

INSIGHT

Using Paid Sick Leave as a Tool for COVID-19 Control



A paid sick leave program in the Philippines that encourages symptomatic workers to self-isolate could reduce the overall mortality from COVID-19 by as much as 50%. Photo credit: ADB.

From a policy and economic standpoint, a paid sick leave program for COVID-19 is cost-effective in promoting behaviors that reduce disease spread.

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Introduction

A paid sick leave program for COVID-19 not only protects workers from income loss but can also help prevent more infections.

More than a year has passed since the start of the pandemic yet curbing the spread of the COVID-19 virus is still a major global challenge. In Asia, many countries face worrying waves of infections even as they roll out their vaccination programs. Lockdowns and mobility restrictions have been key to arresting spikes in transmission but come at a high social and economic cost.

A policy modeling study by the Asian Development Bank (ADB) finds that a paid sick leave program in the Philippines that encourages symptomatic workers to self-isolate could reduce the overall mortality

from COVID-19 by as much as 50%. The financial and administrative costs of such a program are manageable at a fraction of a percent of gross domestic product (GDP).

This article is adapted from an *ADB Briefs* report, which considers the case for a special paid sick leave program as part of measures undertaken by countries under a “new normal.”

Preventing Contagious Presenteeism

Different studies show that paid sick leave may be used as a tool for controlling the spread of infectious diseases, especially respiratory diseases such as influenza, by preventing infected workers from coming to work, also known as “contagious presenteeism.” This is especially relevant in the context of a contagious pandemic.

Most social protection systems provide paid sick days for workers to protect primarily their own health, income, and job. In many countries, however, self-employed and part-time workers do not have this benefit.

In response to COVID-19, countries across the world, including in Asia, expanded their paid sick leave benefits in terms of the wage replacement rate (up to 100% in some cases) and/or coverage, with the government largely financing the expansion. Payouts to workers are either made directly to them or through their employers.

A well-designed paid sick leave program for COVID-19 could have the following key features:

- Eligibility for coverage is extended to those with COVID-19-like symptoms, as they are potential disease carriers, and those living with or caring for ill or symptomatic household members.
- Paid sick days are up to 14 days from the start of symptoms.
- Payouts are set at levels that discourage presenteeism—60% to 100% of the salary.
- The program covers the self-employed, informal workers, and other workers who did not have the benefit.
- A program that is flexible in design and delivery.

Paid sick leave can both feed information to contact tracing systems and set incentives for people to isolate when they are identified as potentially infectious by contact tracing. Econometric analysis by ADB finds that economies that provide paid sick leave coupled with contact tracing further reduce the number of infections, with 10 infected individuals infecting two fewer other people on average. [1]

The Case of the Philippines

The case of the Philippines illustrates the potential role of expanding paid sick leave coverage for COVID-19. The country has had the longest stringent lockdown in Asia to control COVID-19, yet it has not totally suppressed the spread of the disease. It has the building blocks of existing programs that could be used to provide paid sick leave more broadly.

Government employees and private sector employees have access to employer-provided 15-day paid sick leave. Members of the Social Security System, including the self-employed and voluntary members, are entitled to a daily sickness allowance benefit.

ADB analysis has shown the potential for expansion of these programs to help control COVID-19. Using an age-structured susceptible, exposed, infected, and recovered (SEIR) model developed for the analysis of COVID-19 control policies for the Philippines, [2] results show that overall mortality from the disease can be potentially cut in half by introducing paid sick leave alone for 50% of the workforce and if it is the only measure maintained after current lockdowns expire. The epidemiological model reflects contacts between people in different age groups at home, in schools, in workplaces, and in other locations.

Paid sick leave for COVID-19 is assumed to result in reduced work and other contacts for symptomatic mild cases after symptoms appear among covered individuals, and it will avert transmission by symptomatic cases. With coverage for workers to stay home when household members are symptomatic, pre-symptomatic transmission by workers with infected household members is also avoided.

Under different mitigation scenarios involving minimum health standards, the model shows paid sick leave can reduce deaths more than face-to-face school closure, which has much higher social and economic costs. When combined with expanded testing, tracing, and isolation, a paid sick leave policy can keep COVID-19 under control even as businesses and schools open.

Estimating the Cost of Expanded Coverage

Under an expanded paid sick leave program, ADB estimated the total payout to workers who develop COVID-19 or similar symptoms using various data sources, including the Labor Force Survey 2018, annual reports from the SSS and Government Service Insurance System (GSIS), and the Demographic and Health Survey 2017; information on the expected incidence of COVID-19 and diseases that present similar symptoms (such as respiratory infections and influenza); and broad contours of the current paid sick leave system in the Philippines. Dependents are included in the estimate since workers would also need to take a leave of absence in such a situation. The program is capped at 15 days per year.

The study considered two ways of computing payouts. One is to use a flat rate of 480 pesos per sick day, which is close to the 65th percentile of the national wage rate, within the range used in similar programs in other countries, and also the highest payout rate from the SSS sickness benefit. The other

is to use a scaled payout ranging from the regional minimum wage to a ceiling of 480 pesos per day. The second approach avoids a situation in which a worker who earns less than the flat rate of 480 pesos per day would be incentivized to call in sick when healthy.

Based on a flat payout rate, the estimated payout nationally is almost 110 billion pesos or 0.56% of the 2019 GDP. Of the total, 20% will be shouldered by employers while 80% is expected to be subsidized by the government in the form of top-ups to SSS and as full subsidy for those not covered by SSS or GSIS.

The estimate using a scaled payout is 46 billion pesos or 0.24% of the 2019 GDP. If the paid sick leave program is applied only to areas with higher risks of COVID-19, the totals for the differentiated payout rates range from 10 billion pesos for high-risk dense urban areas (0.05% of 2019 GDP) to 34 billion pesos for high- and moderate-risk areas nationally (or 0.18% of GDP).

Taking as a guide the Pantawid Pamilyang Pilipino Conditional Cash Transfer Program, which has 8% administrative costs, managing the most generous paid sick leave program will cost around 9 billion pesos or 0.05% of the 2019 GDP. Actual costs could be even less as the conditional cash transfer program involves instructional sessions with parents and verification of compliance with a range of educational and health conditionalities.

From an economic perspective, these administration costs are the only true costs, as the rest of the payments are transfers and will likely have a welfare-increasing effect on lower-income beneficiaries.

A 'No Regret' Option

Given the low economic costs and multiple benefits of paid sick leave, it should be considered a priority "no-regret" option to help contain the pandemic.

Using the case of the Philippines, the ADB study shows the costs of a comprehensive program that covers all types of workers, including the self-employed and informal workers, are not prohibitive, especially when targeted geographically to high-risk COVID-19 locations. Moreover, when considered relative to other COVID-19 control measures, a paid sick leave program can be quite cost-effective.

Implementing the program can be challenging, especially for workers in the informal sector. However, these challenges will vary from country to country. In the Philippines, for example, where the SSS provides sickness benefits and covers both self-employed and informal workers (though not fully), implementation will be easier than in countries without this system.

Recognizing the importance of paid sick leave for COVID-19 control, the Philippines has made progress in further addressing remaining coverage gaps from prior programs. In April 2021, the Employees' Compensation Commission (ECC) included COVID-19 as a compensable work-related disease. Upon submission of requirements, workers affected by COVID-19 will receive 30,000 pesos (more than \$600).

A paid sick leave program provides benefits beyond reducing COVID-19 transmission as it may be applied to controlling many other infectious diseases and the disease burden associated with them. In

addition, reducing the transmission of other COVID-19-like diseases will reduce the pressure on testing, tracing, and isolation systems and on the medical system to treat actual COVID-19 cases.

Importantly, the program also has a social protection function for lower-income beneficiaries.

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[1] L. Chen et al. 2021. What Works to Control COVID-19? Econometric Analysis of a Cross-Country Panel. *Covid Economics*. 63 (7).

[2] This section draws on Raitzer et al. (2020).

Resources

D. Raitzer et al. 2020. Letting Loose without Letting Up: Costs and Benefits of COVID-19 Control Options. Draft mimeo.

G. Amoranto et al. 2020. [Paid Sick Leave as a Tool for COVID-19 Control](#). *ADB Briefs No. 161*. Manila: Asian Development Bank.

L. Chen et al. 2021. [What Works to Control COVID-19? Econometric Analysis of a Cross-Country Panel](#). *Covid Economics*. 63 (7).



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