

ISF Report 2013:10

A waiting period of seven  
days in the sickness  
insurance for self-  
employed – an effect  
evaluation of the 2010  
reform

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# Summary

The Swedish Social Insurance Inspectorate (Inspektionen för socialförsäkringen, ISF) is an independent supervisory agency for the Swedish social insurance system. The objectives of the agency are to strengthen compliance with legislation and other statutes, and to improve the efficiency of the social insurance system through system supervision and efficiency analysis and evaluation.

The ISF's work is mainly conducted on a project basis and is commissioned by the Government or initiated autonomously by the agency. This report has been initiated autonomously by the agency.

## *Background*

In Sweden, public sickness insurance involves a waiting period of one day. For entrepreneurs engaged in sole proprietorship, partnership or limited partnership (referred to as self-employment), however, the waiting period was extended to seven days on 1 July 2010. This was a part of a wider reform of social insurance for entrepreneurs. This reform also included a change in the way temporary parental benefit for the care of children is calculated for self-employed people. In Sweden, parents have a right to a period of leave from work with compensation if their children are sick or if the children's carer is sick. In practice, this rule change led to higher compensation levels for self-employed parents and temporary parental benefit for the care of children. The benefit is now calculated the same way for the self-employed as for full-time employees. The aim of the reform was, among other things, to establish greater clarity and predictability in the regulations and greater equality between entrepreneurs and employees.

Entrepreneurs employed in their own limited companies were not, however, affected by the reform. Since they are employed in their own company, the same rules apply to them as to regular employees. For instance, they are entitled to two weeks' sick pay from the employer at the beginning of a sick leave period. For many entrepreneurs in small enterprises, sick pay might be perceived as a waiting period.

Previous studies have found a positive correlation between the level of compensation in sickness insurance and the number of people entitled to sickness benefit. However, there exists no study on entrepreneurs in Sweden. If entrepreneurs respond to changes in the level of compensation the same way as employees, one would expect to find fewer instances of self-employed entrepreneurs being compensated with sickness benefit. The reform may have also affected the use of temporary parental benefit among self-employed entrepreneurs.

In a previous analysis, ISF found that entrepreneurs use both sick leave with compensation from public sickness insurance and temporary parental benefit for the care of children to a lesser extent than employees, but that there are clear differences within the entrepreneurial community. In particular, there are differences between entrepreneurs with different legal form of their businesses. Self-employed entrepreneurs receive sickness benefit more frequently, but use parental benefit for the care of children to a much lesser extent than entrepreneurs in limited companies. The result suggests that this is partly a consequence of different regulations.

### *Objectives*

This study focuses on whether the extension of the waiting period in public sickness insurance from one to seven days for self-employed people has affected the probability of them taking sick leave spells longer than seven days. ISF also examines whether the extension of the waiting period in the sickness insurance, together with the recent increase in the temporary parental benefit for the care of children have affected the probability of self-employed people using temporary parental benefit. In other words, this study examines whether the reform has had behavioural effects.

## *Methods*

Since the reform only affected self-employed entrepreneurs, and not entrepreneurs in limited companies, a difference-in-differences approach is suitable for examining the effects of the reform. Register data from the Swedish Social Insurance Agency contains all compensated sick leave spells longer than seven days and fourteen days for self-employed and limited company entrepreneurs in respectively. This data also documents every compensated day with temporary parental benefit for the care of children. The study estimated the probability of being compensated for sick leave spells longer than seven days (incidence) and using temporary parental benefit using logistic regression. It focused on data covering a three month period, one year before and after the reform. It is assumed that the difference between entrepreneurs in limited companies taking sick leave spells longer than fourteen days before and after the reform, corresponds with the difference between them taking sick leave spells longer than seven days before and after the reform, although not observed. However, the probability of entrepreneurs taking sick leave spells of between two and twenty-six weeks is also calculated. If the reform has an effect on the probability of self-employed receiving sickness benefit for spells longer than six months, this cannot be measured because only data covering 1.5 years after the reform were available for this analysis.

## *Findings*

The extension of the waiting period for public sickness insurance from one to seven days produced a 20 percent reduction in the probability of self-employed entrepreneurs being compensated by sickness insurance for spells longer than seven days. In other words, due to the reform, the self-employed tend to report sick to a much lesser extent. The extended waiting period also affected the probability of the same group receiving sickness benefit for spells longer than four weeks. During the first year after the reform, about 87,000 fewer days of sick leave (for the first twenty-six weeks of a spell) were compensated. This result relates to the direct effect of the reform, namely the extended waiting period, that resulted in about

150,000 fewer days being compensated for day two to seven in every spell. Hence, the behavioural effect represents a third of the total effect of the reform. The length of the waiting period in sickness insurance, the excess of the insurance, therefore has great importance in how the insurance is used by entrepreneurs.

Self-employed entrepreneurs still receive compensation for sick leave to a greater extent than limited company entrepreneurs, but the difference between these groups has decreased due to the reform. This result supports the hypothesis that part of the difference in the use of sickness insurance, which ISF found in the previous analysis, can be explained by different regulations.

Finally, the study found only a small effect of the reform on the probability of the self-employed women using temporary parental benefit for the care of children. Due to the reform, about twenty more self-employed women with children use temporary parental benefit per quarter (about eighty women per year). This result relates to the direct effect of the extended waiting period in sickness insurance on self-employed women with children. It has been calculated that about 1,700 fewer women took sick leave spells of seven days or shorter one year after the reform. Thus, there is no indication that there was a spill-over effect from sickness benefit to temporary parental benefit.

The interpretation of non-results is that the level of compensation for the care of children has a negligible effect on the willingness of self-employed entrepreneurs to use temporary parental benefit. As discovered in ISF's previous analysis, the low usage of temporary parental benefit among the self-employed relative to employees and entrepreneurs in limited companies seems to be a result of other factors. For families in which one parent is self-employed and the other is employed or an entrepreneur in his/her own company, ISF found that it is usually the latter who claims temporary parental benefit. This probably remains the case even after the reform.