

# The Belgian Short-Time Work Scheme: Economic and Psychological Impacts

*Policy Report Summary*  
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## 1. Context, Objectives and Methodology

### Policy and Research Context

Short-time work (STW) is a cornerstone of Belgium's labour market policy. It allows firms facing temporary downturns to reduce or suspend working time while preserving employment contracts and partially compensating workers financially for hours not worked. Belgium has one of the most heavily used STW systems in Europe: 5.6% of salaried workers were placed in STW at least once during the Great Recession (2008–2009), and participation peaked at approximately 30% in April 2020 at the height of the COVID-19 crisis. Even outside periods of acute disruption, take-up remains high by European standards (around 3% of salaried workers), raising questions about the scheme's targeting, effectiveness, and long-term implications.

The financing of STW relies primarily on the federal government through social security. To encourage more responsible use by firms, Belgium introduced an experience-rated premium (ERP) system — the *cotisation de responsabilisation* — whereby firms whose blue-collar workers exceed a threshold of 110 STW days per year face a deferred financial levy calibrated to past usage. This mechanism, introduced in the construction sector in 2005 and extended to other sectors in 2012, constitutes a distinctive feature of the Belgian institutional design.

### Research Objectives

The BESWEP project (2021–2025), funded by the Belgian Science Policy Office (BELSPO), provides a comprehensive evaluation of Belgium's STW scheme integrating economic and psychological perspectives. The economic component pursues three objectives: (i) evaluating the causal impact of STW on firm-level employment and survival during the Great Recession and the COVID-19 pandemic; (ii) examining heterogeneous effects across firms, sectors, and workforce compositions; and (iii) assessing the role of financial incentives — specifically the ERP — in shaping firms' behaviour. The psychological component addresses two research questions: how, relative to job loss, STW affects workers' well-being, and how STW influences perceptions of job security and future career prospects.

### Methodology

The economic analysis is grounded in rich Belgian administrative data linking firm-level employment records, STW statistics, financial accounts, and VAT data, drawn primarily from the National Social Security Office (NSSO), the National Employment Office (NEO), the National Bank of Belgium (NBB), and the Crossroads Bank for Social Security (CBSS). The datasets cover the full population of single-establishment? private-sector firms over 2003–2022.

Given that STW participation is not random — firms with severe economic difficulties and lower productivity are more likely to use the scheme — the project relies on quasi-experimental evaluation methods designed to identify causal effects. Three distinct studies are conducted. Study 1, covering the Great Recession, exploits an instrumental variable (IV) approach based on institutional differences in STW access across white- and blue-collar workers: in Belgium, blue-collar workers historically faced lower administrative barriers than white-collar workers, generating exogenous variation in take-up conditional on exposure to demand shocks. Study 2, covering the COVID-19 crisis, applies a fuzzy regression discontinuity design (RDD) exploiting a temporary policy change introduced in September 2020, which restricted access to the simplified "Corona force majeure" procedure to firms that had used STW for at least 20% of contractual working days in the second quarter of 2020. Study 3, evaluating the ERP system introduced in 2005 and expanded in 2012, employing three complementary quasi-experimental designs — static bunching, dynamic bunching, and a regression kink design (RKD) — to identify the causal effects of financial incentives on firm behaviour.

The psychological component relies on both qualitative interviews with workers and managers, and survey-based evidence from Belgian and international samples. The interviews were conducted for exploratory purposes: they helped develop hypotheses that were later tested with survey data and informed the interpretation of the results. The three survey-based studies examine: (i) whether STW protects against the long-term well-being consequences of job loss; (ii) the relationship between STW and *qualitative* job insecurity (i.e., the perceived threat of losing valued aspects of one's job) ; and (iii) how perceptions of *quantitative* job insecurity (i.e., the perceived threat of losing one's job) and employability (i.e., how confident workers feel about finding a new job if needed) combine into profiles of perceived employment security among workers exposed to STW.

## **2. Results, Main Conclusions and Recommendations**

### **Economic Findings**

During the Great Recession, STW operated primarily as a working-time adjustment instrument. Firms induced to take up STW reduced working time per worker by approximately 20%, with the wage bill declining proportionally — a mechanical effect of the scheme, as wage rates remained largely unchanged. At the aggregate level, reductions in working time did not translate into statistically significant headcount employment gains for the average treated firm. However, strong sectoral heterogeneity is documented: positive employment effects were concentrated in manufacturing, the sector most severely affected by the financial crisis. In this sector, an additional full-time equivalent in STW preserved roughly half a job in a median-sized firm. These gains were short-lived, largely dissipating after the first year, as manufacturing firms subsequently underwent structural adjustment. In non-manufacturing sectors, no statistically significant employment effects were detected, indicating that STW primarily financed reductions in working time that would not have resulted in layoffs, pointing to substantial deadweight costs.

During the COVID-19 crisis, simplified access to STW substantially saved employment among firms directly exposed to lockdown restrictions. Eligible firms for simplified access—those above the 20% STW-use threshold—experienced both a higher probability of take-up (about 11 percentage points) and greater intensity of use (around 2 percentage points for contractual days). Among partially lockdown-affected firms, STW significantly reduced hours worked per employee while increasing headcount employment (+48% to +58%), with effects persisting through the end of 2022. The program was particularly effective in protecting white-collar workers in sectors facing a genuine risk of job destruction. By contrast, among firms not directly affected by lockdown measures, STW take-up also increased but did not translate into employment gains, pointing to substantial short-term deadweight losses in sectors not truly at risk—especially in blue-collar-intensive sectors with pre-pandemic experience using STW. These differences reflect pre-existing institutional rules: blue-collar workers already benefited from relatively lenient access, whereas white-collar workers—previously subject to stricter eligibility criteria—gained more from the simplified procedure introduced during the pandemic.

The evaluation of the ERP system reveals that financial incentives do influence firm behaviour, but that their overall impact remains modest under current rules. In response to a one-percentage-point decrease in the net—of-ERP subsidy firms reduced STW intensity per worker by 0.03%. This corresponds to reductions of 3 to 4 STW days per worker. Responses were considerably stronger for above-median wage rate workers and for firms with above-median liquidity, showing that more liquid firms could more easily substitute away from subsidized working time reduction. Importantly, the ERP also induced affected firms to distribute STW days more broadly across workers — with approximately 33% of treated firms increasing STW enrolment by around 20 percentage points after the 2012 reform — rather than solely reducing intensity per worker. This distributional effect is consistent with the scheme's fairness objective but may also amplify deadweight if extended to workers not genuinely at risk. The payment of the ERP had no significant negative impact on firm-level employment or balance sheets overall, though a modest decline in profitability was observed under the 2012 reform for firms that remained liable for the ERP.

### **Psychological Findings**

The psychological component confirms that STW constitutes a lesser evil relative to job loss: workers placed on STW reported significantly higher levels of perceived control (over their work situation), and consequently better mental and physical health one year after the crisis, compared to workers who experienced job loss. This protective effect was observed in both the Belgian and UK/US samples, although it was stronger in Belgium, where the scheme is more generous. That said, STW does not provide full protection: compared to workers in stable employment, STW workers may experience reduced perceived control, although this difference was not statistically significant in the Belgian sample when looking at the data overall (without taking contextual factors into account). Once contextual factors are

considered, however, a different picture emerges. The social context significantly moderates these effects. In contexts where few workers were placed on STW, Belgian STW workers exhibited a significant decrease in perceived control. In contrast, workers who perceived STW as a widespread, collectively shared experience — rather than an isolated individual predicament — showed no significant loss of perceived control relative to the stable employment group. This finding highlights the importance of the social framing of STW in determining its psychological impact.

STW is also associated with both quantitative and qualitative job insecurity. Workers placed on STW worried not only about potential job loss, but also about deterioration in their working conditions, job tasks, and career development opportunities — referred to as qualitative job insecurity. This insecurity was linked to lower job satisfaction and increased psychological distress two months later. At the same time, results suggest that STW might have afforded some workers a period of rest and recovery, with positive effects on psychological well-being for those who benefited from the break.

Finally, STW was more frequently associated with worker profiles expressing lower confidence in their future employment security. STW workers experiencing job insecurity also tended to report lower perceived employability, both within and outside the firm, suggesting that STW-induced insecurity can have broader career implications beyond the episode itself.

## Conclusion and Policy Recommendations

Belgium's STW scheme has demonstrated its effectiveness as an employment stabilization tool during major economic crises, but its benefits are contingent on well-targeted use. The evidence from the BESWEP project— both economic and psychological — shows that excessive or poorly targeted take-up generates deadweight costs, harms workers' well-being, and risks undermining the objectives the scheme is designed to serve.

Four recommendations emerge directly from the economical and psychological findings. First, the flexibility and responsiveness of the system should be preserved. Speed of deployment is essential for STW to function as an effective crisis buffer. The project recommends moving toward a unified system that relaxes access conditions for white-collar workers—whose current eligibility rules are overly restrictive—while tightening financial incentives for use by blue-collar workers through a strengthened ERP mechanism. This mechanism should also be implemented for white-collar workers, rather than relying on costly and manipulation-prone administrative screening.

Second, the temporary nature of STW should be reinforced. The scheme was designed to absorb short-lived shocks, not structural or seasonal fluctuations. The current rules allow quasi-continuous use for blue-collar workers, which is inconsistent with this objective. Waiting periods between consecutive periods of use should be extended.

Third, financial incentives should be strengthened to improve targeting. The current ERP threshold of 110 STW days per worker is too high, applying to only a minority of firms and generating insufficient pressure to curb overreliance. The threshold should be lowered to expand the scope of financial accountability. The ERP should also be extended to white-collar workers if their access conditions are relaxed. Payment should remain deferred to avoid compounding firms' liquidity pressures during downturns, and the worker-level design of the ERP — which promotes equitable distribution of STW days across the workforce — should be preserved.

Fourth, worker-centred support should be strengthened. Employers should be encouraged to communicate transparently about the reasons for STW use, its expected duration, and the criteria for worker selection, as clarity reduces uncertainty, perceived unfairness, and organizational distrust. Firm-specific training should be promoted during and after STW, while general training should be avoided because it encourages workers to leave the firm, while STW precisely has the intention to keep them as long as possible employed in the firm. These worker-centred measures respond directly to the psychological evidence showing that prolonged or poorly explained STW generates insecurity, reduces perceived employability, and undermines well-being.

**Keywords:** short-time work; employment preservation; experience-rated premium; deadweight costs; job insecurity