



jobcenter





5. Labour supply and demand

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The post-Covid-19 economic recovery rapidly brought the labour market back to its 2019 level and, in many segments, propelled it well beyond. In 2021 and 2022, net job creation reached unprecedented levels. In 2023, employment continued to grow,

albeit at a slower pace. At the same time, recruitment difficulties skyrocketed in many sectors, curbing business growth. In addition to increased pressure caused by a tight labour market, a number of structural factors help to explain these recruitment difficulties.



5.1 Employment continued to grow despite recruitment difficulties and the cyclical downturn

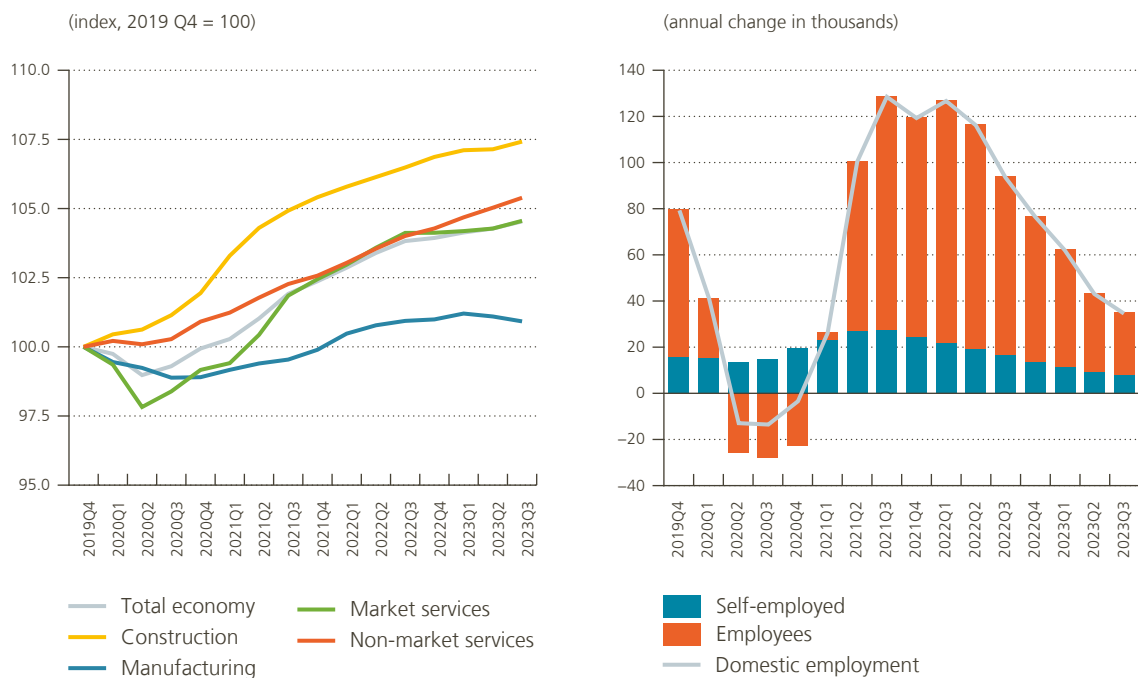
Resilient job creation

After record job creation during the post-pandemic recovery, 2023 was a year of normalisation. Domestic employment proved resilient to the various shocks that buffeted the Belgian economy. It should be noted that 2021 and 2022 were extraordinary years, with net job creation of 94 000 and

104 000, respectively. In 2023, this figure was just over 40 000, a level comparable to the average observed between 1996 and 2022, but below that of the period 2015-2019 (64 000). Although this dynamism was slightly more pronounced in Belgium, it was not exceptional in the European union. Between the fourth quarter of 2019 and the third quarter of 2023, employment rose by 4.5% in Belgium,

Figure 5.1

Domestic employment



Source: NAI.

3.2 % in the EU and 3.7 % on average in Germany, France and the Netherlands. Since 2022, however, there has been a slowdown, which is more apparent in Belgium than in the rest of the EU.

Both employees and the self-employed contributed to employment growth. Self-employment is on a long-term upward trend and made a significant contribution to the post-Covid-19 recovery. Against the backdrop of a dynamic labour market, the number of self-employed workers has grown faster than that of employees. The self-employed now account for 17.3 % of total employment, compared with 16.5 % a decade ago. Their number even rose during the pandemic, but growth has since slowed markedly. The expansion of entrepreneurship can be seen in several sectors, particularly the liberal professions and manufacturing. In addition, the number of self-employed women, although still under-represented in the total (35.5 % in 2022), has risen slightly faster than that of men.

Some sectors benefited more from the post-Covid-19 recovery. Job creation was most dynamic in construction and services, where employment grew by 7.4 % and 4.9 %, respectively, between the fourth quarter of 2019 and the third quarter of 2023, compared with 4.5 % for the economy as a whole. The public administration and defence, education, and health and social work sectors, which together account for almost a third of domestic employment, made a significant contribution to net job creation, recording an increase of 5.1 % since the end of 2019. On the other hand, employment in the financial sector has been falling since the early 2000s, mainly as a result of successive restructurings and the closure of bank branches. Employment in the manufacturing industry is showing positive, but below-average, growth. Manufacturing's share of total employment therefore continues to fall, in accordance with the trend towards the tertiarisation of the economy.

The employment rate rose significantly. The employment rate for the 20-64 age group reached 72.2 % in the third quarter of 2023, which is still well below the European average of 75.5 %. It also remains below the federal government's 2030 target of 80 %. Over the last ten years, however, the Belgian employment rate has grown by 0.5 percentage points on average on an annual basis. This is a more sustained pace than that observed over the previous decade, when the growth rate was below

0.1 percentage points. Certain categories of workers contributed more to this upward trend, such as women and the over-55s, although their employment rate remains below the national average. The rise in the proportion of higher education graduates and the fall in the school drop-out rate are also having a positive influence on the employment rate. It should be added that part of the more vigorous rise in the employment rate over the last decade can be explained by a slowdown in the denominator of the ratio: the growth rate of the working-age population between 2003 and 2013 was more than twice as high as between 2013 and 2023.

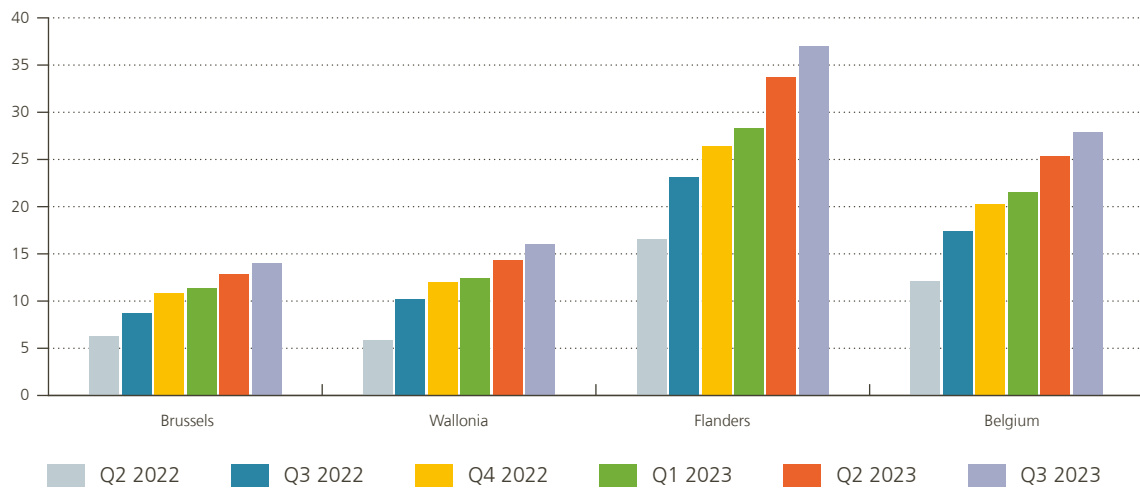
The Brussels-Capital Region narrowed the gap with the national average during the post-Covid-19 recovery. While the employment rate rose in all three regions, it remains significantly higher in Flanders (76.5 % in the third quarter of 2023) than in Brussels (68.2 %) and Wallonia (65.9 %). Brussels recorded the strongest growth between the end of 2019 and the third quarter of 2023, with a jump of six percentage points. The sharp rise in the employment rate of non-EU workers, who are over-represented in Brussels (12 % of the working-age population, compared with 4 % in the other two regions), has largely contributed to this, but there is still room for improvement since it remains below average. The rates in Flanders and Wallonia both showed an upward trend, albeit less marked and which was slightly more dynamic among workers aged 55 and over.

The inflow of refugees from Ukraine affected initially population dynamics and then employment. At the start of Russia's invasion of Ukraine, the inflow of Ukrainian refugees increased the population but did not have a major impact on employment, notably given that the refugees were mainly women and children and rarely spoke one of Belgium's national languages. Furthermore, there was a great deal of uncertainty about the length of their stay. Between March 2022 and November 2023, the Immigration Office issued 77 000 temporary protection certificates, two-thirds of which were to people of working age, i.e. between the ages of 18 and 64. Over time, an increasing share of these refugees joined the working population, from 12 % in the second quarter of 2022 to 28 % in the third quarter of 2023. However, there are still significant regional differences: the level of labour market integration for Ukrainian refugees is clearly highest in Flanders.

Figure 5.2

Ukrainian refugees in employment by region and quarter

(percentage of Ukrainian refugees aged 18-65 with at least one period of employment in Belgium, regardless of the duration, since 1 January 2022)



Sources: BCSS, Statbel, VDAB.

The number of hours worked per worker recovered and the unemployment rate remains low

During the pandemic, there was a substantial fall in hours worked, but, since then, even average working hours have recovered. During the lockdowns, the adjustment of working hours, facilitated by policies such as furlough schemes or bridging allowances, made it possible to protect jobs. Since then, the average number of hours worked per person has normalised, which can also be explained by the labour shortages facing the Belgian economy. Manufacturing, however, is an exception. The number of employees has grown less than in construction or services, and the volume of hours worked is below its 2019 level. An employee in the manufacturing industry worked 382 hours on average in the third quarter of 2023, seven hours less than before the crisis, thereby narrowing the gap with the national average of 360 hours per quarter.

The unemployment rate remains historically low. The unemployment rate – measured by labour force surveys – has remained relatively stable in recent quarters. It stood at 5.6% in the third quarter of 2023. In all three regions, the unemployment

rate is close to the lowest level ever recorded, but there are still significant differences: 10% in Brussels, 8.3% in Wallonia and 3.5% in Flanders. For the latter region, this percentage is close to the frictional unemployment rate and is thus difficult to push down further.¹ It is interesting to note that, in the space of five years, the unemployment rate for under-25s has fallen by 1.4 percentage points, based on the average for the last four quarters. This partly reflects the sharp rise in employment in sectors in which younger people are overrepresented, such as hospitality and events. The transition of young people into work is also the focus of several European programmes and public employment service initiatives (such as the “Accompagnement de jeunes NEET 2019-2023” campaign run by Actiris in Brussels and co-financed by the European Social Fund).

On the other hand, the number of jobseekers registered with the public employment services (PES) increased. In December 2023, the regional public employment services reported around 50 000 more unemployed jobseekers than at the

¹ Frictional unemployment corresponds to the period needed to find a new job after voluntarily leaving an old one. This type of unemployment is considered to be short term.

same time a year earlier. This increase could be seen in all three regions, in different age categories and for different durations of inactivity. It can be explained in particular by a methodological change: certain reforms carried out at the level of the public employment services – Actiris, ADG, Forem and VDAB – resulted in a higher number of referrals being classified as unemployed jobseekers.¹ These changes can be likened to a break in the statistical series. Their aim is to keep people who are generally farther removed from the labour market among the population of job seekers, which is positive *per se*. This increase may seem at odds with the stability of the unemployment rate, which is calculated based on a survey and, therefore, on the employment situation declared by respondents. It is possible that survey respondents who recently registered with the public employment services do not yet declare themselves as jobseekers (as defined by the International Labour Organization).

Certain forward-looking indicators point to a slowdown in job creation in the short term

According to the NBB's monthly business survey, employment expectations, which had soared after the Covid-19 pandemic, returned to a lower level. In the fourth quarter, they were below the historical average in the manufacturing industry, the construction industry and trade, while they gradually fell towards the historical average in services. The number of bankruptcies has also been on a slight upward trend since mid-2022. In 2023, business failures rose by 11 % compared with 2022, pushing up job losses directly linked to bankruptcies by 23 %. As such, the current level is close to, but slightly below, that seen before the health crisis. Collective redundancies as part of restructuring plans also increased: in 2023, these affected 7 300 employees, compared with only 3 700 in 2022 and 5 100 in 2019. This downturn in the labour market is part of a certain cyclical normalisation, which logically followed the upward phase of the recovery in 2021 and 2022. It should be recalled that the figures for these two years were heavily influenced by the measures put in place during the Covid-19 crisis.

¹ Examples of these reforms include, firstly, that people who are not entitled to unemployment benefits and who register voluntarily as jobseekers do not, since the beginning of 2022, have to confirm their registration with Forem every three months and, secondly, that since January 2023, the VDAB has required social housing tenants to register as jobseekers.



The construction industry will play a key role in the energy transition but is facing major labour shortages

Employment in the construction industry continues to grow, especially self-employment.

The construction industry employs more than 300 000 people. It accounts for 5 % of employees and 10 % of self-employed workers. This sector is in fact more labour-intensive than the rest of the economy. During the Covid-19 pandemic, employment in construction was unaffected, even on a quarterly basis. Furthermore, it was particularly buoyant during the recovery, especially in terms of the number of self-employed. This development forms part of a longer upward trend: over 20 years, the number of self-employed has grown by 75 % in the construction industry, compared with 29 % in the economy as a whole.

The workforce in the construction industry is relatively young and predominantly male.

In 2022, 88 % of workers were men, compared with 53 % for the economy as a whole. Looking at younger age groups, no major differences can be detected: 89 % of workers in the 15-39 age group are male. The physical nature of the work no doubt explains why only 26 % of construction workers are aged 50-64, compared with 31 % in the economy as a whole.

Construction companies are experiencing major recruitment difficulties. According to the Statbel survey, 16 000 vacancies existed in the construction industry in the third quarter of 2023, representing 8 % of unfilled job offers in Belgium. These positions are overrepresented in Flanders, where almost three quarters are concentrated. The lists of shortage occupations, i.e. those for which vacancies are less easily filled and for which recruitment takes longer, drawn up by the public employment services at regional level reveal a similar picture. In 2023, construction-related jobs accounted for between one-fifth and one-third of shortage occupations. A wide range of jobs is involved, including quantity surveyor, site manager, sanitary fitter, electrician and road worker.

Employers in the construction industry are struggling to find the skills they need. Construction-specific skills or knowledge are crucial to filling a significant number of vacancies. This is true in all three regions. This skills gap can be explained in part by the low number of students enrolled in technical or vocational courses in construction. Moreover, this number has fallen over the last decade. However, this is not just true of construction: the attractiveness of technical and vocational courses is declining overall. The gender gap among enrolled students is also significant; almost all are male, which automatically reduces the supply of labour down the road.

The labour supply is limited by working conditions and retirement. The working conditions associated with construction jobs are not sufficiently attractive (pay, work-life balance, the physically demanding nature of the work) and gender stereotypes remain a major barrier for potential candidates. Furthermore, even though the workforce in the construction sector is relatively young, the proportion of workers aged 55 to 64 has risen from 13 % to 18 % in ten years, which may reflect an improvement in working conditions but is likely, in the long term, to increase the number of retirements if it does not continue.



Labour scarcity increases reliance on foreign workers and weighs on production. To make up for the shortage of skilled labour, some companies are turning to Belgian self-employed workers or to foreign workers, whether self-employed or seconded. According to Myria (the Federal Migration Centre), the number of posted workers will reach 214 000 by 2022. Of this figure, 39% are employed in the construction industry, making it the leading sector of activity for foreign workers. These workers are mainly EU nationals. The use of foreign labour can be associated with abuse such as unfair competition, social dumping and irregular immigration. In 2015, a fair competition plan was signed by the social partners in the construction industry, the federal government and the Social Information and Research Service (SIRS). In the absence of a sufficient workforce, some companies are also forced to restrict output or extend delivery times. In the short term, this has a negative impact on production and, in the longer term, companies may be forced to revise their development strategies. According to a survey by the European Investment Bank (2022), the unavailability of skilled labour is a long-term obstacle to investment for 92 % of Belgian construction companies.

Construction is a crucial area for the energy transition. The energy transition will require the acquisition of new skills in order to incorporate innovations in the fields of energy renovation and the installation of renewable materials. CEDEFOP (the EU agency responsible for promoting the development of vocational education and training) ranks construction among the fields expected to see a solid expansion in employment between now and 2035. An increase in the number of workers is expected in trades such as heat-pump installers, carpenters and joiners, bricklayers, and technicians, all of whom will need to be trained in energy efficiency and renewable energy sources.

The recent rise in input costs and interest rates is curbing building activity. The war in Ukraine and transport problems during the post-Covid-19 recovery resulted in a shortage of building materials and higher prices. In addition, the rise in interest rates has had a two-fold impact on construction companies, as it has reduced demand for property investment and increased the cost of business loans. High inflation has been passed on to the wage bill, including in the construction sector, but wage indexation protects the purchasing power of Belgian consumers, which is crucial for a sector such as construction that is mainly oriented towards the domestic market.



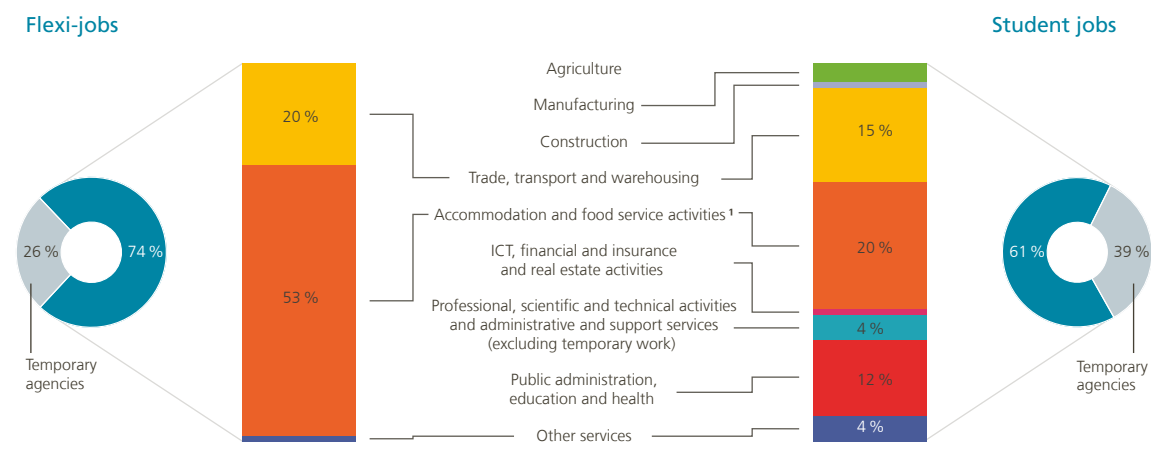
A tighter but more flexible labour market

More flexible forms of work are gaining in popularity. First introduced in the hospitality industry in 2015, so-called “flexi-jobs”, i.e. additional jobs held by workers already employed on an 80% basis or by retirees, have gradually been made possible in other fields, such as retail trade and hairdressing and beauty salons. However, one in four flexi-jobs is not directly listed in the employer’s sector, since these jobs are “officially” with temporary employment agencies, highlighting the important role played by these agencies in making the labour market more flexible. In 2024, the flexi-job scheme was further extended, notably to education, transport and agriculture. Flexi-jobs enable employers to increase the size and flexibility of their workforce at limited expense. Indeed, the employer’s social security contributions are reduced by ordinary social security contributions and payroll tax, and the administrative procedures are less cumbersome. In the second quarter of 2023, according to the NSSO, 120 000 people held 140 000 flexi-jobs (compared with 57 000 and 67 000, respectively, in 2019). Flexi-jobs increase the volume of work, but their impact remains limited: they represent only 21 000 full-time equivalents (FTEs); in other words, each person works an average of 18% of a full-time job.

Reliance on flexible working arrangements is highest in the hospitality industry. In 2022, the hospitality industry was the main provider of flexi-jobs, although retail trade and hairdressing and beauty salons have seen their share rise over time. Furthermore, hotels and restaurants can take on additional workers during periods of peak activity. These workers, known as “extras”, can be employed for up to two consecutive days or 50 days per year in total. Unlike flexi-jobs, the use of extras has fallen in recent years, from 8 500 FTE in 2017 to 5 900 in 2022. It is likely that flexi-jobs are partly responsible for this reduction.

Firms also rely on other flexible working arrangements, such as student employment. A student contract qualifies for reduced employee and employer social security contributions. The maximum duration of employment over the course of the year, which was 50 days until 2016, was raised to 475 hours in 2017 and to 600 hours in 2023. At the same time, the number of student jobholders has increased over the years, reaching 627 000 in 2022, up from 523 000 in 2017. The shift from working days to working hours has made student employment more flexible. In line with the gradual raising of the ceiling on authorised hours, the average number of hours actually worked per student has also jumped, from 171 to 206 per year.

Figure 5.3
Distribution of flexi-jobs and student jobs by sector¹
 (2022, number of people in employment)



Source: National Social Security Office.

¹ Workers in flexi-jobs covered by the joint committee for the hospitality industry but whose employer’s main activity does not fall within the NACE hospitality sector are included in this sector (less than 4% of flexi-jobs).

The increase in flexi-jobs and student jobs is most evident in Flanders. Over 90 % of flexi-jobs and 63 % of student jobs are concentrated in Flanders, compared with 61 % of domestic employment.

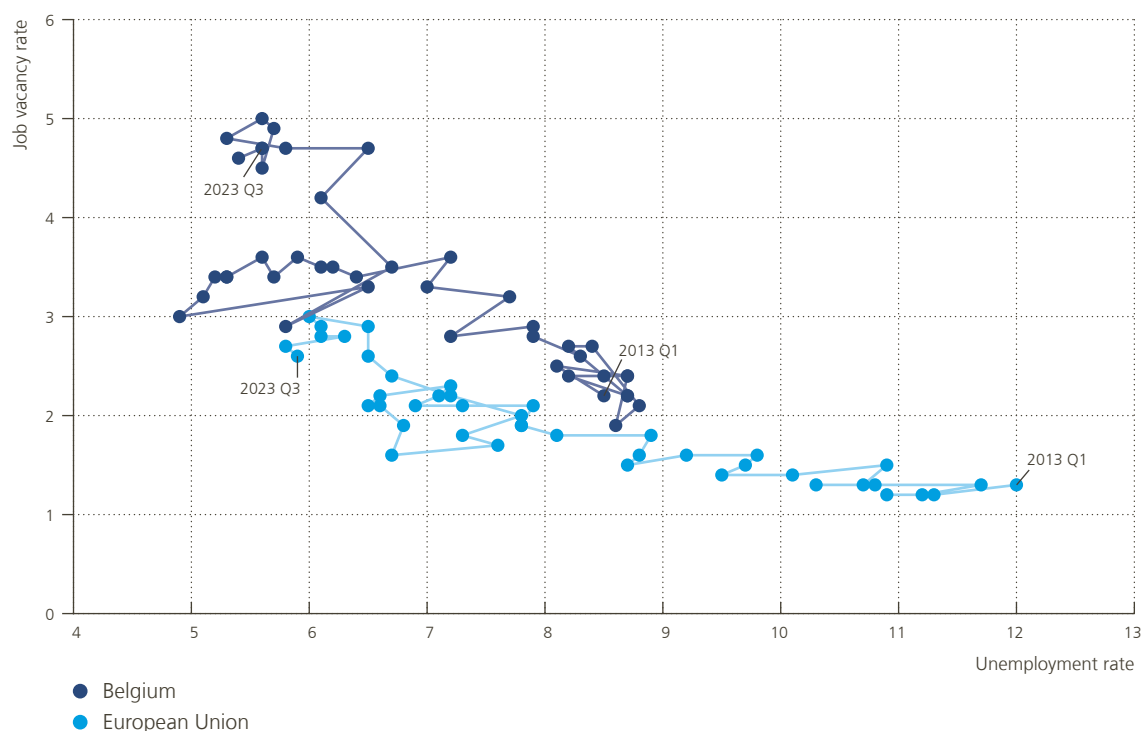
The post-Covid recovery led to a tighter labour market. The Beveridge curve, which establishes a negative relationship between the job vacancy rate and the unemployment rate, reveals growing tensions on the labour market. More specifically, firms are finding it more difficult to recruit. Compared to the European average, the situation in Belgium is even more critical. The difficulties encountered in matching labour supply and demand are more marked since, for a given unemployment rate, the job vacancy rate has always been higher in Belgium than the EU average (see section 5.2). According to quarterly business surveys, the proportion of

manufacturing and service companies mentioning a shortage of skilled labour as an obstacle to production or doing business rose sharply between mid-2020 and mid-2022, before declining thereafter. Looking at historical data, there is still a fairly significant shortage of skilled labour in manufacturing, but it has normalised in services. Labour market slack is another indicator of tightness and refers to all unmet employment needs. This concept includes jobseekers, those working part-time who would like to work more and are available to do so, people looking for work who are not immediately available to work, and people who are available to work but are not actively seeking work. In the third quarter of 2023, this indicator stood at 9.5 % in Belgium and 11.3 % in the EU for the population aged 20-64, both relatively low margins in their respective statistical series which began in 2009.

Figure 5.4

Beveridge curve in Belgium and the EU

(percentage, quarterly data)



Source: Eurostat.

5.2 Recruitment difficulties

A scarcity of labour

Low labour market participation contributes to recruitment difficulties for companies. If Belgium's active population were proportionate to the EU average,¹ 300 000 more people would be available to meet the needs of the country's employers. In 2020, the High Council for Employment² argued for a multipronged approach to this issue. Its recommendations were aimed at removing barriers to participation for underrepresented groups, namely the low-skilled, young people, older workers, people of non-European origin, and women. They relate to education and training (combating early school leaving, orientation towards growth sectors, student internships, vocational training); financial incentives for the low-paid to work; combating discrimination and encouraging integration policies for foreign nationals; measures to raise the effective retirement age; a better distribution of household tasks; and better collective care for young children.

The working population is ageing and a growing proportion of workers is reaching (pre-) retirement age. The proportion of workers aged 55 and over rose from 10 % in 2008 to 18 % in 2022. The gradual exit of these workers from the workforce creates a labour shortage in the short and medium terms. Needs will be particularly acute in certain sectors already affected by large-scale shortages, such as healthcare and manufacturing. In addition, a majority of Belgian workers retire early. At 61, the effective retirement age in Belgium remains well below the statutory retirement age of 65. This is also lower than the European average, which stands at 64. Since the

early 2000s, the authorities have been taking measures to keep older workers in work for longer, in particular by gradually raising the qualifying age for (early) retirement. The statutory retirement age will rise to 66 in 2025 and to 67 in 2030. In July 2023, the government agreed a pension reform that includes the introduction of a pension bonus³ to provide a financial incentive to people to work beyond their possible retirement date. The precise details have yet to be worked out, however. According to Minne and Saks (2023),⁴ influencing the motivation of older workers, through ongoing training and the adaptation of working conditions, could encourage them to stay in work longer.

One possible solution to this labour shortage could be migration. In Belgium, immigration for economic reasons is still uncommon, although the rate is increasing. In 2020, economic reasons accounted for only 11 % of the grounds cited by non-EEA nationals to obtain a first residence permit (Myria, 2022). The other main reasons given were family considerations (45 %) and studies (15 %), followed by international protection (11 %) and humanitarian or medical reasons (6 %). The remaining 12 % gave no reason. According to Myria (2023),⁵ apart from the slowdown observed during the pandemic, the number of foreign workers has been rising steadily in recent years. Most of these workers are highly skilled. In 2022, 60 % of first residence permits for paid employment were issued to highly skilled workers (i.e. just over 7 000 out of almost 12 000 permits issued on this basis to third-country nationals). However, the number of low- and medium-skilled foreign workers rose sharply in 2022. These workers

1 In 2022, the activity rate stood at 74.5 % for the EU, compared with 70.5 % for Belgium.

2 HCE (2020), *Plus d'actifs pour une économie prospère et inclusive*.

3 Federal Pensions Service, *Pension Reform 2021-2024*.

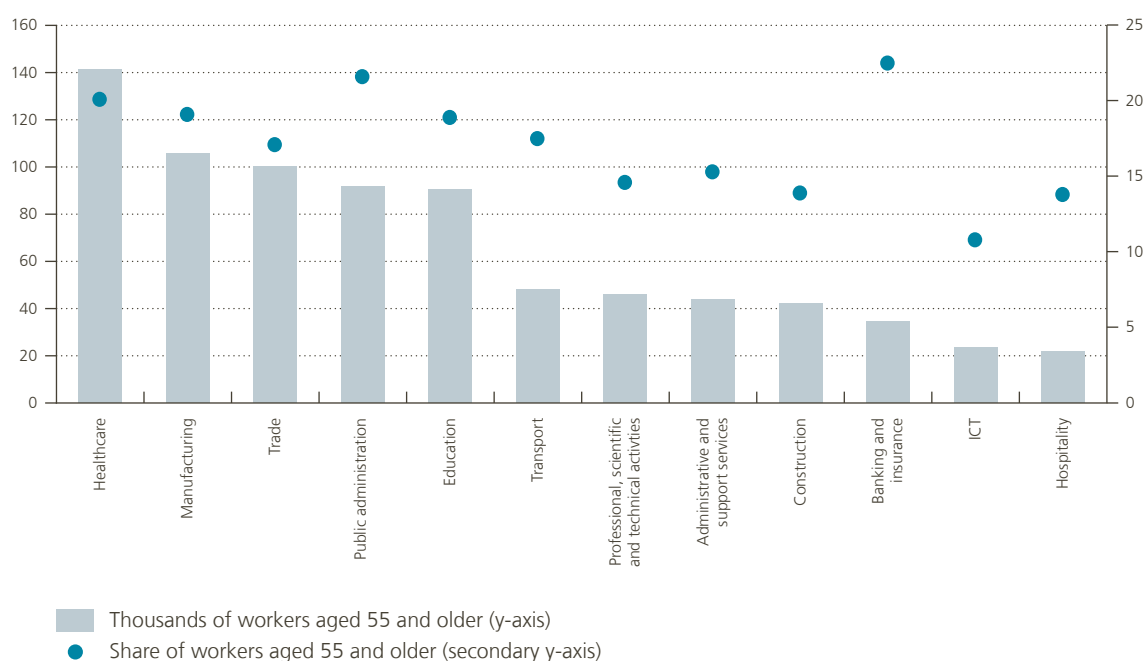
4 See G. Minne and Y. Saks (2023), "Older workers and retirement decisions in Belgium: mapping insights from survey data", NBB, *Economic Review*.

5 See Myria (2023), *La migration en chiffres et en droits*.

Figure 5.5

Some sectors will face the widescale departure of workers at the end of their careers¹

(2022, as a percentage and in thousands of people)



Source: Eurostat.

¹ Sectors with at least 20 000 workers aged 55 and over in 2022.

are often employed in shortage occupations or in jobs subject to a market survey (the employer must demonstrate that there are no candidates available on the local labour market). Their numbers rose from just over 1 000 in 2021 to over 4 000 in 2022. Despite this increase, economic migration remains insufficient given the scale of the country's labour shortage. Immigration policies and integration programmes have been put in place to attract foreign talent, but complex administrative procedures appear to constitute a hurdle for both employers and workers. These obstacles are compounded by language barriers, cultural differences, and the difficulty having foreign qualifications and diplomas recognised.

A skills mismatch

Candidates' skills do not always match employers' requirements. Some jobs require specific skills or technical training. This is the case, for example, in IT, where there is a shortage of candidates with the

skills sought for vacant positions. For these types of jobs, recruitment difficulties can often be traced back to the source: although they offer many opportunities and attractive pay, enrolment in STEM (science, technology, engineering and mathematics) courses remains inadequate.

Shortage occupations do not necessarily require a lengthy investment in training. Many vacancies in transport, construction, manufacturing or personal and community services do not require higher education. Indeed, a university degree is not required for a large share of vacancies advertised by the public employment services.

Ideally, skills needs should be anticipated and training adjusted to meet them. In the context of the green and digital transitions, technologies and skills requirements are changing rapidly. It is important to inform students and jobseekers about career opportunities to ensure that Belgium has a workforce whose qualifications align with market needs.



For workers, targeted training and retraining programmes should improve skills acquisition and thus help reduce the mismatch between labour supply and demand. A report by the HCE¹ on the continuing training of employees showed that training efforts are inequitably distributed: the groups that need it most, namely workers whose skills are obsolete and low-skilled workers, participate the least.

Numerous policies aim to promote a better match between workers' skills and market needs. Each year, the regional PES draw up lists of shortage occupations, enabling a precise and up-to-date identification of these occupations. In 2022, the federal government decided on a plan to combat shortages, focusing primarily on skills. Some of the measures

relate to the identification of shortage occupations, based on the lists drawn up by the PES. On this basis, firms should establish an annual training plan. The social partners in the various sectors should discuss the causes of shortages every two years in order to propose corrective measures to the federal authorities responsible for employment policies (the creation of an interfederal platform). The measures are also aimed at orienting jobseekers towards shortage occupations. For example, the degressive nature of unemployment benefits is frozen when jobseekers follow a training course leading to a job in a shortage occupation. The long-term unemployed can now combine income from a job in a shortage occupation with a portion of their unemployment benefits (25 %) for three months. As from 2024, all employees will benefit from a right to five days of training per FTE per year. Derogations related to the size of the firm exist, and companies with fewer than ten employees are exempt.

¹ HCE (2021), *La formation continue des salariés: investir dans l'avenir*.

A lack of geographical and professional mobility

Despite unemployment disparities, few workers cross the linguistic divide to work. Although Belgium is a small country, the labour market is characterised by wide disparities in the unemployment rate between the three regions. These differences are persistent, and no significant convergence can be discerned. Indeed, 85 % of employees work in the region in which they live. However, a trend towards greater inter-regional mobility appears to be emerging in the regions with the highest unemployment rates. In Brussels and Wallonia, the share of inter-regional commuters (almost 20 % of employment) is higher than in Flanders (12 %).

Distance is clearly a barrier to geographical mobility, but its impact varies depending on the individual characteristics of workers and jobs. Duprez and Nautet (2019)¹ found a concentration of well-paid jobs in the capital region, in occupations requiring high qualifications in finance and insurance, IT, public administration and business services. These jobs attract highly educated workers who prefer to live in nearby non-urban areas and commute daily. As they are less mobile, workers with lower

qualifications are generally more dependent on local employment opportunities.

Other factors also influence mobility, such as the quality of infrastructure, the efficiency, availability and cost of public transport, and the language barrier. The multinational character of Brussels, its role as a bilingual capital and its more developed transport system make it the destination of choice for many inter-regional commuters.

The PES have put in place initiatives and increased collaboration to stimulate inter-regional mobility. Among the measures adopted are language training, the funding of lessons to obtain a driving licence, and the sharing and dissemination of job offers with other regions. The rise of teleworking, which makes it possible to cut back on commuting, could encourage people to accept jobs farther away from home. However, this is not an option for a wide range of occupations, particularly manual, technical and personal care jobs which require workers to be physically present. It is unrealistic to believe that improving worker mobility could contribute significantly to reducing the number of shortage occupations, as these are often identical in all three regions.

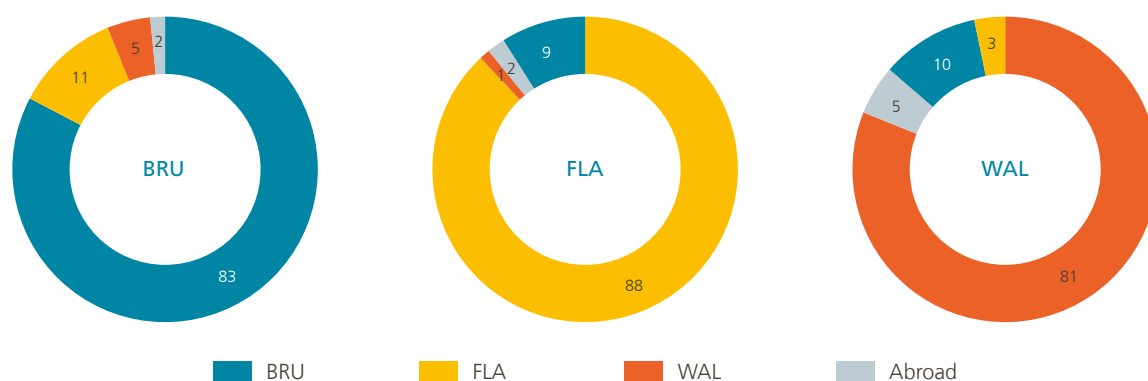
In addition to a lack of geographical mobility, the Belgian labour market is characterised by a low number of job transitions. Certain characteristics

¹ See C. Duprez and M. Nautet (2019), “Economic flows between Regions of Belgium”, NBB, *Economic Review*.

Figure 5.6

Most commuters work in the region in which they live

(percentage of corresponding employment, 2022)



Source: Statbel.



of the labour market render professional mobility less attractive and encourage immobility on the part of both employees and employers, the latter because redundancy costs are high, procedures are lengthy and restrictive and, in the event of an upturn in activity, recruitment difficulties are significant. The wage formation system, which emphasises seniority, especially for employees and civil servants, also discourages job transitions. Likewise, the incentive for companies to hire workers decreases with their age if there is no expected added value in terms of productivity. According to a report by the FPS ELSD,¹ Belgians have a marked preference for job stability. The report notes, however, that highly skilled workers have more professional mobility and are likely to earn more. An article by Saks (2021)² indicates that, due to centralised wage negotiation and generalised wage indexation, wage dispersion is low in Belgium from an international perspective, which could also exert downward pressure on professional mobility.

Unattractive working conditions and insufficient financial incentives

The working conditions and pay for a number of professions are considered too unattractive.

Working conditions, which include working hours, the physically demanding nature of the work, and pay, are crucial to attracting and retaining workers, as are career opportunities. Difficult working conditions may dissuade workers from choosing certain sectors, activities or professions. The employer's values and the social value of certain professions are important criteria, particularly for the younger generations. For example, technical and vocational courses are often avoided by students as they have a negative image of them. However, these useful and practical trades are also associated with high rates of labour market integration. To counter this negative perception, the construction sector, for example, has launched information campaigns designed to improve its image.

A key factor in attracting candidates, although far from the only one, is the level of pay.

Salary is closely linked to a worker's profession or trade. According to Statbel's latest salary survey, jobs with

¹ See FPS ELSD (2022), *État des lieux de la mobilité professionnelle in Belgium*.

² Y. Saks (2021), "Wage differentiation in Belgium according to SILC data", NBB, *Economic Review*.

below-average pay include a number of occupations that are experiencing recruitment difficulties, particularly in the hospitality, construction, trade, industrial and transport sectors.

For the unemployed, the financial incentives to accept a job are insufficient. This is particularly the case for low-paid jobs. The participation tax rate measures the extent to which the choice to work is taxed, both directly, through social security contributions and personal income tax, and indirectly, through the loss of benefits. The higher the rate, the less incentive there is to work, reinforcing unemployment or inactivity traps. For an unemployed person faced with taking up a low- or medium-paid job, the participation tax rate is very high at the start of the period of unemployment, which reduces the financial incentive to accept the job. As the period of unemployment lengthens, benefits become more degressive and work becomes financially more attractive.

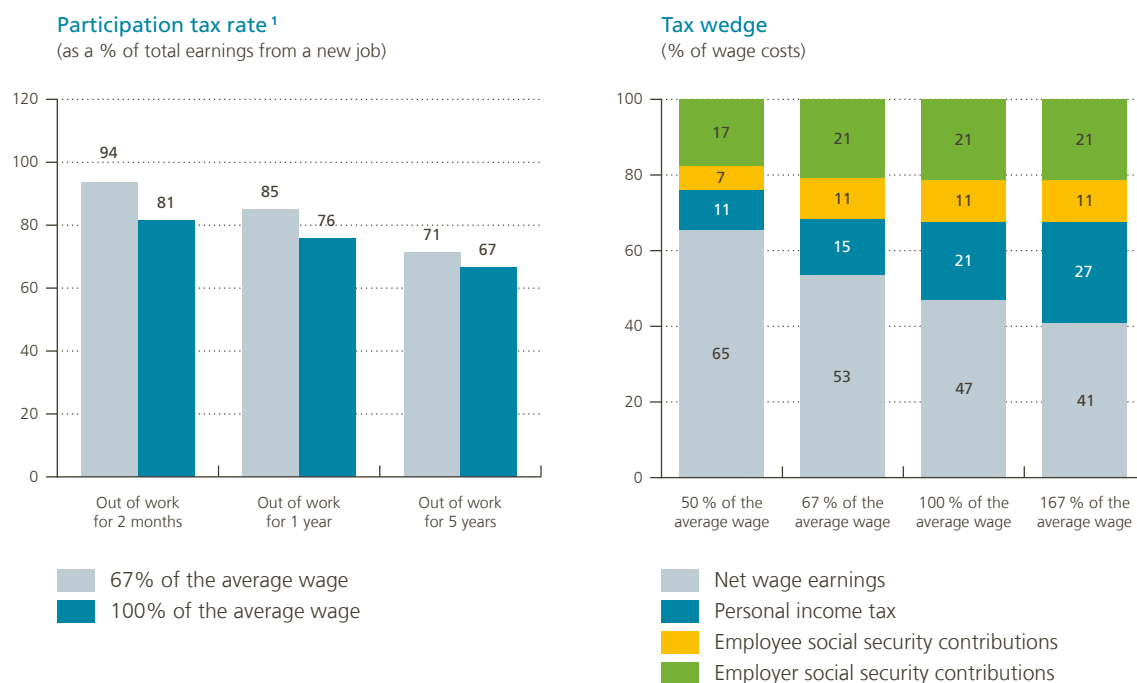
Other factors influence the decision to accept a job. These include the loss of certain advantages when leaving the benefits system (e.g. reduced tariffs for energy or transport, access to certain services, higher allowances) or the costs incurred when returning to work. It is important to emphasise that the decision to participate in the labour market depends not only on the cost but also the accessibility of childcare and means of transport. Other aspects, such as social mores, physical and mental health, housing conditions, indebtedness and deductions from wages, can also influence the decision to work or not. Finally, longer-term financial benefits, such as possible future pay rises or effects on pension entitlements, may not be factored in to the thinking of potential candidates.

Various actions have been taken to extend employment incentives for low-wage workers, but they appear insufficient. The issue of

Figure 5.7

The financial attractiveness of work is modest for low-wage earners, and social security pressure increases rapidly

(typical case for a single person without children, 2022)



Source: OECD.

¹ Percentage of gross income from the new job that is lost due to an increase in tax or a reduction in benefit entitlements when a person who was unemployed returns to work.

financial incentives has formed the object of public debate for years, and numerous reforms have been undertaken. In 2016, the tax shift contributed, through the reform of the personal income tax system, to making work more attractive, in particular for those earning the lowest wages, by raising the PIT threshold and increasing the so-called “social security bonus” for employment, consisting of a reduction in social security contributions for low-wage workers, and the “tax bonus” for employment, corresponding to a tax credit, thereby making it possible to boost net pay without affecting the gross amount payable by the employer. However, the effect of these advantages quickly disappears as gross pay rises: for an income equivalent to 67 % of the average wage, the impact is already limited and becomes non-existent the closer one gets to the average wage. The Flemish government also introduced an employment bonus for low-wage workers. Moreover, the minimum wage was raised in 2022 (+€75) and 2024 (+€35) and will be raised again in 2026 (+€35). Incentives to work have also been increased through reforms to the unemployment benefits system: more support for and monitoring of jobseekers, the introduction of degressive unemployment benefits, and changes to the criteria defining suitable employment. For workers who are unable to work, there is a possibility to resume work on a part-time basis through a reintegration pathway adapted to their state of health. Nevertheless, despite these reforms, the risk of unemployment or inactivity traps remains higher in Belgium than in neighbouring countries and within the EU on average.

As well as financial aspects, the quality of work and working conditions are fundamental to attracting candidates

The type of employment contract offered has an impact on the attractiveness of a job. Temporary contracts enable companies to cope with peaks in demand, carry out specific projects or meet flexibility requirements. Temporary contracts take a variety of forms: fixed-term contracts, seasonal work contracts, student contracts and temp contracts. For two out of ten temporary workers, the type of contract concluded is a voluntary choice. In eight out of ten cases, however, it is not. More often than not, the worker was unable to find a permanent contract or the desired job was only

available under a temporary contract. Candidates clearly prefer permanent employment, which provides greater job security and a stable income over the long term.

Most sectors that make extensive use of temporary contracts are experiencing greater recruitment difficulties. The sectors with the highest concentrations of temporary contracts are education – due to the system to replace absent staff – trade and healthcare (according to the 2022 labour force surveys). The hospitality industry also employs an impressive proportion of temporary workers: almost one in four jobs in this sector is under a temporary contract, compared with an average of 8 % for the economy as a whole. Although no formal causal link can be proven, it has been found that these sectors are also characterised by structural recruitment difficulties. In the job vacancy surveys carried out by Statbel, positions are divided into two categories: on the one hand, those corresponding to the employer’s own staff – known as permanent jobs – and, on the other hand, those that are filled by workers from temporary agencies. Notably, the proportion of temporary contracts to fill vacancies is particularly high in manufacturing, transport, trade, construction and hospitality. Section 5.1 explains that the labour market is becoming increasingly flexible, which could be a particular issue to consider in the fight against recruitment difficulties.

Some jobs are associated with physical or psychological hazards that are likely to discourage applicants. The situation varies widely from one sector and job to another. Physical hazards include repetitive movements, exposure to dangerous products, the operation of machinery, the handling of heavy loads, etc. According to an *ad hoc* survey conducted by Statbel in 2022, employees working in finance and insurance are the least likely to be exposed to this type of hazard, followed by those in professional, scientific and technical activities, ICT and trade.¹ On the other hand, more than two out of three workers in manufacturing, transport, construction, agriculture, and water and waste management may be exposed to at least one physical hazard. In addition to physical hazards, certain aspects of a professional activity can generate or contribute

¹ See HCE (2024), *Incapacity for work and reintegration into the labour market*.

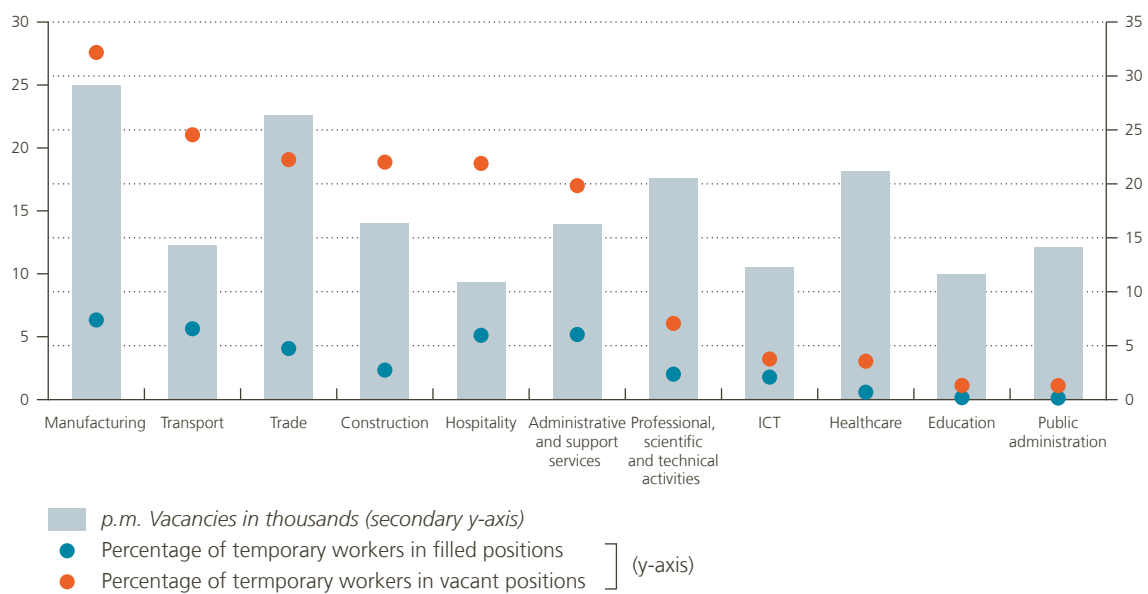
to mental health hazards. These include tight deadlines and heavy workloads, violence, harassment, the management of conflictual relationships, job insecurity, a lack of autonomy, etc. The education, hospitality, transport, and healthcare sectors are

those most exposed to mental health hazards, with more than 55% of staff subject to at least one of these factors. Once again, it has been found that sectors characterised by shortages are associated with greater physical and mental health hazards.

Figure 5.8

Temporary contracts are associated with greater recruitment difficulties

(percentage of filled and vacant positions and thousands of positions, ¹ 2022)



Source: Statbel (JVS).

¹ Sectors with at least 10 000 vacancies in 2022.