



Financial incentives for job retention

An analytical framework applied in three countries

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Study in three countries

Country	Organisation
The Netherlands	TNO
Denmark	Danish National Centre for Social Research (SFI)
Great Britain	Department for Work and Pensions (DWP)



Sickness absence – (adverse) effects

- › Employee: health, income, employability, job security
- › Employers: productivity, replacement, benefit payments
- › Public sector / insurance companies: benefit payments
- › Health sector: provision of services

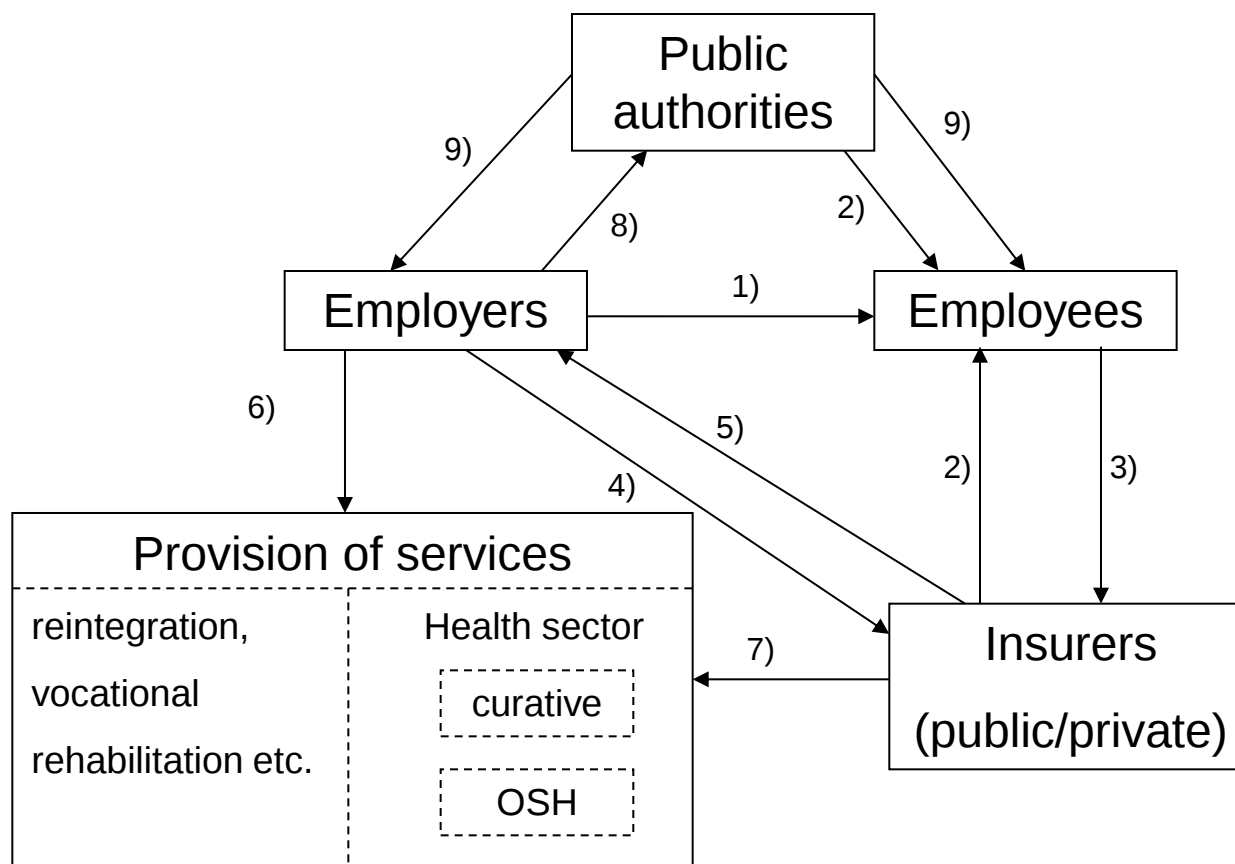


Prevention of sickness absence and support return to work

- › OECD (2010): “The best way to combat sickness absence and its unfavourable effects is by strengthening the financial incentives of all the actors involved.”
- › The OECD stresses the significance of a balance of incentives between the actors aimed at
 - › prevention of sickness absence and
 - › supporting return to work.



Analytic framework – financial flows





The Netherlands

- › Strong incentive for **employers**: wage payment during first two years of illness of their employees.
- › Financial risks of employers largely insured: shift of financial incentives to **private insurance companies**.
- › For **employees** main incentive in second year: 70% of previously earned wages.



Denmark

- › Limited incentive for **employer**: payment of sickness benefits in first three weeks.
- › After three weeks sickness benefits are paid by municipality, partly reimbursed by the state: incentive lies with **public authorities**.
- › **Employees** have strong incentives to return to work:
 - › significant reduction in income
 - › avoid dismissal.

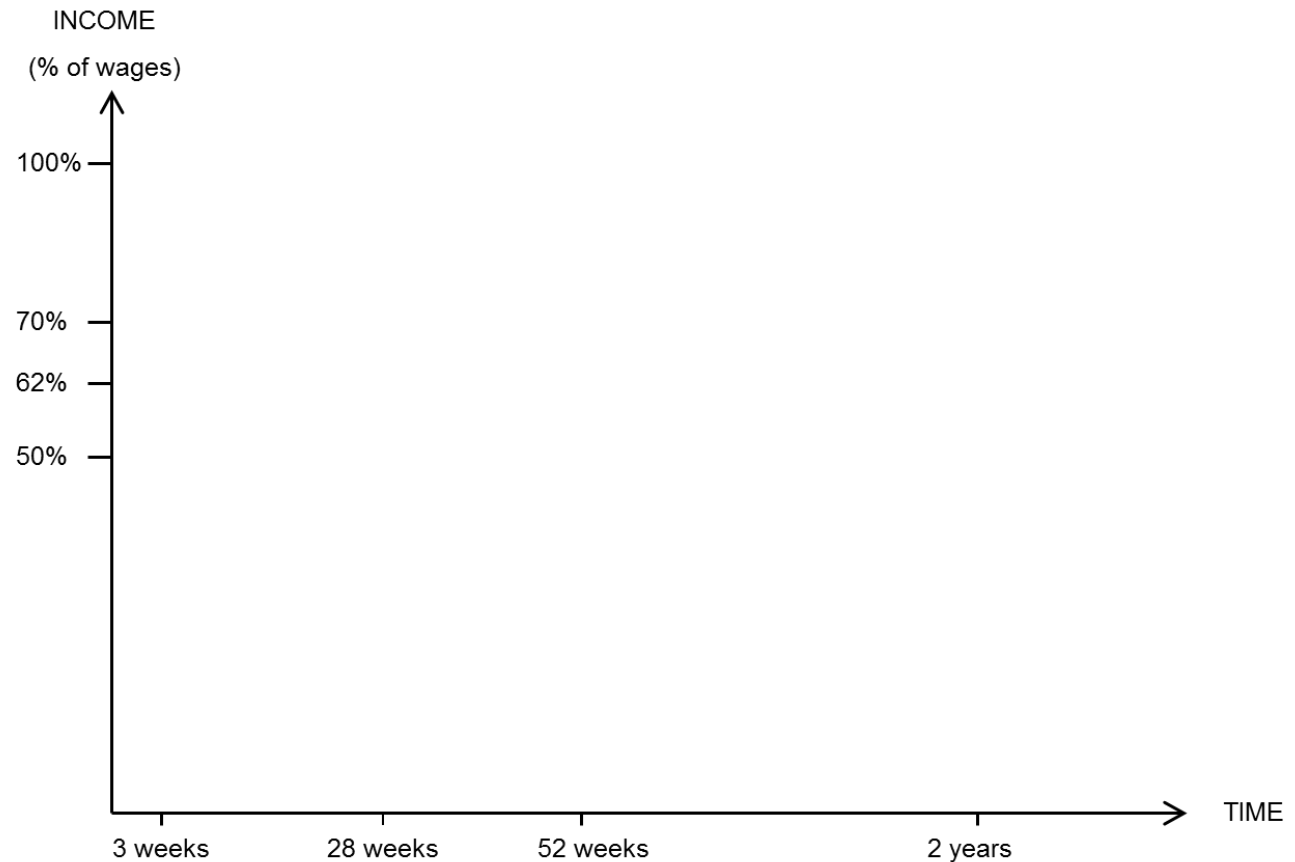


Great Britain

- › **Employers** are obliged to pay Statutory Sick Pay for 28 weeks.
- › In addition **employers** may voluntarily provide Occupational Sick Pay.
- › After 28 weeks employees are entitled to **state** benefits.
- › Strong incentives for **employees**:
 - › sick pay implies significant loss in income.
 - › possible dismissal after 28 weeks of sickness.

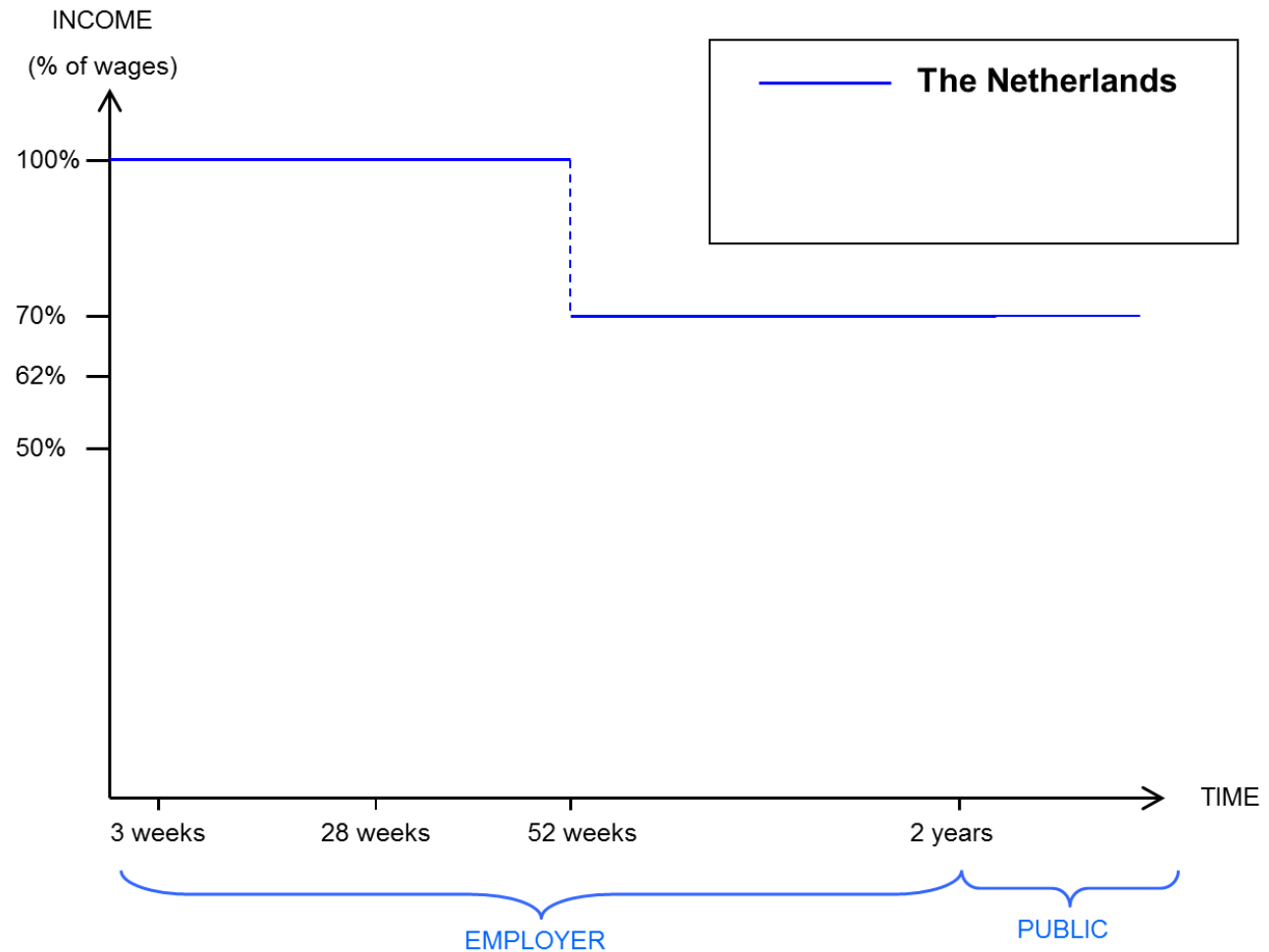


Timelines for sick pay in three countries



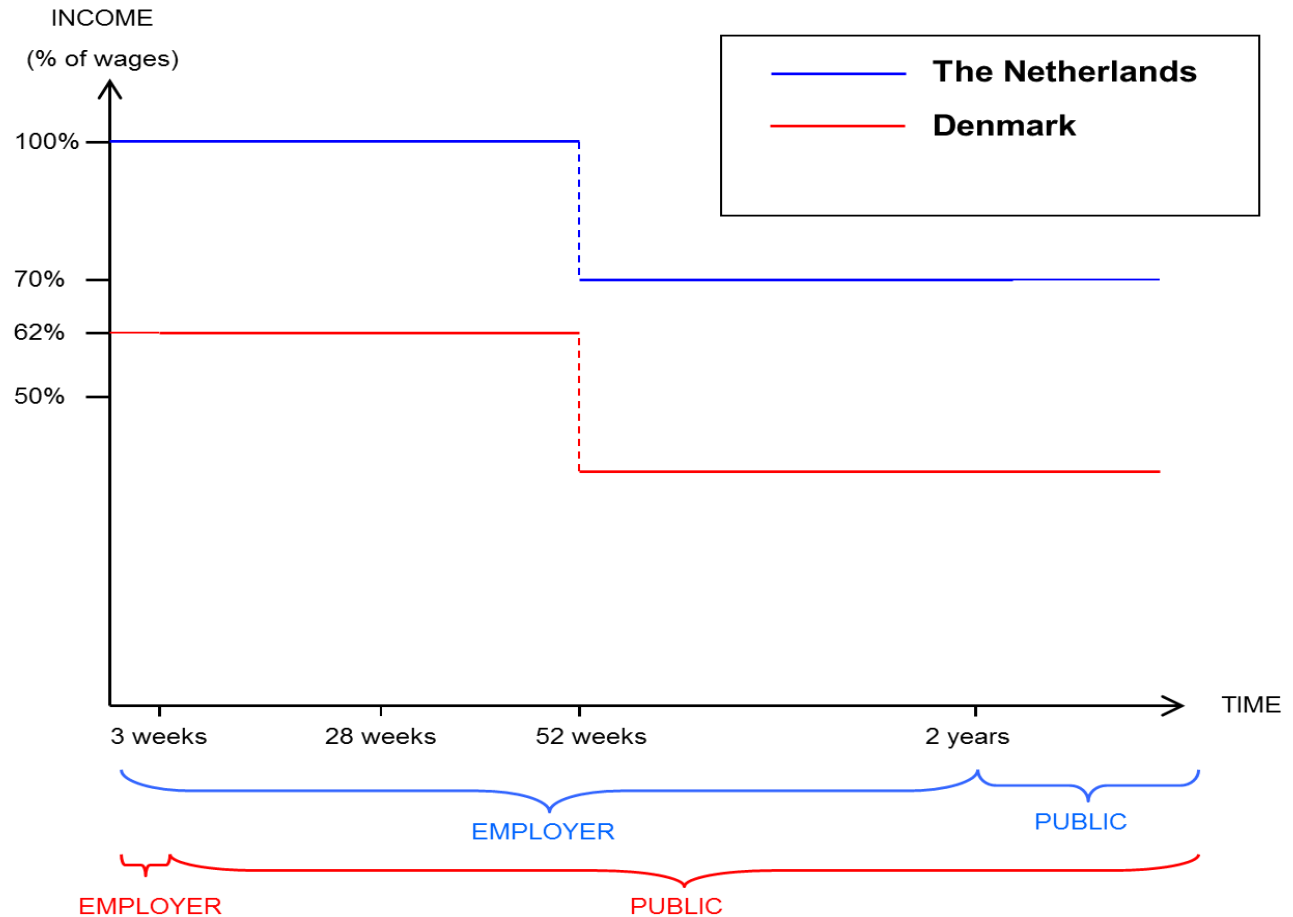


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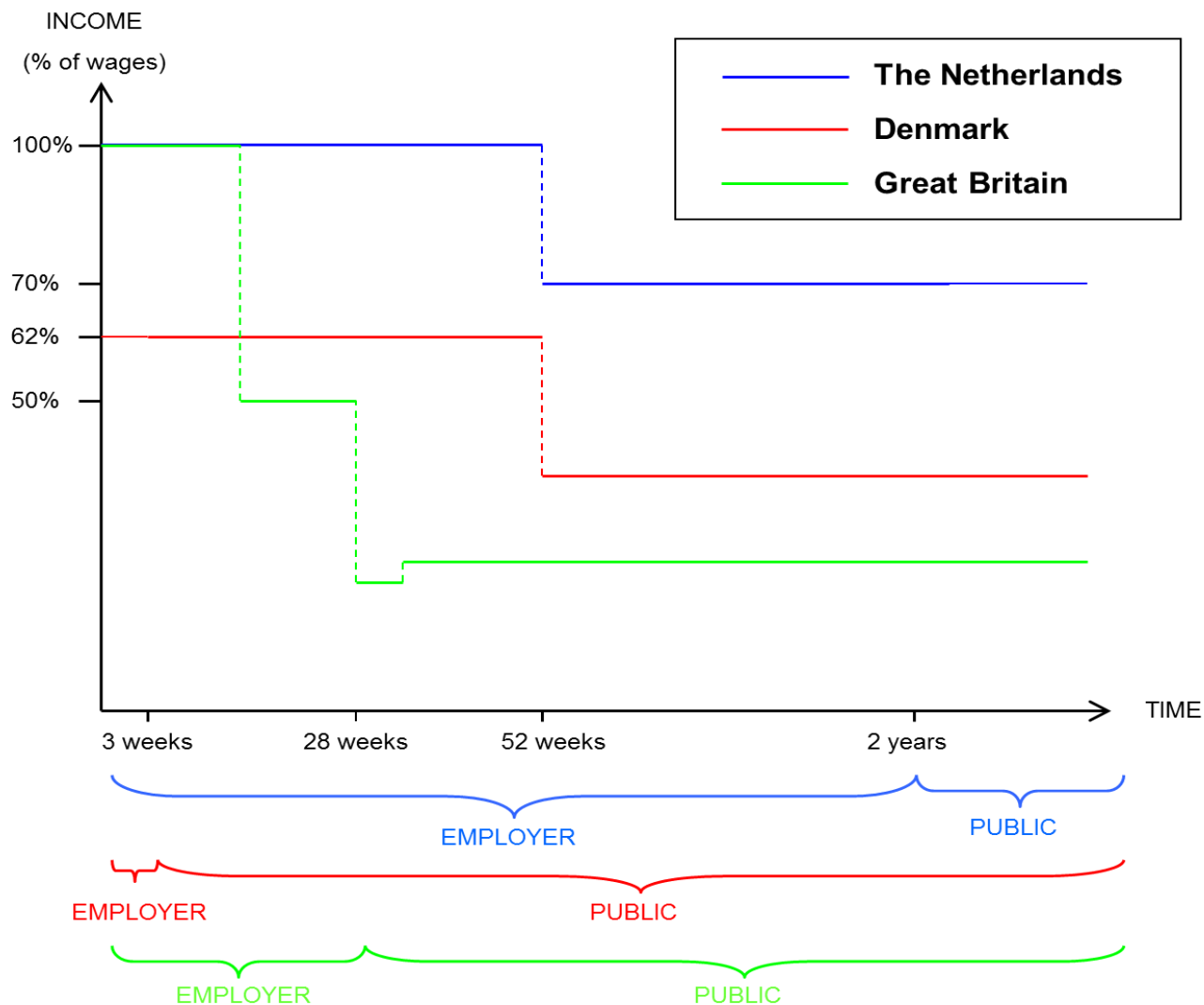


Timelines for sick pay in three countries





Timelines for sick pay in three countries





Effectiveness of incentives

- › Little evidence on effects in these three countries.
- › Complexity due to diversity of actual incentives as a result of specific arrangements at sector, company and individual level.
- › Available evidence indicates relatively small, transitory effect of financial incentives in reducing sickness absence.
- › However, also indications that financial incentives for employers, combined with sickness management and provision of health services is effective in reducing sickness absence.
- › This indicates the potential effectiveness of a balance of incentives, including incentives for the health sector.



Room for improvement: stronger (direct) incentives for health sector

