

The labor market in Belgium, 2000–2016

Beyond satisfactory average performances lies a strongly segmented labor market with long-term challenges

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ELEVATOR PITCH

Might the Belgian labor market be included in the gallery of “Belgian surrealism”? At first sight, Belgium with its 11 million inhabitants has withstood the Great Recession and the euro area debt crisis relatively well, quickly getting back on track toward growth and employment, apparently without rising earnings inequality. But if one digs a little deeper, Belgium appears to be a strongly segmented labor market, first and foremost in an astounding north–south regional (linguistic) dimension. This extreme heterogeneity, along with several demographic challenges, should serve as a warning for the future.

KEY FINDINGS

Pros

- ⊕ By the end of 2016, employment was about 5% higher than its pre-Great Recession level.
- ⊕ The unemployment rate for women has been trending downward since 2005.
- ⊕ There is no clear-cut increase in earnings inequality.
- ⊕ The gender pay gap is shrinking.

Cons

- ⊖ Over the 2000–2016 period, the unemployment rate has trended upward.
- ⊖ The north–south unemployment rate gap remains huge.
- ⊖ Youth unemployment is far above the adult average, in particular for the low-skilled and foreign-born.
- ⊖ In 2016, the labor force participation rate remained well below the EU15 average, especially for people aged 55 and over.
- ⊖ Real earnings have hardly increased since 2000, and the incidence of poverty among the unemployed has risen in the last decade.

AUTHOR'S MAIN MESSAGE

Several standard labor market indicators suggest that Belgium has mostly recovered from the Great Recession, and has done so without experiencing increased inequality. However, these trends have been accompanied by government wage controls, a slight decline in real disposable income, and a rise in poverty among the unemployed. Notwithstanding improvements in the average position of women, the labor market continues to be plagued by several long-term problems. Among these, mass youth unemployment, a high incidence of long-term unemployment, and low participation rates among older people present a real threat to social cohesion and economic development.

