

Des emplois pour les jeunes/Jobs for Youth **Belgique**

Summary in English

Youth labour market performance in Belgium is below average

There are fewer young school leavers in the working-age population nowadays in Belgium than in the early 1970s. Their average level of academic achievement has greatly improved and only 11% of young people aged 15-24 leave school without having obtained the diploma equivalent to the upper secondary level.

The transition from school to work is very abrupt, however. Full-time education is the norm, with dual apprenticeship schemes remaining marginal. Although the majority of students in higher education opt for short, three-year courses of study which yield qualifications which are valued on the labour market, it is not usual to combine work and study. Internships are not an integral part of a student's school or university career.

The youth unemployment rate remains high and has tended to increase in recent years from 15% in 2000 to 20% in 2005, compared with an OECD average of 13% in 2005. The youth unemployment rate is about three times higher than the adult unemployment rate – compared with an OECD average of 2.3. No progress has been made in reducing this above-average ratio over the past decade. In addition, 11% of young people aged 15-24 are neither in education nor in employment.

These trends partly reflect the fact that the labour market is becoming more selective. A lack of relevant qualifications is associated with a growing risk of unemployment. Young people are much more vulnerable to unemployment than adults, and the least skilled among them are more likely to be trapped in non-employment.

Another factor is that career paths are strongly influenced by school-leavers' first experiences on the labour market. One young person in three who was in work six months after leaving school will still be in work four years later. In contrast, one young person in eight who received unemployment benefits twelve months after leaving school (at the end of the waiting period or *stage d'attente*) will still be looking for work three years later. A good start can facilitate the transition into employment, whereas a setback is difficult to overcome.

In 2002 in Belgium, half of young people left school before age 21½. The transition period between school and employment lasts a little over one year, but it takes nearly three years to find a stable job. While the vast majority of young people aged 15-24 do have a job one year after completing their studies, for some 40% of them it is a temporary

job and for over 20% it is part-time. Although substantial, these proportions are in line with the norm for young Europeans. In addition, shortly after completing studies, employment outcomes differ by gender. Young women, even the most skilled among them, hold much more frequently an atypical or low-wage job than young men and the gap increases with age.

Another striking factor in Belgium is the contrast between the three Regions. The labour market is more favourable in Flanders, where youth unemployment was 14% in 2004. In the Walloon Region and Brussels, on the other hand, the youth unemployment rate was 33% in the same year and more than one-third of those concerned had been unemployed for a year or more.

Specific institutional factors influence the transition from school to work in Belgium

The institutional factors affecting the transition from school to work in Belgium are by no means attributable to a single level of authority. Education comes within the competence of the *Communities*, while employment and vocational training are the *Regions'* responsibility. The *Federal Authorities* for their part oversee labour legislation, collective labour agreements and social security benefits. It is difficult for the Public Employment Service (PES) to function efficiently because unemployment benefit controls are carried out by the ONEM (*Office fédéral de l'emploi* or Federal Employment Office), while placement and active measures are implemented by the three regional PESs (VDAB for Flanders, FOREM for the Walloon Region and ORBEM for the Brussels Region).

It is becoming more and more common for young people in Belgium to sign on with the regional PES as a job-seeker immediately on obtaining one's school-leaving diploma. Enrolment gives entitlement to the active measures available in each Region and to the ONEM's "waiting allowance" (*allocation d'attente*). This is an unemployment insurance (UI) benefit awarded, on the basis of an individual's studies, for an *indefinite* period following a "waiting period" (*stage d'attente*) lasting between six and twelve months, depending on the person's age. The most disadvantaged young people may also, as soon as they are 18, apply to their commune for social assistance via the CPAS (*Centre public d'action sociale* or Public Centre for Social Action).

Recent reforms go in the right direction

Under the 30 April 2004 co-operation agreement between the Federal State, the Communities and the Regions, each authority undertook to take co-ordinated action in its own domain with the aim of helping the unemployed look for a job and monitoring their job-search activity. Young (under 30) unemployed people in receipt of benefit were the first group to be contacted by local ONEM agencies, as of July 2004, as part of a procedure designed to encourage more active job search. Failure to follow the latter procedure can result in the suspension of unemployment benefit or exclusion from entitlement to it. The Communities and Regions have received additional financial resources to help them provide assistance to the unemployed during the initial months and ensure that all unemployed persons aged under 50 participate actively in this scheme. Initial appraisals of this reform are encouraging. Combining ONEM control over the

availability of young jobless in receipt of benefit with increased assistance for young job-seekers from the regional PES has had a significant impact on flows out of unemployment, at the cost of a limited number of suspensions and exclusions. However, it is not known at present whether the unemployed in question have found jobs or have become inactive nor how many of them would have exited unemployment anyway in the absence of the reform. An evaluation of the whole procedure and its impact is scheduled for 2007.

On 23 December 2005, the Federal authorities enacted the Pact on solidarity between generations. This Pact aims to tackle a key problem in Belgium, namely the division between generations which favours adult access to stable employment and imposes on younger and older people, who are taken care of by the community, the main burden of labour market flexibility. The Pact was initially intended to contain only end-of-career measures, but youth employment measures were added at the request of the unions. These mainly comprise the extension of the existing measures for young people, with greater emphasis on young people with very few skills, unskilled young people of foreign origin and unskilled young people with disabilities.

But additional reforms are needed to promote youth employment

While the recent reforms are a step in the right direction, they will not be sufficient. The following recommendations are intended to help the authorities draw up a more effective strategy for promoting youth employment. The strategy comprises four pillars which reinforce each other: ensuring that youth leave education with recognised qualifications and a valued diploma; making the transition from school to work less abrupt; strengthening a “mutual obligations” approach for young people; and removing remaining barriers to the recruitment of young people.

Ensure that youth leave education with recognised qualifications and a valued diploma

It is vital to ensure that as many young people as possible have the knowledge needed to obtain a recognised diploma. This does not necessarily have to be a full-length university degree, as there are labour shortages currently in many occupations which are accessible with an upper secondary qualification. Employment projections up to 2015 also show that the shift to services is likely to continue, with increasing demand for managerial staff going hand-in-hand with less skilled jobs in services and social work.

The education system has to offer young people differentiated paths enabling them ultimately to obtain a diploma valued by society and by firms. In order to achieve this, it is important to prevent school failure. Young people who drop out should be able to have another opportunity to benefit from education later in life. At present, the technical and vocational streams of secondary education are all too often chosen by default. They need to be made more attractive to young people and the image that their parents have of them improved. The technical and vocational streams ought also to be better integrated in the productive system, with more active collaboration between firms and schools.

The following reform avenues should therefore be explored:

- *Intervene early to prevent school failure.* Even before compulsory schooling begins, early childhood development should be a key priority. Once schooling begins, there should be a sustained effort to avoid school failure, involving the children in question, their families, teachers and social workers.
- *Offer young people dropping out of school a second chance.* School drop-outs should be given a right to receive education later in their working life – beyond compulsory school age.
- *Promote pathways between vocational secondary education and the non-university higher level.* Technical short courses of study at the tertiary level could be organised in modules and with flexible hours.
- *Provide financial support for partnerships between firms and technical and vocational schools.* The schemes implemented in the Brussels Region training centres (*Centres de référence*), which give students access to quality courses adapted to firms' specific requirements, are a recent successful example of what can be done in this area.

Make the transition from school to work less abrupt

In Belgium, dual apprenticeship systems have still not taken off: currently, between 25 and 50% of all vocational school students enrolled in part-time education cannot find an apprenticeship place in firms. At the same time, apprenticeships are often too tied to low-skilled occupations.

As part of the reform process, apprenticeship contracts should be improved. The success of the French Community's measure for students aged 15- 18 (*Convention d'insertion socioprofessionnelle*) is a promising case in point. The apprenticeship contract (*Contrat d'apprentissage industriel*) needs to be modified in order to adapt it better to its target population, or failing that, it should be abolished. It could then be replaced by a normal work contract for which the apprentice would receive a reduced wage to reflect the fact that the employer should provide training.

Students tend to work less frequently in Belgium than in many other OECD countries, even in the summer when they are allowed to work at lower cost and with a higher net wage. Combining work and study should be better promoted to the extent that work is not harmful to studies and that it facilitates labour market entry – which is especially the case when work is performed in an occupation corresponding to the field of study.

The following measures are therefore recommended:

- *Extend dual apprenticeship systems to all skill levels.* Apprenticeships should be extended to high-skilled occupations, as is being done in other OECD countries.
- *Make sure that all young people in part-time education have access to either an apprenticeship in a firm, or an active measure implemented by the PES.* To increase the number of places available to such people, partnerships between training centres, the PES and firms could be subsidised.
- *Evaluate apprenticeship contracts.* This would show which works best in terms of promoting employment opportunities of apprentices.

- *Better promote the combination of work and study.* Communities should develop in partnership with enterprises curricula which include more paid or unpaid internships. Like in other OECD countries, students should have normal part-time and temporary contracts. A contract that gives specific advantages to students, like the student occupation contract, should be abolished.

Strengthen a “mutual obligations” approach for young people

Awarding a UI benefit solely on the basis of studies is very rare in OECD countries. It is still the case in the Czech Republic, Denmark, Greece and Luxembourg, but in none of these countries is it awarded for an unlimited duration, as it is in Belgium. The duration ranges from six months in the Czech Republic to four years in Denmark. The trend recently has been to either abolish this benefit, as happened in the Slovak Republic in the late 1990s, or to activate benefit recipients very rigorously as in Denmark, ensuring that very few young people receive it for long.

Belgium should eventually abolish the waiting allowance and at the same time modify substantially the rules applying to new entrants to the UI system. UI benefits should not vary according to the situation in the household and should be of *limited* duration, conditional on looking actively for work and dependent on having previously been in employment. A tapering off of unemployment benefits could also be introduced, as well as an extension of benefit eligibility. At present, the criterion for benefit entitlement is to have worked for 12 of the previous 18 months. A more balanced formula would, for example, be one where, after six months of work over the preceding 22 months, the unemployed are entitled to unemployment benefits for a period of seven months (subject to strong job-search requirements, as mentioned above).

For now, the “mutual obligations” should be redesigned to match better the needs of school drop-outs or new graduates. The PES needs to be selective, with the measures best for each group being rapidly identified, as it is already applied by Flanders in its staged guidance model for job-seekers. The waiting allowance should not be automatic but conditional after the waiting period. If the young unemployed do not show enough job-search efforts or do not accept suitable jobs, they should be subject to a moderate benefit sanction. Interviews should be carried out every three months together with the ONEM facilitator and the regional PES advisor in such a way as to strengthen the synergies between the federal and regional levels.

The young, long-term unemployed could be offered work or training by the PES. Young people should more often also benefit from new comprehensive programmes implemented at the local level in partnership between the regional PES and the local CPAS. This approach is particularly appropriate in the case of the hard core of young people with numerous difficulties. In contrast with the regional PES, the CPAS can act more broadly because they provide simultaneously an allowance and a package of measures to help overcome education, employment, housing and health difficulties.

The mutual obligations strategy for young job-seekers should be redesigned without delay and implemented jointly by the ONEM, regional PES and local CPAS:

- *Encouraging young people who are inactive or have dropped out of school to register as job-seekers with the PES.* It is vital to prevent young people finding themselves in a situation where they are marginalised in relation to the education system and the labour market. They should be better informed of the *Activa Start* measure tackling this problem.
- *Making every young job-seeker sign an action plan and monitoring its implementation.* Individual support provided jointly by an ONEM facilitator and a regional PES advisor should be accompanied by individual interviews at least every three months to ensure that the individual action plan is being properly adhered to. Payment of the waiting allowance should be conditional on active job-search or participation during at least three months in an active measure. Its duration should be restricted to four years.
- *Providing more intensive active measures for young long-term unemployed.* The PES ought to provide jobs or training for young people who have been unemployed for more than one year. The latter must, in return, comply with job-search obligations.
- *Pool as much as possible at the local level CPAS and PES measures for the most disadvantaged youth.* The expertise of CPAS officials is particularly suitable for young people with cumulative disadvantages.

Remove remaining barriers to the recruitment of young people

In Belgium, there is not much difference between the wages earned by young people and by adults and relatively few young workers have low-paid jobs. The relatively high wages paid to young people can act as a barrier to the recruitment of unskilled youth. The Federal measure used extensively to lower the cost of young, unskilled labour is based on reducing employers' social security contributions. Beginning in 2006, the recruitment of very unskilled young people, unskilled young people of foreign origin and unskilled young people with disabilities attract the biggest reductions in employers' contributions for a four-year period. Employers can even be awarded a so-called "social bonus" if the total amount of the reductions is bigger than the contributions normally payable. However, more is needed to reduce the cost of low-productivity jobs. Indeed, shifting to subsidise low-wage employment the public funds devoted to structural reductions applying to middle- and high-wage jobs would be both equitable and efficient in cost terms. The aim would be to minimise or even eliminate employers' social security contributions at the bottom end of the pay scale.

Another barrier to the recruitment of young people in Belgium is the relatively strict set of employment regulations protecting insiders coupled with the rules restricting the temporary contracts which many young people have. One of the recommendations made in the Restated OECD Jobs Strategy is to look for a better balance between flexibility and security. The legislation on temporary contracts needs to be relaxed, without worsening labour market duality by moving towards a single contract.

The marked disparity between unemployment rates for young people with and without degrees warrants shifting public funds towards measures to combat multiple

disadvantages instead of implementing “general” measures below an arbitrary age threshold. The Federal authorities have clearly recognised the need for this shift, notably in the changes made in 2004 to the First-Job Agreement (*Convention de premier emploi*). Henceforth, the subsidy is confined to the recruitment of young unskilled people and the obligation in terms of company quotas of young people aged under 26 is no longer very strict. In the Pact on solidarity between generations, the strengthening of measures is also aimed at those young people who are most at risk of social exclusion. It is vital to evaluate rigorously, as soon as possible, whether these new measures really do help young at-risk people to find a job.

In Belgium, the measures to promote apprenticeship and training do not measure up by comparison with the reductions in the cost of labour. As result, employers invest relatively little in the former. In order to remedy this, one avenue worth exploring would be that the social bonus mentioned above is not automatic, but dependent on the young workers in question actually becoming more employable.

It is a worrying fact that young people in Belgium beginning their working lives participate less frequently in continuous training than their counterparts in Europe. Continuous training should be encouraged throughout working life, for it makes career paths more secure by promoting occupational mobility. The scheme coupling the recruitment of a job-seeker with a subsidy for individual on-the-job vocational training seems promising as long as the employer does not himself choose the candidates and the latter are confined to workers and job-seekers who have had little access to training.

The following reforms should be considered:

- *Promoting a closer link between labour costs and productivity.* Employer social security contributions reductions should no longer apply to middle and high-wage jobs, thereby creating room for larger reductions of employer social security contributions on low-wage jobs without necessarily expanding the fiscal deficit. Furthermore, negotiations between the social partners should review pay scales based on age or tenure and promote pay scales based on skills.
- *Seeking a better balance between flexibility and security.* A better balance needs to be found between the permanent contracts of those in work and the temporary contracts which many young people have, without increasing labour market duality, by moving towards a single contract.
- *Monitoring and evaluating the new measures for young people introduced by the Pact on solidarity between generations.* The question is whether the measures enable young people with multiple difficulties to gain lasting access to employment.
- *Evaluating the effectiveness of the subsidies granted since 2004 to the least skilled under the heading of first job-agreements.* This evaluation should provide an answer to the following question: how do recipients’ job prospects differ from what they would have been had they not be subsidised?

Reserving subsidies for on-the-job training for the least skilled unemployed. It is important to avoid the deadweight effect resulting from the fact that the employer can select the candidate for this training opportunity.

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