The Belgian-Flemish system for career break (time credit) consists of two different kinds of leaves. Firstly there is a possibility for an employee to reduce his or her working time without a specific reason. This “ordinary career break” is aimed to prevent workers from burn out and early retirement by giving them a possibility for recreation and/or education. Secondly there is a Flemish incentive premium system in order to encourage workers to take a thematic career break for care tasks or education. There are three different kinds of thematic leaves: parental leave, palliative care leave and leave to care for a member of the family suffering from a serious illness. The motive for career break may differ, but the systems have an overall purpose in common: to improve the balance between work, family and personal life.

1. Institutional background in Sweden

To assess the Belgian-Flemish career break system from a Swedish perspective it is necessary to distinguish between the different kinds of leaves. The major reason for career break in Sweden is parental leave, a system which corresponds to one of the Belgian thematic leaves and to the ordinary Belgian maternity leave. There is also a possibility to get allowance to take care of a member of the family suffering from serious illness.

Sweden does currently not have a general career break system such as the “ordinary” career break in Belgium. However, since February 2002 there is a trial with subsidised career break in twelve Swedish municipalities.

1.1 Thematic career break in Sweden

The vast majority of the career breaks in Sweden are due to parental leave. Parents have the right to be absent from work to take care of their child for 480 days in total. Sixty days are reserved for each parent while the remaining 360 days can be used of either parent. Until the child is 18 months old the parents have right the absent from work full time, thereafter they have a right to reduce there working time with 25 % until the child reaches the age of eight. Though, the parents can be absent full time for a longer period than 18 moths if they have the employers consent. Most of the parental leave is used by illness. The allowance corresponds to the sickness benefit of the absentee (i.e. 80 % of the ordinary income with a cap of 646 SEK a day). To our knowledge, there is no available evaluation of the consequences of this type of career break.
1.2 The Swedish career break programme
The trial with subsidised career break was introduced as a labour market programme in twelve municipalities in February 2002 and will be available in its current form until December 2004. The Swedish government has decided to introduce the programme on a national level in 2005 with room for about 12000 employees being on leave each year.\footnote{The number of employees taking part in the programme is depending on the level of the allowance and the length of the absence among the participants.}

The programme offers an employee a leave of absence for at least three and at most twelve months if an unemployed (registered at the Public Employment Office) acts as a substitute. The purpose of the programme is twofold: (i) to provide an opportunity for the employee to take a career break for upgrading of skills, recreation, child care or whatever the employee chooses, (ii) to improve the chance of getting a job for the unemployed (see Fröberg et al, 2003). The programme is available for all employees irrespective of age, occupation or sector. To take part in the programme the employee must have the employers consent and have at least two years of work experience. The employee gets a monthly allowance from the regional social insurance office which corresponds to the 85 % of the unemployment benefit the employee should have got if he had been unemployed (68 % of previous wage with a cap of 13,662 SEK/month, € ≈1463).

2. What labour market problems can the career break solve?
The Flemish incentive premiums offer additional financing of career breaks on top of the financing provided by the federal Belgian authorities. Since the relevance of this additional financing is conditional on the national Belgian system, we will focus on the relevance of introducing the Belgian career break system as a whole.

In general the Swedish leave schemes are more limited in scope but financially more generous than the Belgian system. The systems also differ with respect to the requirements and the extent to which they are related to previous income. The extent to which the Belgian career break system would be preferred to the Swedish system does of course depend on the objectives of the leave schemes and the effects of the schemes on the participants as well as on the economy at large. Naturally, these issues also have to be related to the relative costs of the two systems.

It is clear that the Belgian/Flemish career break system will affect many aspects of the Flemish labour market. The main objective of the system is to provide an opportunity to improve the health and general well-being of the work force. This could in turn result in shorter and fewer spells of sick-leave, a higher actual retirement age and increased productivity. The thematic leave for education may also increase the human capital of the employees and thus improve productivity.

The effects of various leave schemes on employment and work-life balance is of course related to effects on health and labour market attachment. We currently know little about these effects, but it could be noted that the Swedish career break programme currently is being evaluated both from a labour market perspective (including labour market attachment) and a health perspective. These evaluations that are scheduled to be finished in 2005 will hopefully provide useful evidence on the effects of career breaks on a wide set of interesting variables. It should, however, be noted
that the effects of future sick leaves and retirement decisions have to be quite large to offset the direct reduction in the size of the labour force due to the actual career break.

While it is obvious that the career-break programme is popular (in fact, increasingly so) little evidence is provided regarding the systems effects on the participants. Participants do appear satisfied but this is quite expected since participation is voluntary and thus says little about how the system affects the labour market. Since subsidised career breaks are likely to coincide with major life events (such as having children) one should also be cautious when interpreting before-after differences in e.g. labour force attachments.

We may draw conclusions from other studies of the labour market effects of temporary career breaks from a Swedish perspective. First of all, a career break will certainly reduce labour market experience if the individual would have worked otherwise, and studies on Swedish data gives the (hardly surprising) impression that labour market experience is positively related to earnings (see e.g. Le grand et al, 2001). Thus, it is likely that a career break will have a negative effect on future earnings of the individual. This earnings-loss is likely to vary between groups. In general, characteristics such as being a woman, working in the public sector, having few years of schooling, working in a less qualified occupation or being old is related to a low experience premium and thus to a low cost of career breaks. This can probably explain some of the selection into the Belgian system as described in the Discussion paper.

Career breaks may also give a negative “signal” to the employer regarding the employee’s motivation. Thus, one may suspect that the loss of earnings due to a career break is larger than the loss of experience. This issue is investigated on Swedish data in Albrecht et al (2000). They show that the earnings losses due to career breaks differ depending on the reason for taking a break. For instance, they argue that paternity leave is associated with a larger earnings loss, on top of the lost experience, than maternity leave and that one explanation can be that maternity leave is more expected from the employers view-point and thus present less of a negative signal.

Most of the employees having subsidised career breaks in Belgium appear to use it as parental leave (or rather, maternity leave). Thus, specific lessons about the effects of the system can probably be drawn from previous studies of the labour market effects of parental leave systems. The cross-country study by Ruhm (2001) show, on the positive side, that overall female employment is increased by the provision of maternity leave; probably due to increased labour supply in order to qualify for the maternity leave as well as a swifter return to the labour market. A negative result is that female labour earnings are reduced. One explanation provided for the loss in earnings is that employers perceive the (expected) leave as costly and thus prefer not to hire women in more qualified positions. Such effects could potentially be reduced by limiting the amount of parental leave that can be used by either parent (such as currently the case in Sweden, see above), and thus provide stronger incentives for parents to share the total time on parental leave.

It should be noted that it is unlikely that a leave-scheme will have any beneficial effects on the unemployment rate. There is a strong consensus among labour- and macroeconomists that working time reductions and reductions of the labour force (i.e. by early retirement) is an ineffective tool for reducing equilibrium unemployment (see e.g. Layard et al 1991).

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2 However, it appears as if the many changes in the system could provide useful instruments for evaluations in the future.

3 See e.g. Le Grand et al (2001)
The overall impression is that subsidised career breaks are likely to reduce future earnings of the participants and possibly reduce future earnings of groups (mainly women) that are expected to participate but also that subsidised maternity leave that require prior labour market experience may increase female employment. In general we should not expect any beneficial effects on unemployment. Perhaps the most interesting effects of the non-thematic career-breaks are on health, sick-leaves and retirement; unfortunately we know little of what to expect in this direction.

The labour market effect of career breaks is an interesting topic in general and one may expect that the exact designs of the programmes are important for the actual outcomes. In this respect the Belgian/Flemish system has interesting features. However, given the generosity of the Swedish parental leave scheme, the national implementation of the career break scheme in 2005, and (perhaps most importantly) the current state of knowledge it is difficult to assess how an implementation of a system such as the Flemish incentive premium would affect the Swedish labour market.

3. Policy debate

The Swedish career break programme is currently debated as it is turning into a national programme. The programme was introduced on a trial basis in February 2002 but will be available nationally in January 2005. The programme will allow 12 000 employees to go on leave each year.

The programme is similar to the ordinary career break as it was designed when originally introduced in Belgium in 1985. To take part in the programme the employer must hire an unemployed as a substitute during the leave. The idea is to partly finance the programme by reduced costs of unemployment benefits which otherwise would have been paid to the substitutes. However, Fröberg et al (2003) show that the substitutes in general have better labour market positions than the average unemployed and they were predicted to have gotten jobs relatively soon even without the temporary job they are offered. This will render a cost to the programme.

Fröberg et al (2003) show that women, public sector employees and elderly workers are overrepresented among the participants relative to all employed. Many participants have occupations within child care, health care or teaching. This is expected since the negative effect on future earnings for these groups probably is relatively small (wages are compressed and experience profiles are flat). One criticism in the public debate is that the programme in practice is unavailable to many employees since it is difficult to find a substitute for employees with occupations that require special qualifications.

Furthermore, stress related illnesses, such as burnout syndromes, are frequently debated since the number of people on sick-leave has increased rapidly since the mid-1990’s and now has reached numbers similar to the late 1980’s. Consequently, policies that have the potential to decrease the sick-leave propensity are heavily discussed.

While career-break programmes may be a tool to reduce sick-leaves, such programmes may also reduce total employment. This is an issue of special concern since changes in the age structure are expected to lead to an increase in the share of the population that is retired. Thus, the debate is also focused on the effects of career breaks on labour force participation.
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References


