

## SOCIAL SECURITY AND EMPLOYMENT: TOWARDS A NEW DEAL

On the basis of an inventory of Belgian practices pertaining to the link between employment, social security, wages, and other income, this research project compares the advantages and drawbacks of three proposals for fighting unemployment, in the framework of social security: (1) reducing social security contributions; (2) sharing the available work by reducing the size of the labour force; (3) the universal basic income.

The project addresses aspects of these proposals that are controversial and not fully understood.

1. The legal, statistical, and economic framework of the link between employment, social security, and income

1.1 This research has a legal and statistical basis. It examines the influence of current legislation on the way the labour market functions (RUG).

1.2 The legal and statistical framework is also seen as a support for parts 2, 3, and 4 (RUG).

1.3 A common cost-benefit analysis framework is established to evaluate the impacts of the various policies dealt with in this project (HIVA - KUL).

2. The effects of marginal wage subsidies and exemptions of payroll taxes

2.1 The (marginal) subsidies granted for hiring additional staff can generate major indirect effects (dead losses, substitution, and displacement). Previous research conducted by IRES (UCL) and based on a survey, measured these effects for subsidies granted in 1991 and 1992.

This project has extended the analysis in two directions:

(a) The CES-KUL team has developed an evaluation of the effects of the “plan d’embauche des jeunes” on exit rates out of unemployment;

(b) Microeconomic analyses have tested the hypothesis that incentives to hire temporary staff favour the development of short-term contracts (HIVA-KUL and IRES-CL);

2.2 Measures to reduce costs related to the remuneration of employed staff (see, for instance, the proposal of Drèze and Malinvaud) have a favourable impact on employment. The magnitude of this effect in Belgium, however, is much debated. As the relevant proposals introduce a non-linear reduction of wage expenditure, it is necessary to distinguish several types of workers.

This project has elaborated a macroeconomic model distinguishing skilled and comparatively unskilled workers, so as to simulate the dynamics of adjustments induced by reductions of employers social security contributions (IRES-UCL).

3. Sharing the available work

3.1. The project has developed a macroeconomic analysis to evaluate rigorously the long-term effects on employment, unemployment and growth, of policies aimed at reducing the size of the active population (IRES-UCL).

3.2. Additional research has investigated the microeconomic effects of the same policies (HIVA-KUL).

#### 4. The universal basic income

This benefit is a benefit paid unconditionally to all citizens. It facilitates work sharing. Combined with an equivalent reduction of unemployment and welfare benefits and of the minimum wage, or replacing them, the universal benefit should have a major impact on the labour market. These effects, however, are only partially understood. This project has analysed the consequences of some basic income schemes on the functioning of the labour market (UFSIA).

The final report of this large research project is published in the issue 3/2000 of the *Revue Belge de Sécurité Sociale*.