



# Missing at work – Sickness-related absence and subsequent career events



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## ABSTRACT

Sickness-related absence can be viewed as indicator of an employee's health status or work effort. In both cases, absence may affect the employee's career. Evidence from German panel data reveals a significantly negative (positive) link between short-term sickness-related absence and the probability of a subsequent promotion (dismissal). Instrumental variable analyses suggest no causality in this context. We find no evidence of systematic gender differences in the link between absence and subsequent instances of mobility. Throughout our analysis, we give special attention to the role of health. According to our evidence, health appears to play no significant role for individual career advancement.

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## 1. Introduction

Should I avoid calling in sick to better my chances for promotion or to reduce the likelihood of losing my job? While correlates and determinants of sickness-related absence have been looked at comprehensively (see [Brown and Sessions, 1996](#); [Treble and Barmby, 2011](#) for surveys), the potential significance of absenteeism for individual careers has received relatively little attention. This is surprising as the consequences of absenteeism are arguably the more relevant aspect, both from a firm's point of view and from an individual's perspective. Despite this lack of evidence, researchers regularly interpret sickness-related absence as an indicator of employee effort or performance (e.g. [Ichino and Maggi, 2000](#); [Flabbi and Ichino, 2001](#); [Audas et al., 2004](#); [Ichino and Riphahn, 2005](#); [Hesselius et al., 2009](#); [Cornelißen et al., 2011](#); [Block et al., 2014](#)). Clearly, absence can also provide information about an employee's health status. Irrespective of the cause of absence, be it ill-health or low effort, one could expect a link between absenteeism and future career events.

In the present study, we investigate this conjecture. In particular, we enquire whether absence behaviour affects the probability that an employee experiences an incident of firm-based job mobility. The term job mobility refers to all kinds

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of job changes within the firm or due to leaving the employer. Instances of job mobility which can clearly be characterised as advancing or inhibiting an individual's career, such as promotions or dismissals, are labelled career events. We provide evidence for Germany, the largest economy in Europe and fourth-largest in the world, that so far has received fairly little attention regarding job mobility and the consequences of sickness-related absence in particular.

To analyse the relationship between absence behaviour and job mobility, we use data from the German Socio-Economic Panel for the period 1994–2011. This household panel contains a great deal of information on individual employees, e.g. regarding their health status, and allows us to follow their career within the same organisation. Therefore, we can avoid the problems of interpretation often associated with firm or register data that have thus far predominantly been used. Firm data lacks generalizability and usually contains only limited information with respect to individual characteristics, which may apply even more to register data. In contrast, household survey data provides us with a broad picture on employees' working lives and even allows for comparisons between sickness absence with alternative effort proxies like hours worked (see e.g. [Newhouse, 1973](#); [Bell and Freeman, 2001](#); [Dohmen et al., 2009](#)) or job satisfaction (see e.g. [Judge et al., 2001](#)). Finally, we can make use of exogenously determined variations in sickness-related absence to inspect whether it is a causal trigger for career events. To the best of our knowledge, our paper is the first to provide (causal) evidence on the link between sickness-related absence and multiple forms of subsequent career events using representative household panel data.

As incidents of job mobility, we investigate promotions, dismissals, quits and transfers, all of which could be related to absence behaviour. For instance, assuming that firms wish to promote those employees who have performed well, employers may consider variations in short-term absence as an indicator of work motivation, at least in countries like Germany where a rather generous sick pay system allows employees to abstain from work without severe direct economic consequences. More specifically, during short-term absence periods, which can last up to six weeks per episode, dependent employees continue to be paid their full wage.<sup>1</sup> Afterwards sickness insurance funds replace a lower fraction of income in Germany. This suggests that long-term absence spells may send out a different signal to the employer, whereas short-term absence may be seen as indicative of low effort and could, thus, reduce the probability of being promoted. While a comparable reasoning might apply for the case of a dismissal, firms may be constrained by law here. Germany features fairly strict employment protection in comparison to other countries (see [OECD, 2013](#)). The regulations of the Protection Against Dismissal Act ("Kündigungsschutzgesetz") basically stipulate that severe illness is one cause that can justify dismissing an employee. The requirements, which have to be fulfilled in order to legally dismiss an employee with repeated sickness-related absence spells are, however, rather extensive. Nonetheless, one could argue that sickness absence makes a dismissal more likely. With respect to quits or resignations, higher absence levels may indicate an employee's dissatisfaction with the current job or a mismatch between abilities and job demands. In both cases, one would expect the resignation rate to correlate positively with absence rates. Finally, there may also be a link between the probability of a transfer, defined as all instances of within-firm job mobility other than a promotion, and absence behaviour.

As these considerations suggest, there are different reasons why absence behaviour can be linked to subsequent career events. First, less healthy employees may generally be less successful in their work lives and are likely to be absent from work more often than more healthy colleagues. Hence, an employee's health may explain why there is a link between absence and career events.<sup>2</sup> Second, it could also be that shirking is involved when employees are absent from work. Accordingly, such an effort-related component of employee behaviour might explain why absenteeism predicts career events, assuming that effort is an important determinant of individual labour market success. This interpretation becomes particularly plausible when the empirical relationship between absenteeism and career success is robust towards consideration of differences in employees' health status.

In line with these considerations, we investigate, in a first set of analyses, whether sickness-related absence could be a potential effort proxy that predicts future career events. In the course of this investigation, we consider the role of health and we compare absence to alternative effort proxies suggested in the literature. Since promotions and dismissals are clear indicators of labour market success, one positive and the other negative, we focus on those. We present robust evidence for a negative (positive) relationship between the duration of short-term absence of an employee and the probability of being promoted (dismissed) in the next year. Since these findings are based on both pooled and fixed-effects regression analyses, we interpret absence behaviour as an indicator for time-variant effort, rather than as evidence of personal work attitude. Furthermore, we observe no systematic gender differences in the relationship between absence behaviour and subsequent career events.

In a second set of analyses, we investigate whether the observed correlations can be interpreted causally. The basic intuition is that only the willingness to provide effort predicts career success but sickness-related absence itself does not necessarily do so. For this purpose, we exploit exogenously triggered variations in sickness absence, which imply that an employee's motivation, job performance, and other factors influencing absence are likely to be constant. We use two significant events in the context of sickness absence as the basis for an instrumental variable (IV) analysis. One is the incidence

<sup>1</sup> From the third day of absence, the illness needs to be certified by a doctor. Some individual or collective bargaining contracts also contain stricter regulations.

<sup>2</sup> Several studies on labour market outcomes suggest a strong role of people's health status. Note that in order to establish causal identification, researchers mostly focus on severe health shocks (see e.g. [Moller Dano 2005](#), [Campolieti and Krashinsky 2006](#), [Crichton et al. 2011](#), [Halla and Zweimüller 2013](#)). While most of the previous research is about the effect of health on income, [Boyce and Oswald \(2012\)](#) specifically examine promotions in longitudinal data and find that healthier individuals have higher probabilities to improve their job rank.

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