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The Belgian Short-Time Work scheme: Economic and Psychological impacts

DURATION
15/12/2020 - 15/03/2025

BUDGET
646 495€

PROJECT DESCRIPTION

This research studies the impact of the Belgian short-time work (STW) compensation scheme (known as “temporary unemployment”) on economic and psychological outcomes in the short and longer term. STW is a policy instrument installed at the federal level to avoid the costly process of separation and re-hiring during the temporary reduction in production and demand and may thereby also avoid the bankruptcy of firms. From the employees’ perspective it avoids the social cost of unemployment and reintegration into the labour market.

STW has had particular resonance during the COVID-19 pandemic. At the peak of the lockdown in April 2020, as many as 1,167 million people - about 30% of eligible employees - benefited from a Corona version of STW for at least one day. As highlighted in the Call for proposal, it is of high policy relevance to investigate the short- and medium-term consequences of STW on the labour market given the substantial public expenditure implications.

Our main objective is to assess the effectiveness of STW from both an economic and psychological perspective. From an economic viewpoint, the effectiveness of the scheme will necessarily decrease over time and even can become an obstacle to economic recovery: Worker reallocation from declining to expanding firms is likely to be postponed and the (re)allocation of unprotected groups may be hampered by the extension of STW. From a psychological viewpoint, STW may have, though unintended by employers, a dark side. STW may feed employees’ feelings of job insecurity and organisational dehumanization (to feel treated as an instrument by the organisation). Conditional upon the way STW is introduced and communicated, this may have negative consequences for employees’ health and well-being, attitudes towards work and the employer, and behaviour at work. As well, it could lead to career penalties in the longer term.

In the research, we will pay specific attention to (1) the heterogeneity across workers (e.g. by gender and age) and firms (e.g. by size and sector); and (2) differences between regular vs COVID 19-related STW; and (3) effectiveness relative to other schemes (e.g. standard unemployment insurance). Supported by a sound theoretical approach in labour economics and work and organisational psychology, the analysis will be based on both micro-econometric evaluation methods using register files and on longitudinal cross-lagged surveys. We also aim at integrating the two main disciplinary perspectives in some specific research questions which focus upon career outcomes. In the final stage of the research, we will bring together the findings from the two disciplines and the existing literature. Based on this integrated view, we will formulate guidelines for the design of STW policy in Belgium.

By directly analysing the effectiveness of a policy measure that has never been evaluated in the Belgian context, this research project has obvious relevance for decision makers, other stakeholders and society as a whole. A very large number of employees benefited from Corona short-time working arrangements during the crisis, supported by considerable public resources. By providing scientific evidence on potential benefits and risks associated with STW our research contributes to the debate on whether this form of support of businesses and workers in times of crisis is effective. Within the psychological part of the project, specific attention will go to workers’ health and well-being. This has particular resonance in times of crisis, when workers feel strained with risks for mental and physical health. Furthermore, by interpreting our findings in connection with the international scientific evidence, the decision maker is not only informed about the effectiveness of the Belgian version of the scheme, but also about the implications of a particular policy design. Both national and international evidence helps to move beyond the ideological debate, and facilitates democratic decision making.



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In the research we aim at a balanced view on the measured impacts and processes. The employment outcome has received much attention in the economic literature on STW. Though extremely important, this neglects the quality of employment (e.g., the level of earnings or the degree of job security), the quality of employment relationships (e.g., organisational support versus dehumanization), outcomes associated with sustainable careers, and ultimately worker well-being. Drawing on this, the project will explore a gap in international scientific evidence on the effectiveness of STW schemes by combining economic evaluations of the policy with the assessment of its psychological impacts. The psychological view will imply some level of innovation in producing new data in the form of longitudinal follow-up surveys for workers who have experienced STW in comparison to non-impacted workers or comparable unemployed individuals and temporary workers.

We will organize workshops to present and discuss our results to all stakeholders concerned: the national minister in charge and their administration, the social partners, administrators of the Social Insurance institutions in charge of the implementation of STW, and members of the scientific community. We also plan to disseminate our results to a larger audience in Belgium and abroad. We will summarize the results in a non-technical way and publish them in popular science journals in economics and in well read magazines in psychology.

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