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Partial sick leave in Norway: high hopes for social inclusion

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Flash Report

Social Policies in Brief
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Theme(s):	*Labour market*
Title:	**Partial sick leave in Norway: high hopes for social inclusion**
Category:	*Adopted measure*
Abstract:	The overall rate of sickness absence is comparatively high in Norway. Making partial sick leave the default option in sickness absence cases is seen as a key instrument to reduce the rate and volume of sickness absence, and also to preclude labour market exclusion for people with health problems. This measure was introduced in 2004, but has been adjusted several times. The last adjustments, so far, came in March 2014.
Description:	When the OECD published its "Skills strategy diagnostic report" on Norway in 2014, the comparatively high rates of sickness absence was a key concern (OECD, 2014). Sickness absence is one of relatively few social inclusion dimensions where Norway's performance is at the bottom of the league. Financial compensation for employees on sick leave is indeed very high (full wage compensation with no waiting days). Yet while many politicians have called for a reduction, this has proved impossible to achieve (Hagelund, 2014). Instead, politicians and the social partners have tried to lower rates of sick leave through a number of measures regarding expectations of activity during sick leave, and in the routines for cooperation between the various actors involved. One important measure, on which high hopes were pinned, was the introduction of partial sick leave as the default option in sickness absence cases in 2004. The new rule indicated that whenever an employed person asked for sick leave, the General Practitioner (GP) should assess whether or not graded sick leave might be an option. In principle, 100% sick leave should only be granted in special cases. The new practice – which was supplemented by other administrative reforms – led to an immediate drop in overall rates of sickness absence: from 7.3% in late 2003 to 5.5% in late 2004 (Markussen, 2010). Moreover, while the principle of only granting 100% sick leave in special cases was never fully implemented, the proportion of graded sick leaves has increased: from 12% in 2003 to about 25% in 2014. The ambition to reduce rates of sick leave through better inclusion mechanisms is anchored in the collective agreement on inclusive working conditions (Inkluderende arbeidsliv, IA-avtalen). This was signed for the first time in 2001, as an agreement between the social partners and the government. It has been renewed several times since then, most recently on 4 March 2014 for the period 2014–2018. When it was signed for the third time in 2010, it was supplemented by a special protocol between the social partners and the government to "prevent and reduce sickness absence and improve inclusion". The protocol built on a report from an expert committee that recommended a much stronger emphasis on presenteeism and activation to combat sickness absence. The protocol partially met this recommendation by launching an (even) more intense system for meetings and reporting between the involved parties: the person on sick leave, the employer, the GP and the Norwegian Labour and Welfare Administration. This system was eased in 2014, in the 4th agreement, for employees on partial sick leave. A study (Ose et al., 2013) found that the demands for meetings and reporting when an employee

	was on sick leave were seen as taxing by employers, to such an extent that they tried to avoid employing staff who were seen as likely to have health problems. The most recent version of the agreement on inclusive working conditions tried to meet this criticism, but it is not yet known if this minor reform had the desired effect.
Outlook & Commentary:	The emphasis on partial sick leave and careful follow-up of recipients of sickness benefit illustrates how, when cash benefits cannot be altered due to political constellations, politicians find other levers to pull (Hagelund and Pedersen, forthcoming). It is also an interesting example of how good intentions in one area (maintaining people with health problems in the labour market) may undermine intentions in a different area (improving the odds of the health impaired being employed in the first place), and thus an illustration of the complexities inherent in social policymaking. One of the most heated academic debates in Norway in recent years has been on the effects of the increased emphasis on partial sick leave. At the macro level, the efforts have arguably achieved relatively little: there have been no significant drops in rates of sickness absence in the last 15 years. It is, however, possible that outcomes would have been much worse without the emphasis on partial sick leave. Academics disagree both on the extent to which partial sick leave is associated with shorter periods on leave, and the extent to which it slows down permanent labour market exclusion. Markussen et al. (2012) found significant positive effects on both accounts, while Ose et al. (2012) found only minor (albeit positive) effects on leave periods. These authors further point out that partial sick leave is least common in parts of the economy where rates of sickness absence are highest, and that this measure thus has a very limited potential in actually bringing down overall rates (op. cit.). This debate continues. The emphasis on graded sick leave has also been shown to create new challenges of its own. When employees on partial sick leave transfer to disability benefits after a period, it is in many cases partially because solutions that are workable in the short run are unacceptable on a permanent basis. Moreover, it has proven difficult to find the optimum level of grading, which implies that the affected employee often will work more than his/her health situation allows, with the risk of lapsing into full (100%) sick leave over time (Grødem et al. 2014).
Further reading:	Grødem, A. S., Orupabo, J. & Pedersen, A. W. 2014. Gradert sykmelding. Oppfølging og trygdemottak etter sykepengeperiodens utløp. Oslo: Institutt for samfunnsforskning, report no. 5. Hagelund, A. 2014. From Economic Incentives to Dialogic Nudging – The Politics of Change and Inertia in Norwegian Sickness Insurance. *Journal of Social Policy,* 43, 69-85. Hagelund, A. And Pedersen, A.W. (forthcoming), To Reform or Not to Reform? Explaining the Coexistence of Successful Pension Reform and Sick Pay Inertia in Norway, in Engelstad, F. and Hagelund, A. (eds.), Cooperation and conflict the Nordic way. Work, Welfare, and Institutional Change in Scandinavia. Berlin: De Gruyter Open. Markussen, S. 2010. 2004: Da sykefraværet falt som en stein. *Samfunnsøkonomen*, 18-23. Markussen, S., Mykletun, A. & Røed, K. 2012. The case for presenteeism - Evidence from Norway's sickness insurance program. *Journal of Public Economics,* 96, 959-972.

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