



# ▶ Social Protection Spotlight

Date: May 2020

## ▶ Sickness benefits: An introduction

### Key points

Sickness benefits are an essential component of social health protection. In particular:

- ▶ Sickness benefits provide income security in case of illness. As such, they promote the realization of the human rights to health and to social security, while supporting public health and the prevention of poverty.
- ▶ To prevent impoverishment, both effective access to health care services without hardship and adequate sickness cash benefits are necessary. Close coordination between sickness cash benefits and health care benefits is needed to reach targets 1.3 and 3.8 of the Sustainable Development Goals.
- ▶ To be effective, sickness benefits should be extended to all. Extending and/or establishing sickness benefits through collectively funded mechanisms should be a priority.

To maximize the impact of sickness benefit schemes, ILO standards provide guidance for their design features and financing structure. It is especially important to:

- ▶ Embed the right to sick leave in the law, where that is not currently the case, and ensure universal coverage of sickness benefits.
- ▶ Establish robust, sustainable and equitable financing mechanisms that are based on broad risk-pooling and solidarity. ILO standards promote collectively financed sickness benefits as a sustainable protection mechanism. For sickness benefits to reach their objectives, appropriate mechanisms should provide protection to workers in all forms of employment.
- ▶ Consider scheme designs that allow for a preventative approach.

## Sickness benefits are an essential component of social health protection

Sickness benefits and sick leave are crucial for addressing deteriorating health, health-related poverty and loss of productivity. They allow workers to stay at home to recuperate until they have fully recovered, thereby protecting their own health and, in the case of communicable diseases, the health of others.

Ensuring paid sick leave and providing for sickness benefits contribute to the human rights to health and to social security (ILO 2017). Sickness benefits are a key element of social health protection that aims to provide effective access to health care without hardship, as well as income security to compensate for earnings lost due to sickness through public or publicly organized and mandated private measures (ILO 2020b).

### Sick leave

Sick leave <sup>1</sup> addresses the need to take leave when a person is sick. It is separate from holiday entitlements and should be defined in labour law. Each country defines instances in which there is a suspension of earnings during sick leave. Countries may also define a period, if any, during which there is a legal obligation for employers to cover the salary of workers (employers' liability).

### Sickness benefits

**Sickness benefits** guarantee that an adequate income is provided during sick leave when earnings are suspended.

Where such benefits are not available, both the health and the income security of workers, as well as public health, are at risk:

- A lack of coverage encourages people to report to work sick, increasing the risk of spreading their disease to others and/or putting their safety and the safety of their colleagues at risk. This adverse effect has been documented for its impact on prevention in public health crises (Drago 2010) and more generally on occupational safety and health (James 2019).
- The loss of income during sickness increases poverty risks for workers. The risk of impoverishment is even more pronounced when workers or their families are not covered by a

national social health insurance scheme or a national health service and must bear the cost of health care as well. The impact on health, income and well-being for households affected by illness is immediate and may have a lasting impact. The impoverishing impact of sickness due to income loss is increasingly being documented (WHO 2018; Thorpe 2019). Indeed, the global tuberculosis and HIV/AIDS strategies have included an income security component (WHO 2014; UNAIDS 2015; Lönnroth et al. 2014).

### Key principles

To maximize the impact of sickness benefit schemes, ILO standards <sup>2</sup> provide guidance for their design features and financing structure. These instruments reflect an international consensus forged by governments and employers' and workers' organizations (ILO 2019c, 2020b).

The following aspects are especially important:

- **Collective measures ensuring universal protection.** Member States should guarantee at least a basic level of social security in case of sickness involving a suspension of earnings. These should be provided in the most effective and efficient way, such as through universal benefit schemes, social insurance schemes, social assistance schemes or a combination of those schemes.
- **Ensuring robust, sustainable and equitable financing mechanisms based on broad risk-pooling and solidarity.** Convention No. 102 provides that the cost of such benefits and their administration needs to be borne collectively by way of social insurance contributions, taxation or both, in a manner that avoids hardship to persons of limited means and takes into account national economic situations. Recommendation No. 202 reaffirms the principle of solidarity in financing. In social insurance schemes, the cost of benefits that cannot properly be met by contributions should be covered by the community. All persons in need should be granted social assistance benefits, financed through taxes, that are sufficient to maintain their families in health and decency.
- **Scope of the benefit.** Sickness benefits are provided in case of "incapacity for work resulting from a morbid condition and involving suspension of earnings". Sickness benefits should be granted

<sup>1</sup> The right to take sick leave is recognized as an entitlement separated from other types of leave, such as holidays, in both the Holidays with Pay Recommendation, 1954 (No. 98) and the Holidays with Pay Convention (Revised), 1970 (No. 132). In particular, ILO standards establish that sick leave periods should be defined in a way that ensures that they are not counted as holidays and that workers accumulate holiday entitlements during sick leave; that they should be reflected in contracts (for everyone and for specific occupations); and that they should take into account equality of treatment across several categories of workers, in particular for temporary and other vulnerable employment (ILO 2011, 2019c).

<sup>2</sup> The following ILO social security standards provide essential guidance on sickness benefits: the Income Security Recommendation, 1944 (No. 67); the Social Security (Minimum Standards) Convention, 1952 (No. 102); the Medical Care and Sickness Benefits Convention, 1969 (No. 130) and the Medical Care and Sickness Benefits Recommendation, 1969 (No. 134).

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until recovery, including in case of any absence from work while receiving preventative or curative care or being isolated for the purpose of quarantine (Recommendation No. 134).

- **Waiting period.** ILO social security standards specify that, where they exist, waiting periods to access sickness benefits should not exceed three days.
- **Benefit level.** The benefit shall be a periodical payment that is provided to secure at least 45 per cent of previous earnings according to Convention No. 102 or at least 60 per cent of previous earnings according to Convention No. 130.<sup>3</sup>
- **Care for dependants.** Appropriate provisions should be made to help economically active persons who must care for a sick dependant.

**Extending sickness benefits to those not yet covered: the next frontier**

Closing coverage gaps

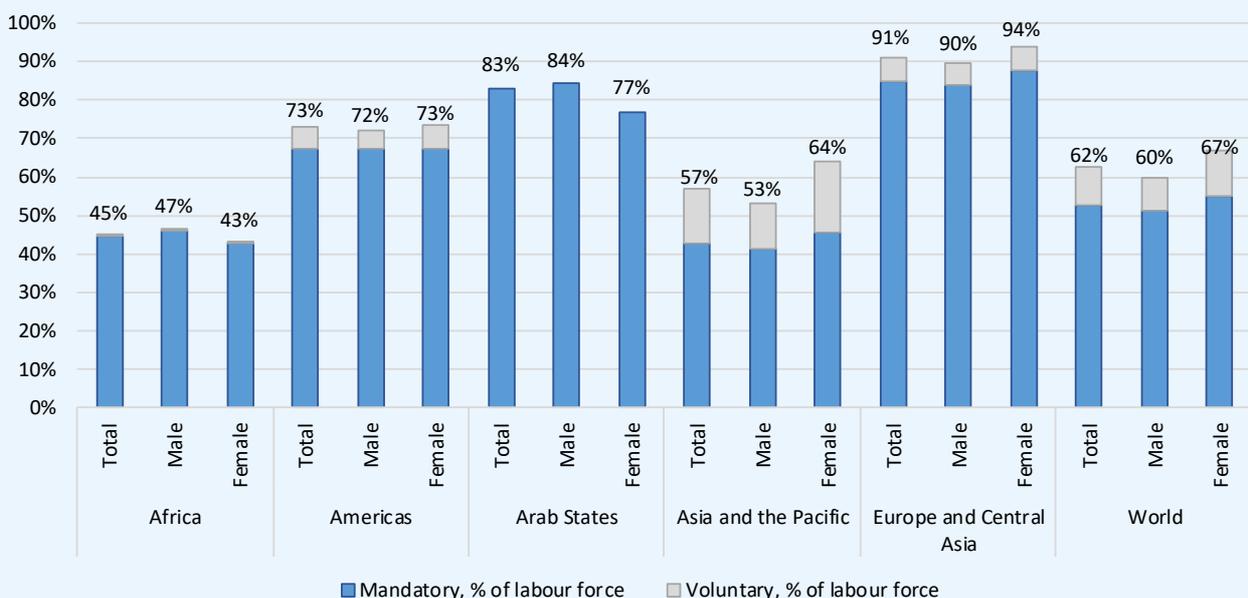
**To be effective, sickness benefits should be extended to all** (Lönroth et al. 2020). Most countries (91 per cent) have legal provisions for paid sick leave, sickness benefits or both for at least one category of workers, yet in many cases such provisions exclude some categories of workers. Special efforts are needed to extend protection to those not yet covered, including workers in part-time and temporary employment and the self-employed (ILO 2019b).

The ILO estimates that 62 per cent of the labour force in the world, representing 39 per cent of the working-age population, is either legally covered by a social insurance or social assistance sickness benefit scheme, or is entitled to statutory paid sick leave provided by the employer or is covered by a combination of those mechanisms. This leaves three in five workers who have no legal coverage (ILO 2020c). There are wide regional differences (see figure 1), with high levels of legal coverage of the labour force in Europe, Central Asia and the Arab States and lower levels in Asia and the Pacific and Africa.

However, even if workers are covered by law, they may still not receive sickness benefits due to administrative or geographical barriers or a lack of awareness (Scheil-Adlung and Bonnet 2011; ILO 2014, 2017). Moreover, sickness benefit levels may not be sufficient to guarantee adequate income security (Scheil-Adlung and Sandner 2010). The following adequacy gaps need to be considered:

- The level of benefits may be insufficient to effectively provide a sufficient replacement for the income lost. When the benefit level is expressed as a percentage of past earnings, low levels of benefits and the absence of a floor level will have the greatest impact on low-income workers.
- Sickness benefits may only cover periods of sickness and may not cover time spent in seeking care, quarantine, self-isolation or caregiving for dependents.
- Eligibility criteria can include waiting periods that may not be compensated for.

Figure 1: Legal coverage of sickness benefits: Percentage of persons in labour force protected by law in case of loss of income during sickness, by region, latest available year



<sup>3</sup> For an overview of the main requirements of ILO social security standards on sickness benefits, see ILO (2019a), p. 253.

### Collective financing

The extension of sickness benefits to those not yet covered should also consider the necessity of collective financing. Relying solely on employers' liability may have adverse effects. In particular:

- Solidarity in financing is de facto limited and coverage often encompasses only salaried work, sometimes excluding categories of workers, such as casual workers and workers who are paid hourly wages.
- Individual enterprises are left to bear the costs of workers' sickness. This may cause pressure not to take sick leave and discrimination at recruitment against individuals with declared diseases, while small enterprises may struggle with the financial implications and therefore have an incentive to employ workers in forms of employment that are not subject to statutory sick leave.

The lack of affordable quality health care and income security in case of sickness for the majority of the world's population creates a risk of impoverishment, with greater impact on the most vulnerable.

Extending and/or setting up sickness benefits through collectively funded mechanisms should be a priority. ILO standards promote collectively financed sickness

benefits as a sustainable protection mechanism. In order for sickness benefits to reach their objectives, appropriate mechanisms should provide protection to workers in all forms of employment.

### Ensuring adequate protection for the future

To prevent impoverishment, both effective access to health care services without hardship and adequate sickness cash benefits are necessary (ILO 2020b; Lönnroth et al. 2020). Close coordination between sickness cash benefits and health care benefits is needed to reach targets 1.3 and 3.8 of the Sustainable Development Goals. ILO standards and principles provide useful guidance on extending sickness benefits to all in need, including:

- Embedding the right to sick leave in the law, where that is not currently the case, and ensuring universal coverage of sickness benefits.
- Ensuring that sickness benefits provide adequate benefit levels that are in line with ILO standards.
- Ensuring that the design of sickness benefit schemes allows for a preventative approach in the event of a pandemic (ILO 2020a).<sup>4</sup>

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<sup>4</sup> Such as the suspension or removal of waiting periods, the inclusion of coverage for quarantine and the extension of the scope of sick leave to include caring for sick dependants.

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