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## PRESS RELEASE

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### Labour flows in Belgium

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Given the wider access to detailed microeconomic data in most countries, there has been a multiplication of papers on job and worker flows in recent years, based on the methodology developed by Davis, Haltiwanger and Schuh (1996). All studies have shown that job creation and destruction, as well as hiring and firing of workers, occur simultaneously at far higher rates than the evolution of net employment growth in the economy.

This paper contributes to the previous literature by studying the behaviour of firms operating in Belgium during the period 1998 to 2006, covering consequently both upturns and downturns, and by taking more closely into account the heterogeneity of the workforce, on top of the well-documented heterogeneity of firms. The focus of the paper is net employment changes at the firm level (job flows) and not the much more numerous hires, lay-offs and quits (worker flows). The longitudinal dataset used to observe variations in behaviour among firms come from information included in the annual social balance sheet that firms operating in Belgium have to file with the Central Balance Sheet Office of the National Bank of Belgium. The coverage of the study is very broad since all industries and commercial services (NACE codes C to K) are included.

The job creation rate was on average 8.8 p.c. between 1998 and 2006, while at the same time, the job destruction rate reached 7.2 p.c. These rates are consequently 5 to 6 times higher than the net employment growth rate observed over the same period, which was on average 1.6 p.c. The average job reallocation rate (16 p.c.) is very close to the figure from a previous Belgian study covering the years 1978 to 1985, showing that there has been no deterioration on the Belgian labour market in terms of job mobility at the aggregate level. The job reallocation rate is found to be lightly pro-cyclical, which could be interpreted as indicative of a relatively rigid labour market. It should be noted, however, that the development of temporary agency work and temporary lay-offs cannot be taken into account with our data.

We confirm previous results that job flows are dominated by flows corresponding to continuing firms, while job creations in start-ups and job destructions in exiting firms are nevertheless not negligible. Our research confirms also that job stability is fairly high: there is a large degree of persistence for newly-created jobs, as well as for destroyed jobs. Our findings from the cohort analysis point to the importance of business cycle conditions for a firm at the time of establishment.

The paper shows that job reallocation rates differ strongly by firm size and by branch of activity, and that intersectoral shifts of employment represent only a small proportion of total excess job reallocation. The Belgian findings, like comparable studies for other countries, therefore suggest that excess job reallocation is not initially due to sectoral shocks, but rather to firm-specific shocks. The business specialisation partly explains differences in job reallocation rates between regions in Belgium. Single-region firms operating in Brussels record higher job creation and destruction rates than companies located in Flanders and in Wallonia, which have a relatively similar business structure and where job creation and destruction rates are similar.

Data from the social balance sheets make it possible to decompose job flows into blue-collar and white-collar workers, a distinction which entails large differences in terms of labour and social security law. The data demonstrate that flows vary by status in the manufacturing sector. Over the period under review, not only were fewer jobs created for blue-collar workers, but more were destroyed too. As regards the type of contract, one could observe that job creation and destruction rates are, not unexpectedly, much higher for fixed-term contracts than for permanent contracts.