



INSTITUTE FOR EMPLOYMENT
RESEARCH
The Research Institute of the Federal Employment Agency

DISMISSAL PROTECTION AND LONG-TERM SICKNESS ABSENCE - FIRST EVIDENCE FROM GERMANY

EALE AASLE SOLE Conference 2020
June 26, 2020

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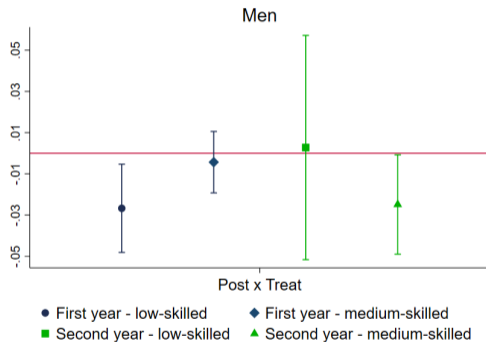
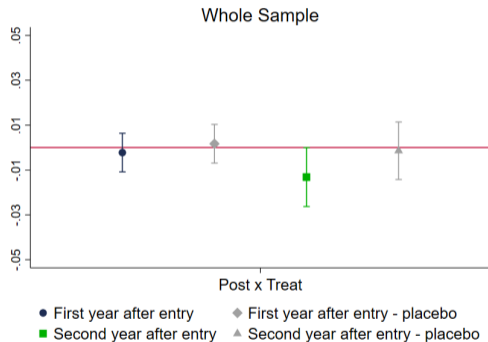
ARE PROTECTED WORKERS MORE OFTEN SICK?

- Relevance of **long-term sickness absence** (> six weeks) increased substantially in Germany
- This paper
 - analyzes how **dismissal protection (DP)** affects the **incidence** of long-term **sickness absence**
 - exploits a **reform of DP** in Germany as natural experiment (**difference-in-differences** design)



WEAKER DP LEADS TO A DECLINE IN LONG-TERM SICKNESS ABSENCE

Regression Results Transition into Sickness



Linear probability estimations, 95% confidence intervals, Treatment (Control) group: workers entering an establishment of 6-9 (12-20) workers, Placebo: hypothetical 2003 reform

Source: German Pension Data matched with German Social Security Data (BASiD)

WORKERS ADAPT SICKNESS BEHAVIOR TO DP REGULATIONS

- Effect is rather driven by **behavior of workers** than by compositional changes
- In particular **less skilled male** workers respond to the change in dismissal protection
- Reform is **not associated** with a larger risk of becoming **involuntarily unemployed** after sickness