



Department SEMINARS

"Property Rights, Sick Pay and Effort Supply"

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A B S T R A C T

Direct evidence on how effort provision varies across different ownership structures remains scant. In this paper we investigate the absence behaviour of individuals employed in worker cooperatives, that is, in firms owned and ultimately controlled by their workforce. Leveraging monthly employment data matched with certified sick leave records and exogenous variation in the generosity of the Uruguayan paid sick leave regime, we show that both the incidence and duration of sickness-related absences differentially increased for individuals affected by the reform and employed in worker cooperatives. The effect is driven by members' behaviour, both short-term and long-term absences, hard-to-diagnose (and, hence, more prone to moral hazard reporting problems) musculoskeletal conditions, and individuals employed at medium-sized and large cooperatives. We also find suggestive evidence that conventional firms used dismissals more actively than cooperatives as a threat to keep absenteeism in check after the reform. Complementary survey evidence shows that concerns about work ethics became increasingly salient among managers of large cooperatives. Small cooperatives did not experience a similar escalation of absence behaviour. This group of cooperatives seems to rely on a distinct workplace discipline environment based on peer monitoring and less hierarchical supervision.

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