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PRESS RELEASE

The Belgian labour market during and after the crisis

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The global economic and financial crisis that was unleashed at the beginning of 2008 was not without consequences for the labour market in Belgium. Indeed, this crisis was the most severe since the Second World War. Whereas the last three crises which began in 1980, 1992 and 2000, were characterised by a maximum decline in volume of GDP of around 2%, 3% and 1 % respectively compared to the previous peak, the activity recorded at the start of 2009 was a little over 4 % lower than that in the second quarter of 2008. This recession subsequently gave way to a steady recovery, but real GDP did not get back to above its pre-crisis level before the first quarter of 2011.

Nevertheless, the crisis treated Belgium slightly less harshly than other European countries. The average decline in volume of GDP recorded since the beginning of 2008 within the EU, the euro area and Belgium's three main neighbours - Germany, France and the Netherlands - was larger than in Belgium, amounting to more than 5 %. Activity has subsequently recovered but although growth has been stronger recently in the three neighbouring countries, activity has remained less favourable within the reference European areas than in Belgium. Furthermore, the period over which GDP has showed a downturn in Belgium, which extends over three quarters, is a little shorter than in the rest of Europe.

This article looks at the impact that the crisis had on the Belgian labour market and whether it differs from the impact in other countries, whilst taking account of the differences in terms of severity and duration of the economic recession. More specifically, the impact has been examined with regard to the adaptation of volume of labour and labour costs, and also the composition of employment.

The decline in economic activity was accompanied by a less than proportional contraction in the volume of labour, resulting in a fall in labour productivity. The reduction in the volume of labour was only partly reflected in the trend in employment. The customary practice of labour hoarding, which consists of refraining from making redundancies assuming a rapid recovery in activity and in the light of existing shortages of qualified staff, was in fact reinforced by the system of temporary unemployment and the special measures to combat the crisis. These two forms of labour hoarding brought about a considerable decrease in the number of hours worked per employee.

The impact of the deterioration in economic conditions was not the same in all branches of activity and for all groups of workers. In general terms, it is evident that the crisis did not result in a fall in the activity rate. For women and elderly workers the structural tendency for employment to grow seems to have continued both during and after the crisis. Nevertheless, participation of elderly workers in the labour market is still insufficient. Young people, on the other hand, were badly affected by the crisis and even in 2010, their prospects of employment were still hardly rosy. The statistics show once again that the level of qualification is of fundamental importance and that the most qualified have been relatively better protected. The risk of discouragement is consequently highest among low-skilled young people. The growth in long-term unemployment underlines the threat of a rise in structural unemployment, which may compromise the potential for growth in the economy.

At the regional level, it is primarily the Flemish labour market that is influenced by developments in the economic cycle, owing to the relatively greater significance of employment in those branches of activity that are sensitive to the business cycle. It is therefore in Flanders that the slowdown seen from the beginning of 2010 with regard to year-on-year growth in the number of unemployed job-seekers is most marked. At the beginning of 2011, unemployment in Flanders and Wallonia has declined considerably compared to the corresponding period of the previous year, whilst it still increased slightly in Brussels.

The crisis did not have a moderating effect on the trend in hourly labour costs straight away. In 2009, it was actually an upward effect that was observed, more specifically owing to the supplements paid by numerous employers on top of the temporary unemployment benefit payments and the rise in redundancy payments. The slowdown in inflation, also a consequence of the crisis, did not result in a moderation of growth in labour costs until the beginning of 2010, due to time-lag effects inherent to the indexation mechanisms, and it has not been fully passed on (in fact negative indexations have only been applied in part or not at all). According to the calculations of the CEC, the labour cost handicap with respect to the three neighbouring countries, expressed in hourly labour costs, reached 4.1 % in 2009 and decreased slightly in 2010, falling back to 3.9 %. After allowing for the productivity trend, the labour cost handicap, expressed in unit labour costs, narrowed in 2009. This was only a temporary phenomenon, however, due to the more marked business cycle linked decline in productivity in Germany than in Belgium. This handicap has already deteriorated once again in 2010.