

**Comment on Andrea Ichino and Regina T. Riphahn:
Absenteeism and employment protection: Three case
studies**

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The question addressed in the paper by Ichino and Riphahn is whether employment protection affects absenteeism. It is an interesting and important problem worth analysing. I know of no other studies within the economics literature that deal with this particular topic and, as such, the contribution is a novelty. There are related studies within other fields and therefore this paper is also an important broadening of approaches to the study of employment protection and its effects on workers' absence behaviour.

Both the theory section and the empirical sections give important and well-founded insights. The paper is elegantly set up and nicely written. Predictions from a simple and illustrative theory model are supported by interesting German and Italian case studies. The theoretical model is a type of efficiency wage model, which shows that if protection against job loss is improved, employees will demand more absences. The empirical sections are based on very relevant data sets, and they give support to the hypothesis that better employment protection will increase absences. Three case studies are presented. A German study shows that public-sector employees with long tenure have higher absenteeism than other public-sector as well as private-sector employees who do not enjoy the same employment protection. In Italian private sectors, firm size is important for employment protection. The second case study again shows that those who earn the best protection have less absence. Lastly, another Italian study shows that bank employees tend to increase absences when a probation period, which provides less employment protection, has been passed.

There are a number of questions and comments that can be raised. They are not necessarily such that they could or should be answered within the framework of this particular analysis but can serve to cast some light on the results and how they may be interpreted.

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At the outset, it is somewhat unclear what forms a definition of employment protection that can be made operational and tested. It seems from the discussion in the paper that this study deals with specific rules giving additional rights to some worker groups. However, to some degree, these seem to be related to seniority advantages that people earn over time. It may be that the workers have indirectly paid for these rights through compensating wage differentials or in other ways. Even though this might be irrelevant at the margin, it may be a justification for the observed differences in behaviour. In this connection, it is noticeable that the German case study has a rather small group of public-sector employees with good employment protection, compared to the size of the control groups. Thus, the higher absences are observed for relatively small and distinct groups, and it is not necessarily the case that the results would carry over to other settings with similar employment protection.

Related to this, some discussion of the institutional setting would have been desirable, in particular when it comes to the sickness benefit system. This is important for considering the individual costs of absences. What are the replacement ratios and number of days without compensation for the workers in question in Germany and Italy? It is useful to know the general rules, and then whether some of the groups have special arrangements that have been bargained centrally or locally, either individually or by unions. Do benefit systems vary among the different categories of workers that are investigated? There is no information about this, although it is important to know whether behaviour is driven by financial consideration instead of or in addition to employment protection.

It would be interesting to consider whether employment protection as used here can be generalised to other cases of threats against keeping a job, for example changing labour market prospects and potential unemployment. Data and studies from several countries indicate that reduced unemployment will lead to an increase in absences. However, it is not obvious whether this is due to a disciplining effect similar to what is offered by poor employment protection, or whether it is due to changes in the composition of the labour force over the business cycle. In a Norwegian study, Askildsen et al. (2002) show that the probability of long-term sickness absences, as well as the length of these absences, is better explained by the behaviour of insiders than by changes in the composition of the work force. This insider behaviour may be related to cyclicity in job protection. The

paper by Ichino and Riphahn may potentially lend support to the hypotheses that disciplining effects drive absences, and correspondingly, that the fear of losing the job under adverse market conditions reduces absences.

Ichino and Riphahn could have been clearer about which kind of absenteeism is investigated. Is it shirking, or is it sickness absence? This is not properly defined in the setting of the paper. Interpretation and policy consequences may be different if employment protection induces shirking, or if it is instead such that employment protection just enables workers to be away from the job when sick. In the theoretical section, the interpretation is 'shirking'. In the empirical section, it is sickness absence that is measured. As indicated, these are not necessarily the same. To be more precise on this, it would have been helpful to make a distinction between long-term and short-term absences. The former are more related to health and sickness, whereas the latter are more easily interpreted as shirking. Thus, the interpretation of results is different if absences are long term as opposed to short term. No distinction is made on this in the paper.

It is alleged that the problem under investigation has received no attention in the literature. This is true for research originating in economics. However, similar problems have attracted attention in 'non-economics' journals. Thus, Kivimäki et al. (1997) investigate how different job-related and other stress factors affect the sickness absence in Finland during a period at the beginning of the 1990's. Stansfeld et al. (1999) use data from the Whitehall II study to see how sickness absences changed between periods that differed in terms of job security. From the latter study, there are indications that low job protection may induce sickness, and that it has different effects on short-term and long-term absences.

The theoretical model, in the Appendix of the paper, is simple but illustrative. It explains shirking-related behaviour in terms of absences in a convincing and clear way. Employees derive utility from being absent. On the negative side, this reduces productivity, and workers have to take into consideration the probability of being fired. The model gives unambiguous effects of the firing probability (i.e. employment protection) on absences. But it can be argued that this is too simplistic. The risk of being fired, low employment protection, may have adverse health effects. Other studies indicate that this is the case (see references above). Since the empirical section models sickness

absenteeism, a health variable should have been incorporated. It would be reasonable to assume that

$$a(\dots, H(p)), \text{ where } H'(p) \geq 0 \text{ and } \frac{\partial a}{\partial H} \leq 0,$$

where H is a health indicator, a is absence, and p measures the degree of employment protection. Adding this health variable would make theoretical predictions ambiguous. However, it is not problematic to assume that the “employment protection effect” dominates the “health effect”.

The empirical analyses are based on individual level data, in three different institutional settings. All studies point in the same direction, even after controlling for several factors that can explain differences in absences. Employment protection is what remains to explain the absence pattern, it is asserted. Is this too strong an assertion, and can the results be generalised? Important unobservables may still be left out. For instance, as mentioned above, compensation systems and implicit long-term contracts may differ. Furthermore, could even sharper results be obtained if distinctions were made between short-term and long-term sickness absences?

The control for health in two of the three examples can be questioned in this context. Health status is measured by self-reported health. It is quite common to use this variable, and other studies confirm that it explains morbidity reasonably well. However, the authors could make it clearer what they capture by using this health measure here, in particular since it is registered at a different time than the period of absence. It does control for a general health condition. On the other hand, it may also control for immediate health problems at the time of the interview but not at the time of absence. As such, the measure represents otherwise un-observable factors of importance for long-term absences, which are often health related, but not necessarily so for short-term absences.

There is a discussion of welfare effects in the concluding section, though quite short. This is important, and might be broadened. In that connection, one should also remember that the main reason for sickness absence, in particular long-term absences, is probably sickness. Once more, this points to the importance of distinguishing between long-term and short-term absences. Pure shirking has welfare effects for the workers in question. However, absence may have a dif-

ferent societal valuation when it is related to sickness, which is most likely to be the case for long absence spells. Relatedly, it would have been interesting to know whether it is the protected workers that consume too much absence, or whether it is those with less employment protection that are absent too little.

Lastly, when addressing policy consequences, there is a question of whether the paper lends support to recommendations for changing the employment protection system or the sickness benefit system. If the objective is to reduce absences, is it the better procedure to make changes in the employment protection, or in the generosity and arrangement of the sickness benefit systems? It seems efficient to use the latter to affect absences. On the other hand, the paper very clearly points to one feature of employment protection, namely that employees that are well protected from being fired seem to enjoy more leisure. This is, of course, not unexpected but nevertheless, it is important to point to potential effects of labour regulation laws. Finally, in more general terms, the paper also gives some support to predictions of efficiency wage models, which is of interest in itself.

References

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