts. The finding that strong sickness prevention and return-to-work policies lower sickness spending underlines the importance for Korea to implement return-to-work measures from the start.

8 Policy lessons for equitable and adequate social protection for sick workers

The lack of statutory social protection for sick workers is a major blank in Korea's current social protection landscape. It leaves many workers experiencing temporary sickness without essentially any job or income protection. The importance of sickness programmes in protecting workers' jobs, incomes, and health, as well as the health of workplaces and entire societies, has become very apparent during the COVID-19 pandemic, when Korea had to introduce some ad hoc measures to fill part of the gap. The implementation of statutory sickness benefits in Korea would also be a major step forward to improve job quality, social protection, and labour market inclusion of those more prone to health problems. Particularly important in Korea and further discussed below, an equitable and adequate sickness programme would help to reduce the cultural stigma of taking leave, especially if employer-provided sick pay also became mandatory.

Korea's Pilot Project for Sickness Benefits shows that there is significant political momentum for change. Yet, the three pilots are far from what an ideal system of social protection for sick workers would look like. Korea could be more ambitious and use its position as a relative latecomer in this policy field to get an optimal system in place right from the start:

- *Cover all workers against all diseases that can cause temporary sickness*. Korea should make all efforts to cover its large groups of non-standard workers – including employees on temporary contracts, those working part-time, those in small firms and the self-employed. It is laudable that all workers, including the self-employed, are eligible to the 2022 Pilot Project for Sickness Benefits. However, Korea should provide entitlements regardless of severity or type of sickness. Any plans to limit access to hospitalised workers should be reconsidered.
- *Provide adequate income support while limiting undue absenteeism*. Providing adequate income replacement is important to allow sick workers to stay home to recover. Full income replacement for an unlimited period, however, may augment undue absenteeism and hamper return to work. Korea's Pilot Project seems to pay limited attention to income adequacy. The proposed waiting periods of seven or even 14 days would be very long in international perspective. The proposed benefit level of a fixed amount of KRW 41 860 (EUR 31) per day of sick leave – 60% of the minimum wage – is among the least generous. Both parameters are also far off the principles laid down in the ILO convention on sickness benefits, which poses a maximum waiting period of three days and a minimum payment rate of 60% of the worker's own previous earnings.
- *Combine sickness benefits with a robust return-to-work component*. An effective social protection scheme for sick workers promotes recovery and return to work of (partially) recovered workers early during a sickness absence spell. Proven effective principles include a focus on remaining work capacity throughout the sickness spell, the promotion of accommodating sick workers in their workplaces and a focus on gradual return to work. It requires active involvement of all actors – workers, employers, certifying doctors and relevant authorities. Information on any return-to-work

efforts in Korea's Pilot Project is not available. Korea could draw from its successful programmes in its workers' compensation system and consider extending the obligations for employers to provide reasonable accommodation to all employees experiencing temporary sickness, to enable these workers to access, perform and advance in their jobs.

- *Design financially sustainable payments that encourage employer involvement*. Out of the 36 OECD countries with statutory social protection for sick workers, 30 require employers to carry part of the risk associated with temporary sickness. Such financial liability gives employers strong incentives to prevent sickness absence and promote return to work. Experiences from other countries show that employer liability does not need to be costly. At this stage, Korea's Pilot Project only foresees and evaluates the introducing of sickness benefits.

Several issues deserve particular attention in the Korean context. Korea should not delay the implementation of income and employment protection for temporarily sick employees. Korea, together with most states in the United States, is currently the only OECD country without statutory social protection for sick workers. This gap in social protection means that a temporary sickness can easily lead to job loss – a situation that is not just for workers and not efficient for the Korean labour market and economy.

It would be beneficial to also pilot-test the introduction of statutory employer-provided sick pay. In most OECD countries, sick pay and sickness benefits are two parts one system – and in many countries, workers could not even tell the difference. In Korea, conversations on employer-provided sick pay seem to advance at a slow pace and are disconnected from the discussion on sickness benefits. This is unfortunate, given the important advantages of a period of employer liability during the initial phase of sickness. Actively involving social partners in the design can help facilitating the dialogue and the implementation later.

Korea should keep equity issues in mind when introducing a new system. The sickness benefit parameters in Korea's Pilot Project are much less generous than those in the statutory system for Korean government officials – a system that provides full wage replacement without any waiting period for up to 60 sick days per year. Such a large difference will reinforce Korea's already segmented labour market. Instead, Korea should seize this opportunity to implement adequate sick leave for all to reduce labour market duality.

The Korean government should consider making sickness benefits dependent on previous earnings, especially if funding will come from insurance contributions. Korea seems to opt for social insurance funding to pay for sickness benefits, as it does for other parts of its social protection system. Contributions for these insurances depend on earnings. Coupling funding to earnings but offering earnings-independent benefits would reduce the legitimacy of the new programme. Indeed, the (few) OECD countries that provide fixed amount payments all fund their sickness benefit through general taxation.

Most OECD countries manage sickness benefits as part of their health insurance. While this seems a logical choice because many of those people will also need medical care, at least during a certain period, the choice comes with several disadvantages caused by an inherent medicalisation of what is often a labour market problem. Sickness and disability programmes in most countries have struggled to make the switch to a labour market-oriented programme for this reason. Ideally, sickness programmes are viewed as employment policy: protecting workers' incomes and jobs so that employment relations remain intact, whilst facilitating recovery and return to work. To achieve this, Korea could also consider tying a new sickness system to its employment insurance, like Canada. By offering such protection, it promotes health of workers and societies. The main argument for tying a new programme to the health insurance is the higher coverage of workers in Korea's health insurance, compared with its employment insurance.

A particular pernicious issue in Korea is a strong business culture that prevents workers from taking leave – be it annual leave, sick leave, or any other leave. Sickness benefit programmes can only be effective if sick workers use the scheme to stay home and recover. Cultural change is hard to achieve but not impossible. For instance, Korea's strong traditional preference for sons has recently shifted to no gender preference or even a greater preference for daughters (Seo, Koropeckyj-Cox and Kim, 2022[119]). The Korean government can take several measures to stimulate a cultural shift in leave-taking behaviour.

- *Make entitlements mandatory*. A statutory entitlement to equitable and adequate sickness benefit is a *sine qua non* to normalise taking leave because of temporary sickness.
- *Address widespread labour market duality*. The impact of sickness benefits will be stronger if Korea also makes further efforts to address widespread labour market duality and job insecurity. This includes the elimination of incentives to hire workers on non-regular employment contracts and to engage dependent self-employed workers (OECD, 2018[1]). Job insecurity in Korea is strongly associated with presenteeism (=going to work sick) instead of absenteeism (Kim et al., 2020[120]).
- *Improve enforcement of labour legislation*. This includes increasing the number of labour inspectors and enhancing their skills. Compliance with labour legislation is weak in Korea. For instance, about half the overtime hours were unpaid in 2016 and about 10% of the employees in 2016-2017 were paid below the minimum wage (Choi, 2018[121]). Around 40% of all wageworkers in Korea engage in some form of informal work, here defined as work that is not fully covered by minimum wage regulation, labour standards and social insurance. The current government has increased the number of labour inspectors thereby reducing the number of workplaces per inspector from 1 150 in 2016 to 690 in 2021 but this is not enough.
- *Learn from the lessons of the COVID-19 pandemic*. Academic evidence for the United States clearly shows that the introduction of statutory social protection for sick workers decreased the spread of COVID-19 (Pichler, Wen and Ziebarth, 2020[27]). Indeed, by lowering infection rates, sickness programmes contribute to lower total sickness absence (Pichler and Ziebarth, 2017[15]; Pichler, Wen and Ziebarth, 2020[27]).
- *Consider adopting additional measures to facilitate staying at home when sick*. A first promising measure is a statutory entitlement to remote working, to accommodate workers with remaining work capacity experiencing sickness or disability. Such a statutory entitlement should be available to all employees, without requiring a particular reason, and employers should only be able to refuse this on the basis of strictly defined and limited grounds (OECD, 2021[54]). Korean employees currently do not have a statutory right to request remote working.[34] In addition, the Korean government should make forcing sick workers to come to work illegal and may even want to consider coming to work sick illegal for employees.
- *Provoke a cultural shift in companies towards valuing efficient output rather than office hours*. The use of rigorous performance management systems and High-Performance Work Practices (HPWPs) that emphasise the importance of good working conditions for high productivity and profitability for firms should be promoted (OECD, 2018[122]). Leading-by-doing practices by the government as well as disseminating information showing that being sick at work is not necessary and runs even counter to high-quality work may help (OECD, 2019[55]). Such information should particularly be disseminated to social partners, who may not be informed of the strong positive labour market impact of equitable and adequate sickness benefits.

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Annex A. Employment protection legislation for employees experiencing sickness or disability

Table A A.1. Criteria for determining fairness of dismissal due to sickness and disability in employment protection legislation across OECD countries

Situation as of 2019

	Source of fair dismissal	Source of unfair dismissal	Reference text
Australia	O	O	Inability to perform the inherent requirements of the position (including for medical reasons) may be a valid reason for the termination of an employee.
Chile		O	Dismissal for personal reasons (i.e. insufficient performance, unsuitability for medical reasons) is not allowed under Chilean labour legislation.
Czech Republic	O		The employer may give notice of termination to an employee, if according to a medical certificate issued by the occupational medical services provider the employee has lost, long-term, his capability to perform his current work.
Denmark	O		Fair: Lack of competence, including unsuitability for medical reasons, unsuitability for insufficient qualification and insufficient performance.
Finland		O	Unfair: Dismissals for an employee's illness.
France	O	O	The employer must justify grounds that are valid and related to the individual to proceed with dismissal. These may include incompetence. An employee who is declared unfit by the physician must be reclassified by the employer, taking into account his or her capacities.
Germany	O	O	Dismissals where the employee can be retained in another capacity within the same establishment or enterprise are unfair. Rehabilitation must already have been attempted before dismissal, or the dismissal is considered unfair.
Hungary	O		In the case of unsuitability for medical reasons, the employment relationship can be terminated lawfully when the employer is unable to employ him or her despite adjustments in the working conditions.
Korea	O		For physical disability: if caused by work, dismissal during sick leave prohibited; if non-work-related, dismissal possible based on comprehensive considerations on the possibility of transfer to another job (given worker's adaptation to new tasks).
Lithuania	O		The employer has the right to terminate an employment contract when an employee is no longer able to hold the position or perform the work.
Mexico	O		Fair: Dismissal for physical or mental disability or manifest unfitness of the worker that makes employment continuation impossible.
Netherlands		O	Unfair: Dismissal during the first two years of illness or disability of an employee.
Norway		O	If an employee suffers reduced capacity for work as result of an accident, sickness, fatigue, etc. the employer shall, as far as possible, implement necessary measures to enable the employee to retain or be given suitable work.
Sweden		O	In the case of lesser capability because of (e.g.) age, disease, etc., the employer must try to adjust the workplace, rehabilitate the employee or transfer the employee to other suitable work.
United States	O	O	Workers in firms with 50+ employees working within 75 miles and worked at least 1 250 hours for their employer for at least 12 months are entitled to 12 weeks of unpaid job-protected leave because of non-work-related illness or injury per year.

Note: Excerpted from '5. Definition of unfair dismissal' out of 24 EPL-related questions by country. OECD countries where relevant regulations are not specified or ambiguous in DDEPL are excluded.
Source: OECD Employment Protection Legislation Indicators, 2019.

Annex B. Voluntary employer-provided sick pay arrangements in Korea

Table A B.1. Few Koreans state that they can take sick leave when ill

Share of private-sector employees stating they could take sick leave during temporary sickness (%) (2016-18)

	Total	Occupational status of workers			Employment type	
		Permanent	Temporary	Daily	Regular	Non-regular
Total	42.5	55.8	12.0	1.1	60.7	14.2
1-9	15.7	24.7	4.3	0.2	28.2	5.0
10-99	42.5	49.1	16.6	3.7	53.2	18.6
100-299	61.1	65.8	23.7	0.0	67.0	37.4
300+	73.2	77.7	29.1	6.0	82.1	33.9

Source: Kim and Kim (2020[45]), *Sickness Absence and Sickness Presenteeism in Korea: Implications for the Introduction of a New Employer-Provided Sick Pay Scheme*. Data are based on Korean Labor & Income Panel Study, KLIPS (2016-2018).

StatLink https://stat.link/fdtex8

Table A B.2. The share of firms offering paid or unpaid sick leave according to HR managers

Share of firms with five or more employees offering paid or unpaid sick leave to their workers (%) (2016)

		Total number of cases	Paid or unpaid sick leave (%)	Paid sick leave (%)	Maximum period (months)
Total		1 000	70.4	49.5	2.7
Industry	Mining & manufacturing	213	65.3	35.7	2.5
	Construction	166	66.9	49.4	2.3
	Wholesale & retail trade, accommodation & food	202	68.8	49.5	2.3
	Electricity, transport, communication & finance	182	82.4	68.7	3.1
	Business, personal, public service & others	237	69.6	47.3	2.8
Firm size	5-9	276	62.0	50.0	2.0
	10-29	284	63.4	44.7	2.1
	30-99	212	71.2	45.3	2.6
	100-299	128	84.4	53.9	3.6
	300+	100	94.0	65.0	3.5

Source: Kim, Lee and Lee (2016[47]), *Survey on work-family balance (2016)*.

StatLink https://stat.link/ty8a4i

Annex C. Coverage of social protection for sick workers by type of worker in OECD countries

Table A C.1. Part-time employees and those on permanent contracts generally have benefit access

Situation as of 2021 (ignoring temporary improvements implemented throughout the COVID-19 pandemic)

	Limitation of or less advantageous access			Explanation
	Part-time Workers	Temporary contract		
		Sickness benefits	Employer-provided sick pay	
Austria	O	O	O	*Income requirement*: No compulsory insurance if sum of all earnings below EUR 476 per month *Tenure*: 3 months for sickness benefits *Generosity*: longer duration employer-provided sick pay (6-12 weeks) and sickness benefits (6-12 months) for longer tenure
Belgium				*Contribution period*: 180 days of actual work or assimilated periods (unemployment, legal holidays, etc.) in 12 months
Canada				*Contribution period*: 600 hours of covered employment in the 52 weeks before sickness before the start of a claim or since the start of a last claim (whichever is shorter)
Chile				*Contribution period*: 6 months, incl. at least 3 months of contributions in the last 6 months (for contract workers latter is 30 days in last 6 months)
Colombia				*Contribution period*: 4 weeks
Costa Rica				*Contribution period*: 6 months in 12 months before sickness
Czech Republic	O			*Income requirement*: CZK 3 500 (EUR 147) per month
Denmark		O	O	*Tenure*: 240 hours within last 6 months and 74 hours within last 8 weeks
Estonia				*Contribution period*: 14 days
Finland			O	*Generosity*: Employer pays full salary for the first 9 days if the employment relationship has lasted at least one month. If under one month, 50% of the salary is paid
France			O	*Generosity*: longer duration employer-provided sick pay (10 days per 5-year seniority)
Germany	O		O	*Income requirement*: No compulsory insurance below EUR 450 per month or if short-term employed (3 months or 70 working days a year) *Tenure*: 4 uninterrupted weeks for employer-provided sick pay
Greece		O	O	*Contribution period*: 120 days in last year or 12 first months of the 15 months preceding the illness *Tenure*: 10 days
Iceland		O	O	*Tenure*: 2 months of work prior to illness *Generosity*: longer duration employer-provided sick pay commonly in collective agreements
Ireland	O			*Income requirement*: EUR 38 per week *Contribution period*: 104 weeks since first employment
Israel				No information available
Italy		O		*Eligibility*: Certain categories of workers, seasonal workers, and employees on fixed-term contracts, receive benefits directly by from social insurance rather than employer-provided sick pay
Japan	O			*Income requirement*: JPY 58 000 yen (EUR 410) per month
Korea	No scheme			

	Limitation of or less advantageous			access Explanation
	Part-time Workers	Temporary contract		
		Sickness benefits	Employer-provided sick pay	
Latvia				*Contribution period*: 3 months during the last 6 months or 6 months during the last 24 months
Lithuania				*Contribution period*: 3 months during the last 12 months or 6 months during the last 24 months
Luxembourg	O			*Eligibility*: Persons who are only engaged occasionally and not habitually in a professional activity are excluded
Mexico				*Contribution period*: 4 weeks before sickness (6 weeks in last four months for casual workers)
New Zealand		O		*Tenure*: 6 months current continuous employment with the same employer
Norway	O	O	O	*Income requirement*: NOK 53 200 (EUR 4 952) per year *Tenure*: 4 weeks
Poland				*Contribution period*: 30 calendar days
Portugal				*Contribution period*: 6 months *Tenure*: 12 days of actual work during 4 months preceding sickness
Slovak Republic	O			*Eligibility*: Not compulsory for those working on external employment contracts with irregular income
Spain	O			*Income requirement*: marginal salary: not a basic means to earn a living are excluded *Contribution period*: 180 days during 5 years prior to sickness
Sweden	O			*Income requirement*: SEK 11 424 (EUR 1 020) per year
Switzerland		O		*Generosity*: Duration is 3 weeks during the 1st year of tenure. Thereafter a longer period on an "equitable" basis
United Kingdom	O			*Income requirement*: GBP 113 (EUR 128) per week
United States	No scheme			

Note: *No scheme*: no statutory sickness benefits or statutory employer-provided sick pay. Data refers to 2021, except for Canada, Chile, Colombia, Costa Rica and Mexico (2019), and for Israel, Japan, Türkiye and the United Kingdom (2018).
Source: European Commission's Mutual Information System on Social Protection (MISSOC); United States' Social Security Administration's Social Security Programs Throughout the World (SSPTW); OECD (2020[24]), "Paid sick leave to protect income, health and jobs through the COVID-19 crisis", https://doi.org/10.1787/a9e1a154-en.

Table A C.2. Self-employed workers often have worse statutory access to sickness benefits

Situation as of 2021 (ignoring temporary improvements implemented throughout the COVID-19 pandemic)

	Statutory access	Explanation
Australia	Standard	The jobseeker support system, implemented during the COVID-19 pandemic without foreseen end date, does not distinguish between self-employed and employees
Austria	Voluntary	
Belgium	Partial	*Waiting period*: 7 days, unless sick for more than 7 days then no waiting period (no waiting period for employees). *Benefit level*: Lump-sum benefit level depending on household characteristics (dependents, living alone). Instead, employees receive income-dependent employer-provided sick pay for one month and then sickness benefits at 60% of their capped income. There are minimum sickness benefits amounts depending on household characteristics. The lump-sum benefit level that self-employed receive are below those minimum levels
Canada	Voluntary	*Income requirement*: 7 555 CAD/year (about EUR 5 000) for voluntary insurance. *Contribution period*: a year of life-time contributions (600 insured hours in the previous year for employees)
Chile	Standard	*Income requirement*: Voluntary insurance for self-employed making less than five times minimum wage
Colombia	Standard	
Costa Rica	Standard	
Czech Republic	Voluntary	*Contribution period*: 3 months (4 days for employees)

	Statutory access	Explanation
Denmark	Partial	*Waiting period*: 2 weeks (no waiting period for employees). *Contribution period*: 6 within 12 months (240 hours in 6 months for employees)
Estonia	Partial	*Waiting period*: 9 days (employees have 0)
Finland	Standard	
France	Standard	
Germany	Voluntary	Voluntary for certain occupations
Greece	Partial	*Benefit level*: lump-sum levels that depend on occupation and possibly household characteristics (earnings dependent for employees). *Contribution period*: no contribution period (120 days for employees)
Hungary	Standard	
Iceland	Standard	
Ireland	No access	
Israel	No access	
Italy	No access	
Japan	Partial	Eligible for the national scheme under same rules as employees. Not eligible for the employee's sickness insurance (to which only employees contribute)
Korea	No scheme	
Latvia	Standard	
Lithuania	Standard	
Luxembourg	Standard	
Mexico	No access	
Netherlands	Voluntary	To be eligible for voluntary insurance, self-employed (1) must have been covered as employee or unemployed for a year and (2) opt in within 13 weeks of the end of mandatory coverage
New Zealand	Standard	The jobseeker support system, implemented during the COVID-19 pandemic without foreseen end date, does not distinguish between self-employed and employees
Norway	Partial	*Income requirement*: about EUR 5 000/year. *Benefit level*: 80% of average income (100% for employees). *Duration*: maximum 248 days (260 days for employees). *Contribution period*: 4 weeks (none for employees). Supplementary voluntary insurance available
Poland	Voluntary	*Contribution period*: 90 days for self-employed with voluntary insurance (30 for employees)
Portugal	Standard	
Slovak Republic	Standard	
Slovenia	Standard	
Spain	Standard	
Sweden	Partial	*Waiting days*: Self-employed choose between different schemes: 1, 14, 30, 60 or 90 waiting days, with lower contributions for longer waiting periods (no waiting period for employees)
Switzerland	Standard	
Türkiye	Standard	
United Kingdom	Partial	*Benefit level*: Self-employed and employees have access to the Employment and Support Allowance, a social assistance benefit for all workers. They do not have access to Statutory Sick Pay, which is employer-provided. Benefit generosity differs (GPB 74.70 instead of 96.35). Eligibility conditions can be stricter also.
United States	No scheme	

Note: *No scheme*: no statutory sickness benefits. *No access*: statutory sickness benefit exists for full-time employees, but self-employed workers are excluded. *Partial*: eligibility conditions, waiting period, benefit level or benefit duration are less advantageous for self-employed compared to employees. *Voluntary*: self-employed can choose to opt in the statutory sickness benefit system for full-time employees. Data refers to 2021, except for Canada, Chile, Colombia, Costa Rica, and Mexico (2019), and for Iceland, Israel, Japan, Türkiye and the United Kingdom (2018).
Source: European Commission's Mutual Information System on Social Protection (MISSOC); United States' Social Security Administration's Social Security Programs Throughout the World (SSPTW); OECD (2020[24]), "Paid sick leave to protect income, health and jobs through the COVID-19 crisis", https://doi.org/10.1787/a9e1a154-en.

Annex D. Key parameters of social protection for sick workers in OECD Countries

Table A D.1. Waiting period and maximum duration of statutory paid sick leave schemes

Situation as of June 2019

Country	Waiting period (days)	Maximum duration		
		Employer-provided sick pay (days)	Sickness benefits (days)	Total social protection (weeks)
Australia	0	10	182	27
Austria	0	70-112[1]	182-364[1]	32-58[1,2]
Belgium	0	30	334	52
Canada	7	10	185	28
Chile	0	3	728	104
Colombia	0	2	180	26
Costa Rica	0	3	No limit	No limit
Czech Republic	0	14	366	54
Denmark	0	30	154	26
Estonia	3	5	182	27
Finland	0	9	300	44
France	3	60[1]	364	52[1,2]
Germany	0	42	546	84
Greece	0	15	720	103[2]
Hungary	0	15	364	54
Iceland	0	31[1]	364	56
Ireland	6	-	364	52
Israel	2[c]	90	-	13
Italy	0	3	180	26
Japan	3	-	546	78
Korea	-	-	-	-
Latvia	1	10	172	26
Lithuania	0	2	122	18
Luxembourg	0	91	546	91
Mexico	3	-	364	52
Netherlands	2[3]	728	-	104
New Zealand	0	10-20[1]	No limit	No limit
Norway	0	16	364	54
Poland	0	33	182	31
Portugal	3	-	No limit	No limit
Slovak Republic	0	10	364	53
Slovenia	0	30	No limit	No limit
Spain	3	12	365	54
Sweden	0	14	No limit	No limit

Country	Waiting period (days)	Maximum duration		
		Employer-provided sick pay (days)	Sickness benefits (days)	Total social protection (weeks)
Switzerland	0	21[1]	720	106
Türkiye	2	-	No limit	No limit
United Kingdom	3	196	-	28
United States	-	-	-	-

Note: Regulations in place in June 2019, except for Israel, Japan, and Türkiye (2018), and Australia, Korea, New Zealand and the United States (February 2022). "-": System does not exist.
1. Legislation depends on tenure.
2. Employees can receive employer-provided sick pay and sickness benefits (partly) at the same time.
3. Waiting period is generally reduced in collective agreements.
Source: European Commission's Mutual Information System on Social Protection (MISSOC); United States' Social Security Administration's Social Security Programs Throughout the World (SSPTW).

StatLink https://stat.link/n8eovt

Table A D.2. Benefit payment rates during statutory sick leave (sickness benefit or sick pay)

Situation as of June 2019

Country	Evolution of benefit rate during leave	Minimum rate	Maximum rate	Payment per week		Additional information
				Minimum (EUR)	Maximum (EUR)	
Australia	Decreasing	Fixed amount	100%			Sickness benefits at fixed amount (AUD 573 per two weeks, or about EUR 187 per week)
Austria	Decreasing	60%	100%	215	1 205	During part of the duration, persons receive employer-provided sick pay and sickness benefits at the same time
Belgium	Decreasing	60%	100%	...	713	
Canada	Flat rate	55%		...	442	Fixed weekly maximum amount (CAD 650 or EUR 450)
Switzerland	Flat rate	80-100%		...	...	Employers can voluntarily choose between private insurers
Chile	Flat rate	100%		75	550	
Colombia	Decreasing	50%	100%	21	691	The employer pays 100% of the employee's earnings during the first two days of sick leave
Costa Rica	Increasing	50%	60%	60	-	The employer pays 50% of the employee's earnings during the first three days of sick leave
Czech Republic	Decreasing, then increasing	60-72%		-	266	There are three income brackets with different replacement rates. Replacement rates are more generous for employer-provided sick pay than for sickness benefits. Replacement rates of sickness benefits become more generous over the course of a single sickness spell
Germany	Decreasing	80%	100%	-	529	
Denmark	Decreasing	Fixed amount	100%	-	599	Fixed amount for sickness benefits (DKK 120 or EUR 16 per working hour)
Spain	Increasing	60%	75%	-	704	
Estonia	Flat rate	70%		-	-	
Finland	Decreasing	70%	100%	139	-	No maximum payment. Above earnings of EUR 30 962, limited earnings are taken into account
France	Decreasing	50%	90%	-	225	Collective agreements generally specify higher employer-provided sick pay replacement rates

Country	Evolution of benefit rate during leave	Minimum rate	Maximum rate	Payment per week		Additional information
				Minimum (EUR)	Maximum (EUR)	
United Kingdom	Fixed amount			115		Fixed amount for weekly sickness benefits (GBP 96 or EUR 109)
Greece	Increasing	50%	70%	...	...	
Hungary	Decreasing	50%	70%	-	138	
Ireland	Four fixed amounts depending on earnings levels			93	208	
Iceland	Decreasing	Fixed amount	100%	-	62	Most collective agreements contain employer-provided sick pay clauses. The low fixed amount sickness benefit level (EUR 62) is only for persons not covered by such agreements. Iceland has 90% collective bargaining coverage rates
Israel	Increasing	50%	100%	...	...	The replacement rates are 75% if under collective agreement
Italy	Decreasing, then increasing	50%[1]	100%	-	-	100% for the first 3 days, then 50% then 67%. The replacement rate is lower is hospitalized (20% instead of 50%)
Japan	Flat rate	67%		...	...	
Korea	-	-	-	-	-	
Lithuania	Flat rate	62%		2	404	
Luxembourg	Flat rate	100%		482	2 411	
Latvia	Increasing	75%	80%	-	688	
Mexico	Flat rate	60%		13	274	
Netherlands	Flat rate	70%		189	759	The replacement rate can be 100% under collective agreement
Norway	Flat rate	100%		...	1 122	
New Zealand	Decreasing	Fixed amount	100%	132	132	Sickness benefits at fixed amount (NZD 227 or EUR 135 per week)
Poland	Flat rate	80%[1]		-	-	The replacement rate is lower if hospitalized – 70%
Portugal	Increasing	55%	75%	101	-	
Slovak Republic	Increasing	25%	55%	-	279	
Slovenia	Increasing	80%	90%	55	-	
Sweden	Decreasing	75%	80%	11	535	The replacement rate decreases only after 1 year
Türkiye	Flat rate	67%[1]		26	192	The replacement rate is lower if hospitalized – 50%
United States	-	-	-			

Note: "-": System parameter does not exist. "..": no information available.

1. Payment rates are lower for hospitalised workers.

The parameters refer to an eligible full-time private-sector employee who is married with no kids, age 40, earning an average wage and working with the same employer for one year, who experiences temporary non-work-related sickness without being hospitalised. Minimum payment per week refers to the lowest possible payment, from either employer-provided sick pay or sickness benefits. Maximum payment per week refers to the highest possible payment, again from either employer-provided sick pay or sickness benefits. Regulations refer to June 2019, except for Israel, Japan, Korea, Türkiye and the United States (2018), and Australia, Canada, Denmark, Ireland, Korea, New Zealand, the United Kingdom and the United States (February 2022).

Source: European Commission's Mutual Information System on Social Protection (MISSOC); United States' Social Security Administration's Social Security Programs Throughout the World (SSPTW).

StatLink https://stat.link/t1ck2g

Table A D.3. Funding of statutory social protection programmes for sick workers

Situation as of 2018

Country	Funding system	Contribution rates for countries with social insurance funding systems			
		Covered benefits	Contribution rates		
			Employee	Employer	Government
Australia	EPSP + taxes	-	-	-	-
Austria	EPSP + SI	SB, MB	3.78%	3.87%	-
Belgium	EPSP + SI	SB, DB	1.15%	2.2%	Annual subsidy
Canada	SI	SB, MB, UB	1.62%	2.27%	-
Chile	EPSP + SI	SB, MB	7%	-	-
Colombia	EPSP + SI	SB, MB	4%	8.5%[1]	-
Costa Rica	EPSP + SI	SB, HI	5.5%	9.25%	0.25%
Czech Republic	EPSP + SI	SB, WCB, MB	-	2.3%	Finances any deficit
Denmark	EPSP + taxes	-	-	-	-
Estonia	EPSP + SI	SB, WCB, MB	-	13%	-
Finland	EPSP + SI	SB	1.53%	0.86%	Finances any deficit
France	EPSP + SI	SB, DB, MB, SuB	-	13.3%	-
Germany	EPSP + SI	SB, HI, MB	7.3%-9%[2]	7.3%	Annual subsidy[3]
Greece	EPSP + SI	SB, MB	0.4%	0.25%	Annual subsidy
Hungary	EPSP + SI	SB, WCB, MB, UB	3%	19.5%	Finances any deficit
Iceland	EPSP + taxes	-	-	-	-
Ireland	SI	SB, WCB, MB, UB	4%	8.6%-10.9%[4]	Finances any deficit
Israel	EPSP + SI	SB	…	…	…
Italy	EPSP + SI	SB	-	2.2%-2.4%[5]	-
Japan	SI	SB, HI, MB	5%[6]	5%[6]	Contributes about 56% of HI
Korea	-	-	-	-	-
Latvia	EPSP + SI	SB, DB, WCB, HI, MB, UB, PB	11%	11%	
Lithuania	EPSP + SI	SB, MB	-	3.6%	Finances any deficit
Luxembourg	EPSP + SI	SB, MB	0.25%	0.25%	Subsidy of 40% of contributions
Mexico	SI	SB	0.25%	0.7%	0.05%
Netherlands	EPSP	-	-	-	-
New Zealand	EPSP + taxes	-	-	-	-
Norway	EPSP + SI	SB, WCB, MB, UB	8.2%	14.1%	Finances any deficit
Poland	EPSP + SI	SB, MB	2.45%	-	-
Portugal	SI	SB	0.7%	0.7%	-
Slovak Republic	EPSP + SI	SB, MB	1.4%	1.4%	Finances any deficit
Slovenia	EPSP + SI	SB, HI	6.36%	6.56%	-
Spain	EPSP + SI	SB, DB, MB, PB, SuB	4.7%	23.6%	Annual subsidy
Sweden	EPSP + SI	SB, DB	-	4.35%	-
Switzerland	EPSP[7]	-	-	-	-
Türkiye	SI	SB, MB	-	2%	-
United Kingdom	EPSP[8]	-	-	-	-
United States	-	-	-	-	-

"-": System does not exist. "…": Information not available.

Note: Funding system: EPSP: Employer-provided sick pay. SI: Social insurance.

Covered benefits: SB: Sickness benefits. DB: Disability benefits. WCB: Workers' compensation. HI: Health insurance (medical benefits). MB: Maternity and/or paternity benefits. UB: Unemployment benefits. PB: Pension benefits. SuB: Survivors benefits.

Earnings definitions on which contributions are levied differ across countries. There may be earning caps, minimum and maximum contributions.

Regulations in place in 2018, except for Chile, Colombia, Costa Rica and Mexico (2019), and Korea and the United States (February 2022).

1. Employer contributions include vocational training and solidary contributions for social assistance programmes.

2. Employees pay 7.3% and an additional monthly contribution of up to 1.7% that varies by sickness fund.
3. The annual subsidy covers non-insurance benefits provided by the statutory sickness insurance institutions (EUR 14.5 billion in 2017).
4. Employer contributions are 8.6% for employees with earnings below EUR 376, otherwise 10.85%.
5. Employer contributions are 2.2% in manufacturing and 2.44% in commerce and services.
6. Employee and employer contributions vary depending on insurer and region. Average contribution in 2017 was about 5% for employees and employers.
7. Most employers take voluntary private insurance.
8. Persons experiencing temporary sickness can be eligible to a general minimum income benefit with a fixed benefit amount (Employment and Support Allowance). This benefit is paid through social insurance contributions by employees and is not taken into consideration here.
Source: European Commission's Mutual Information System on Social Protection (MISSOC); United States' Social Security Administration's Social Security Programs Throughout the World (SSPTW).

StatLink https://stat.link/58ltzo

Notes

[1] However, at a certain point during a sickness spell going (partially) back to work may help the recovery.

[2] Workers and public authorities, such as certifying doctors and public employment services, also have an important role to play in the prevention of health problems and the promotion of return-to-work.

[3] Undesirable effects of the implementation of sickness benefits will depend on the generosity of the system. The systems implemented in the United States discussed in this section generally provide full wage replacement for all employees but for a very limited duration of only 5-13 days. Section 5 discusses the effects on sickness absence, labour costs and employment of different system parameters. Most of this evidence is from European countries that have more generous social protection systems for sick workers.

[4] The reduction of contagious presenteeism, which has positive external effects on society's health, is a key argument for sickness benefits and government-mandated paid sick leave – along with equity considerations of workers in weaker labour market positions who may not obtain voluntary employer-provided sick pay from their employer. Positive health externalities lead to suboptimal coverage rates for society if left to employers, given that employers do not sufficiently take into consideration the positive health externalities.

[5] The authors conclude: "Our estimates let us exclude employment losses of more than 2% and wage reductions of more than 3% at conventional statistical levels. […] In our opinion, the overall findings from nine city-level and four state-level mandates, in conjunction with a lack of systematically positive or negative point estimates (and rather small effect sizes), further corroborate our null findings" (Pichler and Ziebarth, 2020[38]).

[6] This risk may loom larger after a pandemic, if workers on sickness benefit cannot return to their job if their companies fail to remain in business when job retention schemes phase out (OECD, 2020[129]).

[7] As of 2021, 16 states, 23 cities and 2 counties in the United States have statutory sickness benefits.

[8] A slightly lower percentage say that they can take sick leave when ill (Annex B).

[9] Korea's system where statutory paid sick leave exists in the public but not in the private sector may also lead to labour market rigidities. Risk averse persons or those facing larger health risks, including older workers, may be unwilling to work in the private sector.

[10] Several countries (Denmark, France, the Netherlands, Norway, and Sweden) have employer-provided sick pay obligations and top-ups regulated in collective agreements, with top-ups generally up to 100% of previous earnings. These countries have high collective bargaining coverage rates, meaning that most employees are covered. Such collective agreements would provide low coverage in Korea, where only 15% of employees are covered by a collective agreement (OECD/AIAS data from 2018).

[11] The survey only covered (1) CIPD members, a charity promoting better work and working lives and (2) subscribers to Industrial Relations News, a newspaper focusing on industrial and employee relations. The firms covered in the survey are likely to be bigger and with more interest in promoting healthy working conditions.

[12] See https://www.oireachtas.ie/en/debates/debate/seanad/2020-10-07/23/.

[13] Data from the Survey on rest periods (2019) and Children's household statistics (2019).

[14] Effective coverage also means that sick workers use the scheme to stay home and recover. This is further discussed in Section 8.

[15] OECD Labour Market Statistics.

[16] Luxembourg and Slovak Republic do not have specific minimum income requirements. Instead, Luxembourg excludes employees who are only engaged occasionally and not habitually in a professional activity. Slovak Republic excludes those with irregular income.

[17] New Zealand doubled its minimum employer-provided sick pay duration to 10 days per year in July 2021.

[18] Paid sick leave in the Netherlands consists of employer-provided sick pay without sickness benefits.

[19] During the COVID-19 pandemic, many countries have expanded access to sickness benefits for self-employed workers. Almost all extensions, however, are time-bound and limited to COVID-19 sickness or quarantine. Expanding coverage to self-employed workers is even more important because they tend to be the largest group of workers in non-standard employment as a share of total employment. Moreover, they are overrepresented in the sectors severely affected by COVID-19 and the subsequent containment measures (OECD, 2020[24]).

[20] Less than 2% of eligible self-employed workers in the Netherlands and about 13% in the Czech Republic opted into the voluntary sickness scheme (CBS, 2019[64]; Avlijas, 2021[65]). In the Netherlands, voluntary sickness benefits are further restricted to those self-employed with a previous compulsory insurance record of at least one year, i.e. a history of wage employment prior to self-employment. In Austria, about 8% of the eligible self-employed opted into the voluntary part of sickness benefits, which covers the first six weeks of sick leave (OECD, 2018[61]).

[21] An estimated two-fifths of personal bankruptcies in Canada and about three-fifths in the United States were medical (Himmelstein et al., 2009[128]; Himmelstein et al., 2014[127]).

[22] This argument may apply more strongly during the start-up phase when labour costs are an important determinant of business success.

[23] There are four countries (Greece, Italy, Poland, and Türkiye) in which benefit rates are (slightly) less generous for hospitalised workers. The argument here is that hospitalised workers receive in-kind support. Note that this is different from Model 3 in Korea's Pilot Project in which only hospitalised would be eligible.

[24] The evaluation of the 2012 French reform does not account for effects on sickness absence through contagious presenteeism. There are a few other evaluations of waiting periods. These studies, however, do not assess an isolated waiting period reform but rather examine effects of complementary insurance

during waiting periods (Halima and Koubi, 2021[124]; Pollak, 2017[123]) or a reform that changed both waiting periods and benefit levels (Henrekson and Persson, 2004[125]).

[25] Countries may set maximum thresholds for payment durations for a single sickness spell as well as for total sickness absence during a year. This section focuses on maximum duration for a single sickness spell.

[26] Unfortunately, there are no causal evaluations of changes in maximum payment duration. One study examines the causal impact of shorter time limits before obligatory assessments for sickness benefit recipients (Hägglund, 2012[77]). Another study presents descriptive evidence of sickness absence before and after the implementation of a maximum sickness benefit payment duration in Sweden in 2008 (Vaez et al., 2020[80]).

[27] The payment rate covers the sum of sick pay and sickness benefit where both is received at the same time.

[28] This paper only considers sickness spells longer than nine days (during which workers receive employer-provided sick pay) and therefore does not look at total sickness absence or the incidence of sickness absence.

[29] There can also be relevant interaction between sickness and unemployment benefits. In Sweden, unemployment benefit recipients can move to sickness benefit if they are sick. In 2003, the government reduced sickness benefits for unemployed persons to align them to level of the unemployment benefit. The 9% decrease in sickness payment rates for this group led to a 36% decrease in the incidence of sickness absence (Hall and Hartman, 2010[126]).

[30] Persons with COVID-19 symptoms receive a top-up.

[31] Norway has a 100% replacement rate without a waiting period.

[32] In Germany and Finland, the employee can decide whether to take part in graded work. The doctor and employee agree on a reintegration scheme that covers programme duration, daily working time and its progression throughout the recovery. Employees do not have financial incentives to participate, as sickness benefits are reduced in proportion with work participation. Employers have the right to refuse graded work without justification (Germany) or if the work arrangements needed at the workplace are not feasible (Finland). Evaluations, correcting for selection bias, show positive labour market outcomes in both countries. Graded work increases work participation and the probability of returning to regular working hours, while reducing the risk of permanent work disability and the duration of welfare benefits in Germany (Schneider, Linder and Verheyen, 2016[96]; Bethge, 2016[97]). Graded work increases participation in gainful employment over 365 days by about 10% in Finland, with almost three times as large effects for persons with mental disorders (Kausto et al., 2014[98]).

[33] Unfortunately, comparative data on sickness programme recipients or average payment periods or payments per sickness spell are not available.

[34] Collective agreements may contain such legislation, although collective bargaining coverage rates are low (15% of employees). Furthermore, employees must receive approval from their employer if the collective agreement stipulates that the employee can apply for remote working. If instead the collective agreement stipulates that an employee who meets certain requirements, such as application qualifications and job function, can work from home, then the employer must comply with the employee's request.

Disability, Work and Inclusion in Korea

TOWARDS EQUITABLE AND ADEQUATE SOCIAL PROTECTION FOR SICK WORKERS

Many people with health problems or disabilities leave the labour market permanently even if they still can and want to work. This can lead to low income and reduced social engagement. Governments and employers can help create an environment that supports job retention and a return to work in such situations. This report looks at one critical policy lever: the role of paid sick leave and sickness benefits in protecting workers' health, jobs and incomes. Korea is among the very few OECD countries without statutory social protection for sick workers and is currently considering closing this gap in its welfare system. This report provides an overview of key features of sickness insurance systems in OECD countries and draws policy lessons for Korea to introduce equitable and adequate social protection for sick workers with a robust return-to-work component and financially sustainable payments that encourage employer involvement.

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