

# Sick Pay and Absence from Work: Evidence from Flu Exposure

Jakub Grossmann <sup>\*†</sup>

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## Abstract

The system of sick-pay is critical for balancing the economic and health costs of infectious diseases. Surprisingly, most research on sick-pay reforms does not rely on variation in worker exposure to diseases when investigating absences from work. This paper studies the effects on absences from work of changes in health-insurance coverage of the first three days of sickness. We explore geographic variation in the prevalence of infectious diseases, primarily the seasonal flu, to provide variation in the need for sickness insurance. Estimates based on the Czech Structure of Earnings Survey imply that when sickness insurance is not available, total hours of work missed are not affected, but employees rely on paid and unpaid leave instead of sick-leave to stay home. The substitution effects are heterogenous across occupations and socio-demographic characteristics of employees, and suggest that workers do not spread infectious diseases at the workplace as a result of the absence of sickness insurance coverage in the first three days of sickness.

**Keywords:** Sickness insurance, exposure to sickness, policy reforms, Czech Republic.

**JEL Classification:** I13, I18, J3.

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<sup>\*</sup>CERGE-EI, a joint workplace of Center for Economic Research and Graduate Education, Charles University and the Economics Institute of the Czech Academy of Sciences, Politických veznu 7, P.O. Box 882, 111 21 Prague 1, Czech Republic.  
Email: jakub.grossmann@cerge-ei.cz.

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