



## Summary:

# Is sick leave good for your health?

## Background and audit questions

Sickness absence in Sweden has increased for six years in a row and the costs of sickness benefits have doubled since 2010.<sup>1</sup> The purpose of sickness insurance is to compensate for loss of income in the event of work incapacity due to sickness, and thus give the individual the opportunity to get well in peace before returning to work.<sup>2</sup> Sickness absence may, however, in itself be a high risk. Studies have shown that people who have been on long-term sick leave run a higher risk than others of having a weaker attachment to the labour market, poorer mental health and a worse social life.<sup>3</sup> Extensive research has also shown that take-up of sickness benefit can be influenced by other factors than work incapacity, such as the design of the regulations and norms concerning sick leave.<sup>4</sup> Consequently, an important question is whether sickness insurance is used and the sick-leave process takes place in a way that promotes the health of the individual and the labour supply in the long term.

It is difficult to study the effects of sick leave on health and the labour market. No previous studies have been able to credibly separate the consequence of sick leave in itself from its cause; for example, weak health or insufficient incentive to work. This means that knowledge of the consequences of sick leave for the individual is currently very limited. Already in 2003 the Swedish Agency for Health Technology Assessment and Assessment of Social Services noted that “*the lack of knowledge is remarkable, particularly in view of the major economic costs to society of sickness absence and disability pension*”.<sup>5</sup>

In this audit the Swedish NAO uses a “natural experiment” in the sick-leave process, which arose as a consequence of the margin of discretion each case officer has in individual cases. With the help of the experiment the effects of sick leave can be analysed with great reliability. The audit question answered is: What effects does refusal of

<sup>1</sup> Govt. Bill 2016/17:1 and Govt. Bill. 2011/12:1.

<sup>2</sup> Chapter 27 Section 2 of the Social Insurance Code (2010:110).

<sup>3</sup> Marklund et al. (2005).

<sup>4</sup> Hägglund and Johansson (2016).

<sup>5</sup> Swedish Council on Health Technology Assessment (2003).

sickness benefit have on the individual's health, employment and future use of sickness insurance? The audit is limited to just over 5 000 people on sick leave, some of whom had been granted continued sickness benefit, and some not. Since those who were granted or not granted sickness benefit were fully comparable, the effect is measured by comparing the average outcome for each respective group. Thus it should be noted that the audit does not refer to effects in individual cases.

The audit findings are addressed to the Swedish Social Insurance Agency, which makes decisions on the right to sickness benefit. The findings should also be of interest to the Government, which designs the sickness insurance rules, and doctors, who issue medical certificates.

## Audit findings

The report notes that refusal of sickness benefit in an ongoing sickness case reduces the probability that the person will have left the labour market within three years by receiving disability benefits (formerly: disability pension) by 40 per cent. The reduced payments of sickness benefit and disability benefits means an average sickness insurance saving of SEK 140 000 per individual. The effect is clearer for women than for men and is found both in individuals in the best and worse health.

Moreover, it is noted that refusal of sickness benefit has positive effects on the individual's labour supply. Income from work one year after the decision was higher among those refused sickness benefit than those who had been granted benefit. The effect was clearer for men than women, partly because women work part time to a greater extent than men.

There is nothing in the report to support that refused sickness benefit on average affects the health of the individual. Analyses have been made regarding consumption of healthcare services and medicinal products, as well as mortality, and no differences between those granted and those not granted sickness benefit could be noted. The results are stable for various health measurements, over time and for different groups of people on sick leave.

All in all, the findings show that a strict assessment of the right to sickness benefit gives rise to positive effects for both individuals and society. The costs of sickness insurance decrease as a consequence of reduced payments of both sickness benefit and disability benefits. The labour supply of the individual increases and the risk of being excluded from the labour market decreases, without negative side-effects in the form of health deterioration or increased costs for ill health. The findings also indicate that a strict

assessment leads to a more gender-equal take-up of sickness insurance benefit. This is because women have more sick leave than men and because when refused sickness benefit they reduce their future sickness absence more than men. It can be noted that the findings indicate that a more even take-up of sickness insurance benefit could be achieved without negative effects on health for either women or men. In conclusion, a strict assessment of the right to sickness benefit contributes to a reduction in economic inequality. This is because sickness insurance is used relatively more often by individuals on low incomes, and because refusal of sickness benefit increases the individual's income.

### **Generalisability and interpretation**

The findings from this audit refer to just over 5 000 people on sick leave, a large proportion of whom were on long-term sick leave, whose cases could probably be regarded as difficult to assess.

The proportion of cases that are difficult to assess among all sickness leave cases, i.e. where both refusal and granting of sickness benefit would have been possible within the framework of the regulations, is probably considerable. The reason is that the margin of discretion in sickness insurance is extensive and that uncertainty in assessment of work capacity is often great. The report also notes that the population studied has great similarities with the majority of people on sick leave. In addition it is noted that the positive effects of refusal of sickness benefit in the form of reduced sick leave and receipt of disability benefits, as well as increased employment, are higher for people who have been on sick leave for a relatively short time compared with long-term sick leave. Our assessment is therefore that the results to a great extent are relevant for a considerably larger population than that studied, even among people who are not on sick leave but who apply for sickness benefit.