

3 August 2018
Opinion

Belgian jobs deal: We want more!

It has been THE hot topic of the Belgian government's summer deal: 28 measures were decided to further improve the functioning of the labour market and, finally, employment. Some could have a real impact, but in our view, in order to durably solve the labour market problem in Belgium, more reforms are necessary

Moves in the right direction

Among the recently decided measures, we highlight the decreasing path of unemployment benefits across time, special training budgets for people losing their job and special effort to reduce the lack of qualified job seekers in certain sectors (IT, nurses,...). The Belgian government expects these measures to create 12,500 additional jobs in 2019, implying a half billion euro reduction in the public deficit.

While we don't consider this an unreachable target, we have some doubts about the ability of such measures to solve the labour market problem in Belgium. They certainly go in the right direction, but erasing high structural unemployment requires much stronger reforms.

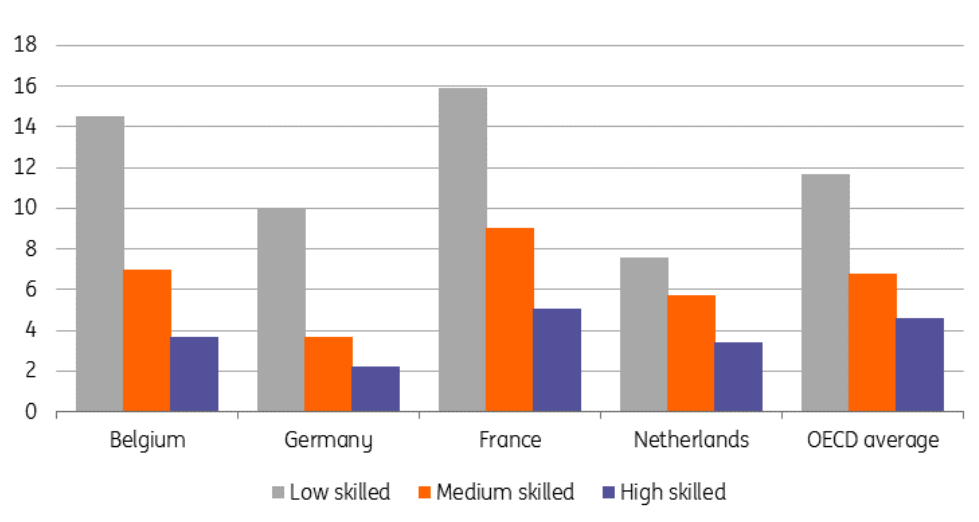
In fact, the Belgian labour market suffers from two main problems:

1 There are too many unqualified job seekers

On average, there were 500,000 job seekers in Belgium between July 2017 and June 2018. Half of them (!) were low skilled (having only a partial secondary school education at best). Moreover, the unemployment rate of low-skilled people in Belgium (14.5% in 2016) is far higher than the OECD average (11.7%), while it is similar for intermediate-skilled people and below the OECD average for high-skilled people (3.7% in Belgium, 4.6% in OECD). In other words, the Belgian labour market is not able to absorb low-skilled job seekers. This is no surprise considering the rigidity of the Belgian labour market and high labour costs. It also explains while many vacancies are not fulfilled, even with half a million job seekers.

In this context, developing training programmes focused on sectors where there are labour shortages is far from easy, as these programmes need basic knowledge and would probably only be accessible for medium-skilled jobseekers. Given the reality of unemployment, reducing labour shortages requires a deeper effort, starting by improving the basic skills of half the job seekers. Alternatively, new jobs for low-skilled people could be created, but this would mean a drastic reduction in the labour cost for this type of job (e.g by lowering the minimum wage), which would be hard to push through.

Unemployment rate by level of qualification (2016)



Source: OECD

2 Only six out of 10 people aged between 50 and 64 years are employed

This is due to a (past) very generous early retirement system and to an age-related automatic wage increase system. The government is trying to correct this by reducing the accessibility to the early retirement system and by trying to break the link between age and wage. Once again, these are moves in the right direction, but we doubt that this will be sufficient. A cultural revolution (among workers and businesses) would be needed to have a different approach towards careers after 50: let's remember here that surveys show more than two-thirds of workers don't want to work after age 60 and that the effective average retirement age is still around 60 in Belgium. The process to change this situation will be, once again, very long and will require more than financial penalties or incentives.

Philippe Ledent

Senior Economist, Belgium, Luxembourg

+32 2 547 3161

philippe.ledent@ing.be

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("**ING**") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group NV and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. The producing legal entity ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is subject to limited regulation by the Financial Conduct Authority (FCA). ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.