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Improving the Labour
Market Integration
of Immigrants in Belgium

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Vincent Corluy,
Gerlinde Verbist**

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ECONOMICS DEPARTMENT

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By Álvaro Pina, Vincent Corluy and Gerlinde Verbist

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ABSTRACT/RÉSUMÉ

Improving the Labour Market Integration of Immigrants in Belgium

Immigrants make up one fifth of the Belgian working age population, but their labour market integration is poor. Employment rates of non-EU immigrants, in particular, are very low, and the problem extends to their native-born offspring. Further, with more precarious jobs and lower wages, immigrants are heavily exposed to poverty. This is explained by low educational attainment and correspondingly high vulnerability to disincentives to work and relatively high minimum wages, but also by more diffuse handicaps, like discrimination and imperfect knowledge of the languages of Belgium.

Improving the labour market performance of immigrants requires a two-fold strategy. First, policies specific to migrants need to be enhanced. To improve job matching, immigrants need more support to develop and validate their human capital, and employers, both public and private, need stronger incentives to hire a more diverse workforce. Second, general reforms to improve the functioning of the economy, desirable in any case, could also have a significant positive impact on immigrants. There is vast scope to reduce labour costs and increase work incentives for low-skilled workers. Also, the education system needs to become more equitable and responsive to the needs of the children of immigrants.

This Working Paper relates to the 2015 *OECD Economic Survey of Belgium* (www.oecd.org/eco/surveys/economic-survey-belgium.htm)

JEL classification: I24, J15, J31, J32, J45, J61

Keywords: Belgium, immigrants, integration policies, minimum wage, labour tax wedge, equity in education, school choice, early tracking, vocational education

Améliorer l'insertion des immigrés sur le marché du travail en Belgique

Si les personnes immigrées représentent un cinquième de la population en âge de travailler de la Belgique, leur intégration au marché du travail reste faible. En particulier, le taux d'emploi des ressortissants de pays extérieurs à l'UE est très bas, de même que celui de leurs enfants nés en Belgique. Par ailleurs, les immigrés sont très exposés au risque de pauvreté dans la mesure où les emplois qu'ils occupent sont plus précaires et moins bien rémunérés. Ce phénomène s'explique par leur faible niveau de scolarité, et en conséquence une forte sensibilité aux facteurs dissuasifs pour le travail et à des salaires minimums relativement élevés, mais aussi par des handicaps répandus et ancrés tel que la discrimination et la maîtrise insuffisante des langues nationales de la Belgique.

Une stratégie en deux volets est indispensable pour améliorer la situation des immigrés sur le marché du travail. D'une part, il convient d'optimiser les mesures ciblées sur les immigrés. Pour améliorer l'appariement de l'offre et de la demande d'emplois, les immigrés doivent être mieux accompagnés pour développer et faire valider leur capital humain, tandis que les employeurs, dans le secteur public comme dans le secteur privé, doivent être davantage incités à diversifier leurs effectifs. D'autre part, des réformes générales visant à améliorer le fonctionnement de l'économie, au demeurant bienvenues en tant que telles, pourraient aussi avoir des retombées positives significatives sur les immigrés. Des marges importantes existent pour réduire les coûts de main-d'œuvre et accroître les incitations au travail pour les travailleurs peu qualifiés. Il faut aussi renforcer l'équité dans le système éducatif, qui doit mieux répondre aux besoins des enfants d'immigrés.

Ce Document de travail se rapporte à l'Étude économique de l'OCDE de la Belgique, 2015 (www.oecd.org/fr/eco/etudes/etude-economique-belgique.htm)

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Mots clefs : Belgique, immigrés, politiques d'intégration, salaire minimum, coin fiscal sur le travail, équité dans l'éducation, choix des établissements scolaires, orientation précoce, enseignement professionnel

TABLE OF CONTENTS

IMPROVING THE LABOUR MARKET INTEGRATION OF IMMIGRANTS IN BELGIUM	5
Immigration has reached record highs, but integration remains challenging	5
The labour market integration of immigrants remains weak.....	7
Both immigrant-specific and general policies need reform	9
Integration and migration policies for better skills and job matching	12
Reinforcing human capital	12
Fostering diversity in the private sector	13
Overcoming under-representation in public employment.....	13
Migration policies for better matching with labour market needs	14
General labour market settings often reduce the employment prospects of immigrants	16
Reducing costs and taxes to stimulate labour demand and supply	16
Avoiding relegating immigrants to precarious contracts.....	19
The educational outcomes of the children of immigrants need improvement	19
Promoting social diversity in schools.....	20
Improving the performance of disadvantaged students and schools	22
Tackling early tracking and grade repetition.....	22
Upgrading vocational studies	23
Addressing the educational needs of the children of immigrants.....	23
BIBLIOGRAPHY	25

Figures

1. Immigration has increased and become more diverse	6
2. Immigrants are an essential mainstay of the Belgian labour force	6
3. The employment rate of immigrants is low	7
4. Non-EU immigrants have poorer labour market performance	8
5. Immigrants have poorer job characteristics	8
6. Many immigrants face poverty and social exclusion.....	9
7. The share of low-educated immigrants is high	10
8. Immigrants are highly concentrated in Brussels.....	11
9. Immigration for non-labour motives is large.....	11
10. Minimum wages are fairly high	16
11. Unemployment and inactivity traps reduce work incentives	18
12. Children of immigrants underperform by a wide margin	20
13. Performance differences between schools are large	21
14. Children of immigrants are over-represented in disadvantaged schools and lower education tracks	21

Boxes

Box 1. The distribution of competences for integration and migration policies.....	15
Recommendations to improve the labour market integration of immigrants.....	24

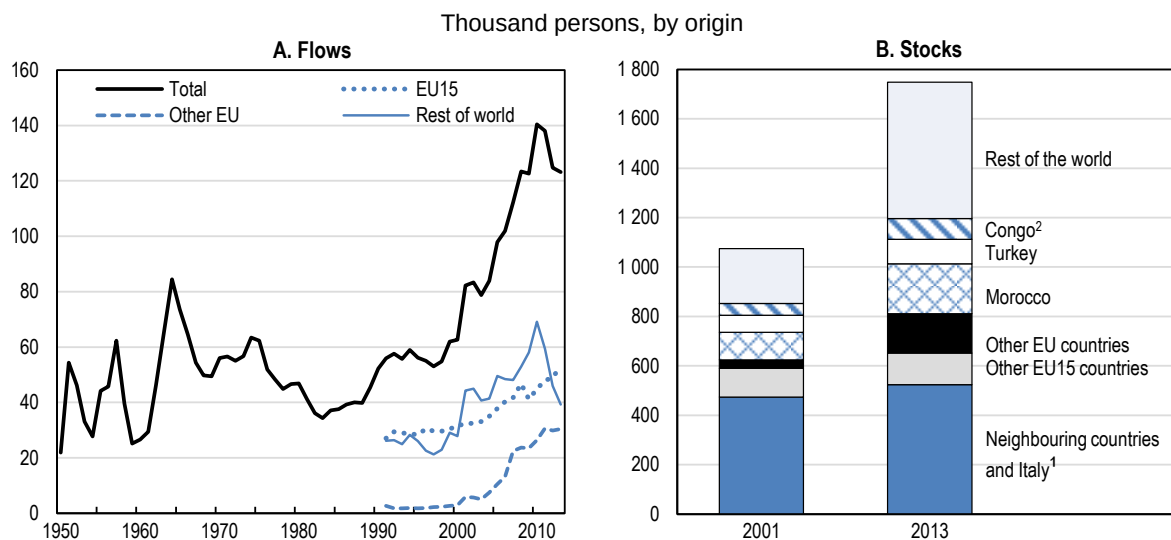
IMPROVING THE LABOUR MARKET INTEGRATION OF IMMIGRANTS IN BELGIUM

By Álvaro Pina, Vincent Corluy and Gerlinde Verbist¹

Immigration has reached record highs, but integration remains challenging

Immigrants, henceforth defined as those born abroad whatever their nationality, account for a high and rising share of the Belgian population (16% in 2013). Long substantial, immigration has risen to unprecedented levels since the turn of the century (Figure 1). Inflows have also become more diverse, with a decline in the relative importance of neighbouring countries and Italy, and surging arrivals from the new EU member states, Morocco and the rest of the world. Indeed, immigration has accounted for the bulk of population growth in Belgium since the 1990s and can play an important role in counterbalancing the negative effects of ageing on the labour force, if immigrants can be socially and economically integrated (OECD/European Union, 2014). As their age structure differs from natives', with relatively more people aged 20 to 55, immigrants already account for almost one fifth of the working age population (Figure 2). Successful integration of immigrants may also bring benefits in other areas, such as sizeable fiscal gains from higher employment (OECD, 2013a) and new export opportunities for Belgian firms through networking and better knowledge of the tastes and needs of foreign consumers.

1. This paper originally appeared as chapter 1 in the OECD Economic Survey of Belgium 2015, published in February 2015 under the authority of the Economic and Development Review Committee. Álvaro Pina is a senior economist in the OECD Economics Department. He is also affiliated with ISEG (Lisbon School of Economics and Management, Universidade de Lisboa) and UECE (Research Unit on Complexity and Economics, Lisboa). Vincent Corluy is at the Centre for Social Policy, University of Antwerp, and the Centre for Economic Studies, KU Leuven. Gerlinde Verbist is at the Centre for Social Policy, University of Antwerp. The authors are grateful to Pierre Beynet, Robert Ford, Thomas Liebig, Álvaro Pereira and Sanne Zwart for valuable comments and suggestions on earlier drafts, as well as for discussions with Belgian government officials and independent experts. Special thanks go to Desney Erb for statistical assistance, to Joost Haemels for support in the collection of data and policy information, to Francesco Avvisati, Gábor Fulop and Pablo Zoido for computations with PISA microdata, and to Sylvie Ricordeau and Krystel Rakotoarisoa for editorial assistance.

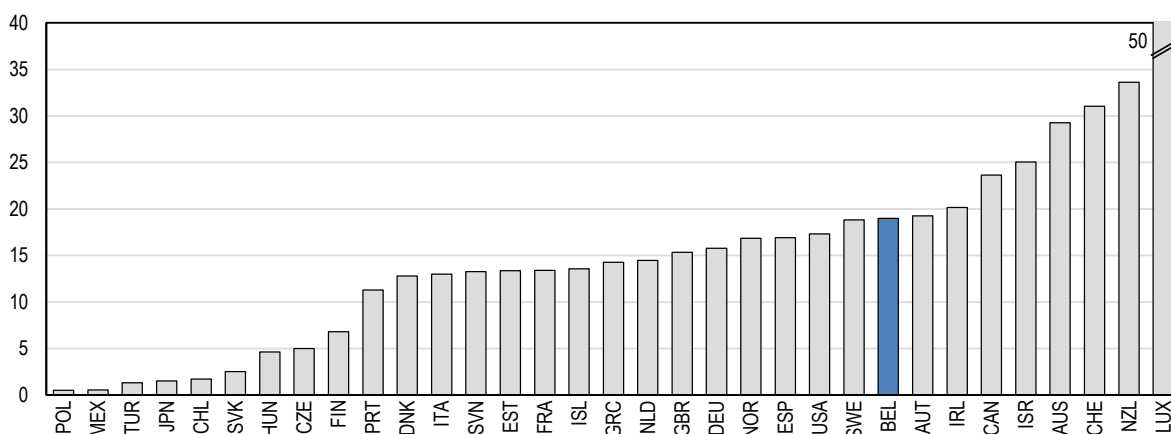
Figure 1. Immigration has increased and become more diverse

1. France, Germany, Netherlands and Luxembourg.
2. Democratic Republic of the Congo.

Source: Federal Planning Bureau and Eurostat (2014), "Population by citizenship and country of birth", *Eurostat Database*, November.

Figure 2. Immigrants are an essential mainstay of the Belgian labour force

Foreign-born population as a percentage of total population, age 15-64, 2011-13¹



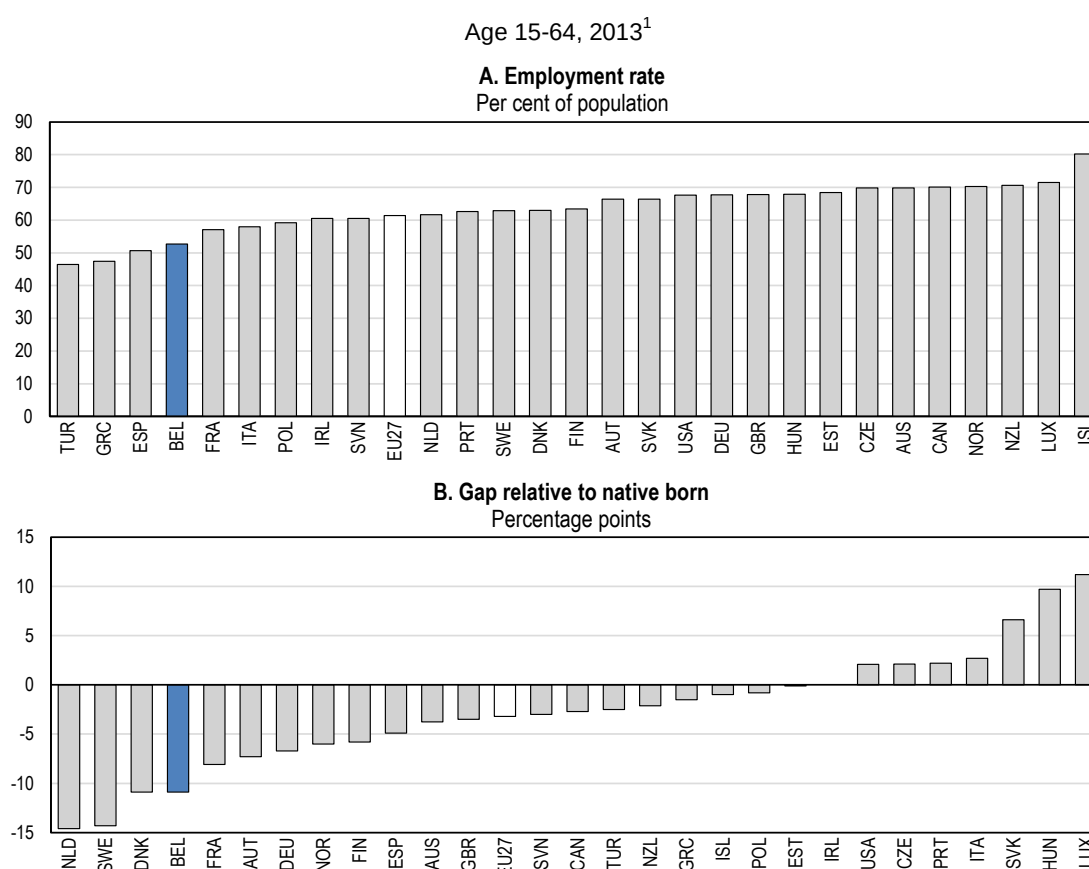
1. 2013 for European Union member countries, Iceland, Norway and Switzerland; 2011-12 for other countries.

Source: Eurostat (2014), "Population by citizenship and country of birth", *Eurostat Database*, November and *OECD International Migration Statistics* (database).

The labour market integration of immigrants remains weak

However, the labour market integration of immigrants is poor. In international comparison, the employment rate of immigrants in Belgium is among the lowest, lagging the native-born by one of the widest gaps (Figure 3). Among immigrants, important heterogeneity exists. The employment status of immigrants from EU origin is broadly comparable with that of natives, with men more exposed to unemployment but less to inactivity (Figure 4). In contrast, the labour market performance of non-EU immigrants is much worse, with high unemployment and, among women, large inactivity as well. In 1996-2008, the employment rate gap to natives of EU-born immigrants fell markedly, while that of non-EU immigrants essentially stagnated (Corluy and Verbist, 2014). Since 2008, non-EU immigrants have been hit hardest by the crisis, with a further worsening of their employment rate gap, making integration problems even more pressing.

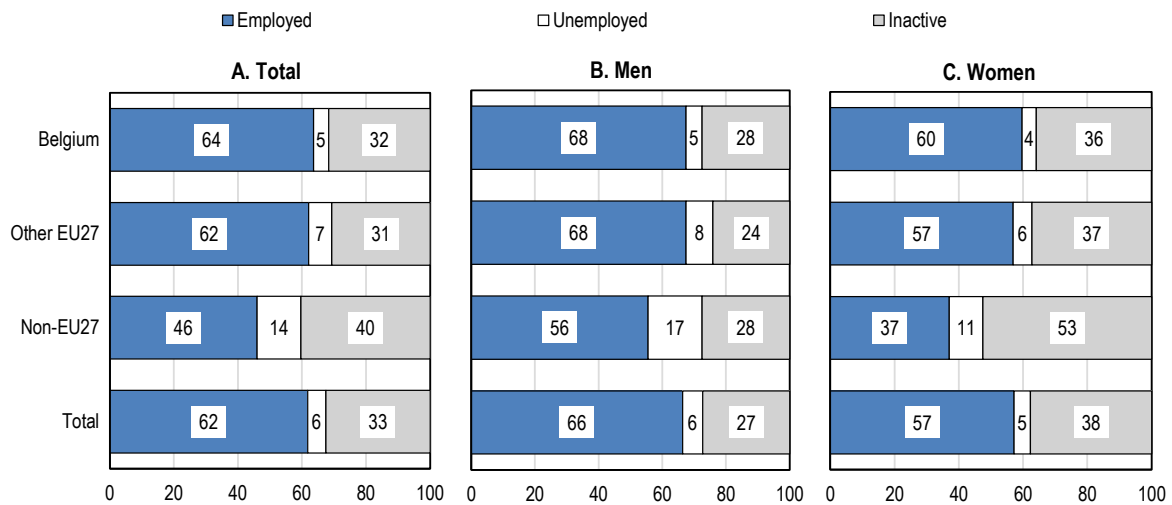
Figure 3. The employment rate of immigrants is low



1. 2012 for Australia, Canada, New Zealand, Turkey and United States.

Source: European countries: "Employment and unemployment - Labour Force Survey", *Eurostat Database*, November; United States: Current Population Surveys; Australia, Canada, New Zealand and Turkey: Labour Force Survey.

Weak labour market integration extends to the native-born children of immigrants. Not immigrants themselves, they might be expected to reap the benefits of greater familiarity with Belgian culture and institutions. However, like their parents, they have a low employment rate (OECD, 2012a). Labour market disadvantage is greatest when both parents (rather than only one) were born abroad (De Keyser et al., 2012) and for the children of non-EU immigrants. Despite some progress in 2008-12, outcomes for the native-born offspring of immigrants stress the persistent nature of integration problems.

Figure 4. Non-EU immigrants have poorer labour market performanceEmployment status by country of origin and gender, age 15-64, per cent, 2013¹

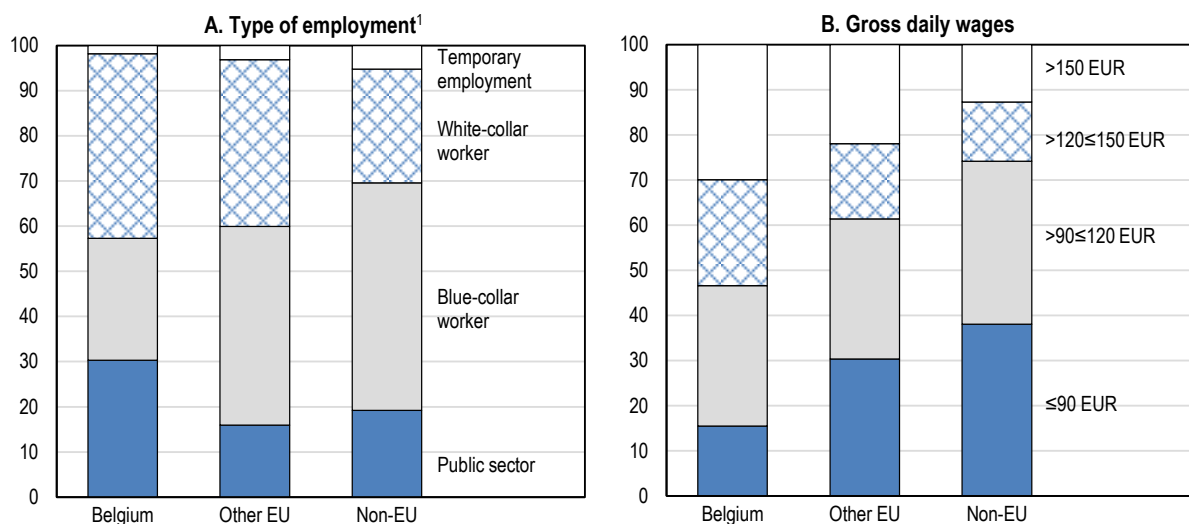
1. Numbers may not add up to 100 due to rounding.

Source: Eurostat (2014), "Employment and Unemployment (Labour Force Survey)", *Eurostat Database*, November.

Besides lower employment rates, immigrants also tend to face less favourable job characteristics. Compared to natives, immigrants are under-represented in public sector and white-collar private sector jobs, and over-represented in the less well-paid blue-collar and temporary employment (Figure 5). Again, disadvantage is largest for non-EU immigrants, but there are also important gaps in average job characteristics between EU immigrants and natives.

Figure 5. Immigrants have poorer job characteristics

Population aged 18-64 by country of origin, per cent, 2012



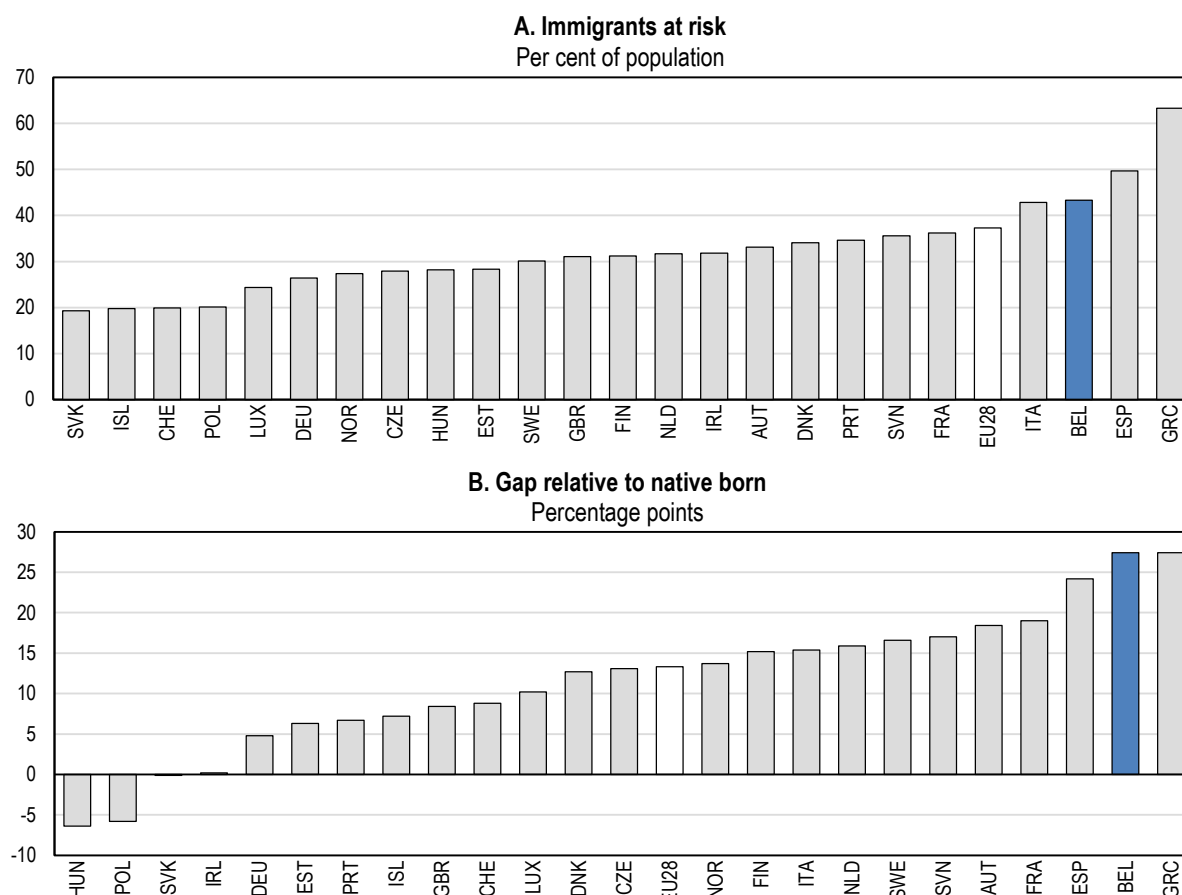
1. Blue and white-collar categories refer to employees working under a regular blue or white-collar contract of indefinite or limited duration. Temporary work covers interim employment. Self-employment is excluded as are European Union officials.

Source: CBSS (2014), *Datawarehouse marché du travail et protection sociale* (Labour market and social protection database), Crossroads Bank of Social Security.

Lower employment and lower wages fuel poverty and social exclusion, where Belgium displays, together with Greece, the largest gap in the EU between immigrants and natives (Figure 6). While among natives couples are three times less likely than singles to live in a poor household, they are as or more likely among non-EU immigrants. This results from lower wages, higher unemployment and a different household composition, with widespread female inactivity and more children.

Figure 6. Many immigrants face poverty and social exclusion

Risk of poverty or social exclusion by country of birth, age 18-64, 2013¹



- 2012 for Ireland and Switzerland. People at risk of poverty or social exclusion corresponds to the sum of persons who are: at risk of poverty, severely materially deprived or living in households with very low work intensity. At risk-of-poverty are persons with an equivalised disposable income below 60% of the national median (after social transfers). Severely materially deprived persons are constrained by a lack of resources experiencing at least 4 out of 9 deprivation items such as being unable to pay rent or utility bills, buy a telephone or a washing machine. People living in households with very low work intensity are those living in households where the adults worked less than 20% of their total work potential during the past year.

Source: Eurostat (2014), "Living conditions and welfare: People at risk of poverty or social exclusion (Europe 2020 strategy)", Eurostat Database, November.

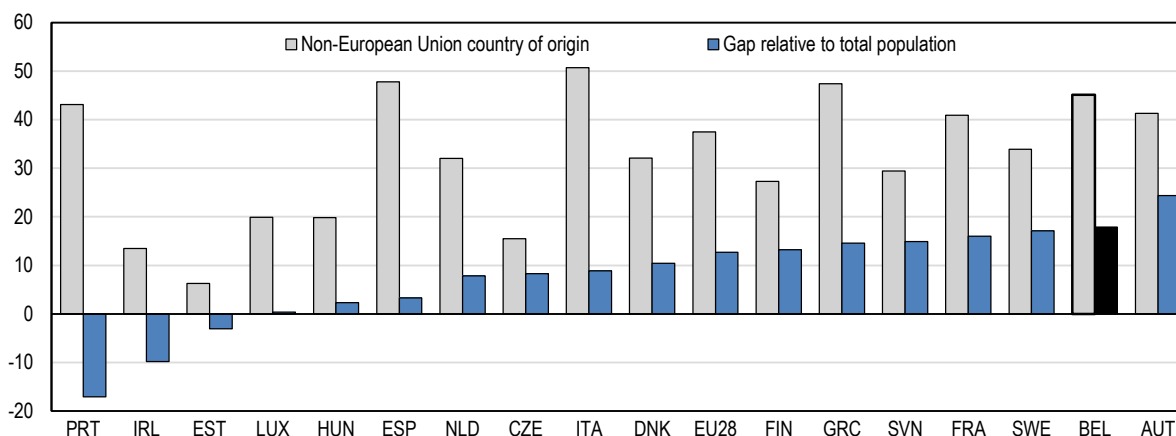
Both immigrant-specific and general policies need reform

Poorer educational attainment goes some way to explain the weak labour market integration of immigrants. Belgium has an internationally high share of low-educated non-EU immigrants (Figure 7). Unlike their EU-born peers, immigrants born outside the EU have not accompanied the general upward trend in education levels in Belgium over the past two decades, and their comparative disadvantage has therefore increased (Corluy and Verbist, 2014). Taking adult skill proficiency instead of educational

qualifications yields a similar picture, with an internationally low performance of immigrants to Flanders in literacy and problem-solving skills (OECD, 2013b). Nonetheless, education accounts for only a limited part (less than 20%) of the large employment rate differences between natives and non-EU immigrants, and even controlling for other socio-demographic factors (such as Region of residence, discussed below) a large unexplained gap remains – often called the ethnic gap or penalty (Corluy and Verbist, 2014).

Figure 7. The share of low-educated immigrants is high

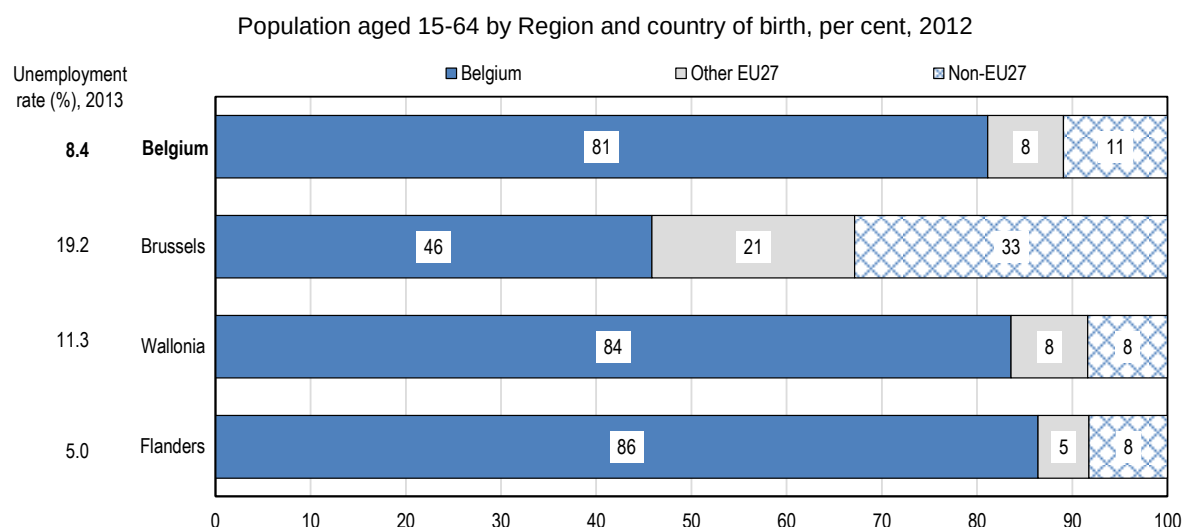
Per cent of population aged 25-64 with lower secondary education or less as highest level of education, 2013



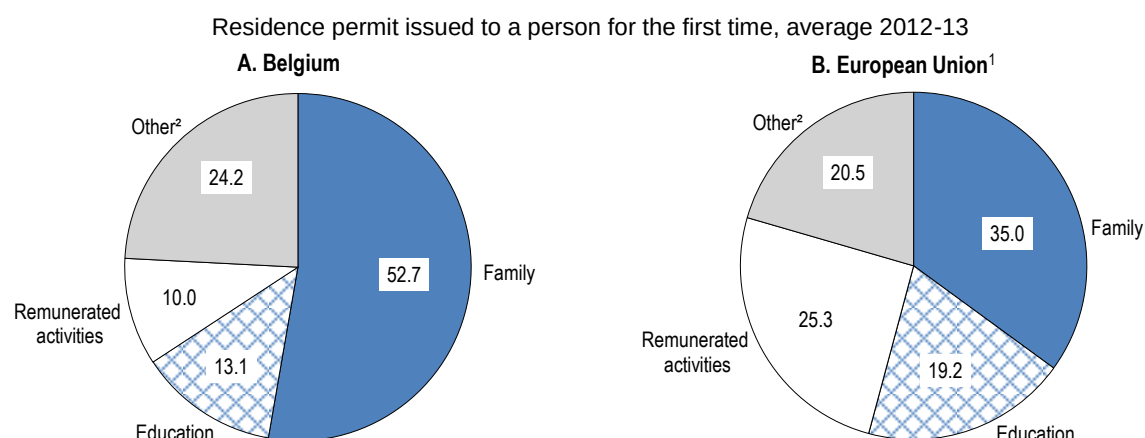
Source: Eurostat (2014), "Education and Training: Distribution of the population by educational attainment level", *Eurostat Database*, November.

Patterns of regional settlement and some general labour market settings also help explain lower employment rates among immigrants. The foreign-born, and especially newcomers among them, are highly concentrated in Brussels, where unemployment is highest, and relatively less numerous in Flanders, where unemployment is lowest (Figure 8). Each Region broadly displays the same gaps in employment status between immigrants and natives observed for Belgium as a whole, with non-EU immigrants, and especially women among them, lagging behind. Brussels is the starkest example of a more general pattern of strong concentration of immigrants in the largest cities, which gives rise to problems of residential and school segregation. Network effects from settled communities help explain that pattern, further reinforced by low residential mobility and language barriers. Certain labour market, taxation and welfare policies are also likely to penalise immigrants disproportionately, due to their over-representation among low-skilled workers. Examples are the high costs of low-productivity labour and small income gains when moving from unemployment or inactivity to a job.

A host of other factors, often hard to quantify, can also underpin labour market disadvantage. Despite extensive legislation to the contrary, discrimination is still an important barrier to labour market access, although it becomes less of a problem when immigrants apply for jobs in high demand (Centre pour l'égalité des chances et la lutte contre le racisme, 2012; Baert et al., 2013). Notwithstanding efforts by integration policies, not least in language training, poorer knowledge of the language and labour market of the host country, which hampers effective networking and job search, also plays against immigrants. Furthermore, the composition of the migration inflows, with a large share of immigration from outside the EU for non-labour motives, such as family reunification or asylum (Figure 9), also adds to mismatches with labour market needs (OECD, 2008).

Figure 8. Immigrants are highly concentrated in Brussels

Source: CBSS (2014), *Datawarehouse marché du travail et protection sociale* (Labour market and social protection database), Crossroads Bank of Social Security and Eurostat (2014), "Regional Labour Market Statistics", *Eurostat Database*, November.

Figure 9. Immigration for non-labour motives is large

1. EU27 unweighted average.
2. Includes asylum, subsidiary protection and humanitarian reasons.

Source: Eurostat (2014), "International migration and asylum", *Eurostat Database*, November.

This paper proposes a two-pillar approach to improve the labour market performance of immigrants by enhancing policies directly targeted at migrants on the one hand while improving more generally the functioning of the labour market and the education system on the other hand. *First*, better integration and migration policies are needed to address the challenges summarised in the paragraph above. *Second*, reforms in labour market and education settings, mostly of a general, non-immigrant-specific nature, have potentially a large payoff for immigrant employment while at the same time yielding gains for the economy as whole. Reforms in the housing market, which would conceptually also belong to the second pillar, are discussed in Zwart (2015). Although presented separately, these two strands of action are arguably intertwined and mutually reinforcing. For instance, policies designed to help firms integrate and manage a more diverse workforce will likely have greater effectiveness if educational attainment among

immigrants rises. Conversely, progress in fighting discrimination and promoting diversity will improve labour market opportunities for immigrants and hence may increase their incentives to invest in education.

Integration and migration policies for better skills and job matching

Integration policies are needed to help immigrants adapt to the host country and its labour market. In their early years in a new country, immigrants may have lower productivity than natives with similar levels of education, due inter alia to lack of host-country-specific human capital and poorer worker-to-job matching capabilities (Causa and Jean, 2007; OECD, 2007). Furthermore, discrimination often makes the perceived productivity gap exceed the real one. Migration policies which fail to attract immigrants well-matched to labour market needs compound these difficulties. Anti-discrimination legislation, well-developed in Belgium, is important but not enough. Immigrants need opportunities to learn the host country language(s), develop social capital and see the education and skills acquired in country of origin validated and, if needed, reinforced. In turn, employers need to be prepared to deal with the challenges and opportunities posed by a more diverse workforce. The economy-wide implications of immigrant integration also mean that policies need to be developed and implemented in cooperation with social partners.

Reinforcing human capital

Language training is essential for social and economic integration, and should be provided in a way that maximises the acquisition of social capital and labour market skills. Language courses are part of the integration programmes offered to newcomers by both the Dutch and French-speaking Communities. Mostly optional, courses are organised flexibly so that those employed can follow them, but more systematic evidence on their quality and impact on employment rates would be welcome. Effectiveness for labour market integration will likely be enhanced by adapting language training to workplace needs or combining it with other forms of training, such as internships. Existing programmes along these lines should thus be expanded. For this purpose, the Flemish government plans to increase cooperation with social partners and non-government organisations, and to develop datasets to better monitor the socio-economic trajectories of immigrants. Implementing integration programmes linked to labour market training is one of several examples which illustrate the need for coordination between different levels of government.

Knowledge of both Dutch and French would enhance the employability of immigrants, especially in the bilingual Region of Brussels, where immigrant concentration and unemployment are highest. Appropriately, the Brussels public employment service (PES), Actiris, has a scheme of language cheques, which, following a diagnostic test, offers an amount of free tuition in a second language to job seekers or those recently hired. Launched in 2002 and open to both Belgian and foreign citizens, eligibility conditions have been gradually expanded, and overall take-up increased more than ten-fold in 2006-12. The share of non-EU citizens has also progressed. Language cheques have been found to increase the probability of exiting unemployment, though gains are smaller for foreign citizens and tend to fade in the long run (Observatoire bruxellois de l'Emploi, 2013a). Given that in areas close to the Brussels Region the share of commuters to the capital sometimes exceeds 25% of the workforce (OECD, 2013c), eligibility for language cheques could be extended to those seeking a job in Brussels but residing in other Regions, as is already the case for those recently hired by a Brussels employer.

Timely recognition of academic degrees and professional skills acquired abroad would also improve the job prospects of immigrants. Its absence can induce delays in taking up employment, mismatches and over-qualification, all with risks of human capital depreciation. As regards skill validation, professional certificates granting access to specific occupations can be obtained upon successfully passing tests organised by recognised validation centres. This procedure started in the mid-2000s and applies to high,

medium and low-skilled occupations. However, it remains under-developed, with few certificates awarded, especially in Flanders (only around 100 certificates per year are awarded to immigrants). Skill validation should be expanded, inter alia by providing training in response to weaknesses detected in tests. The required coordination between Communities, responsible for skill validation, and Regions, responsible for labour market training, has particular importance in Brussels, as the relevant authorities are aware.

Despite some improvement, the recognition of foreign diplomas in Belgium (a Community competence) remains burdensome, which discourages many immigrants from even attempting it (De Keyser et al., 2012). For instance, in a sample of newly-arrived immigrant jobseekers registered at the Brussels public employment service, over 90% held a non-recognised foreign education degree, and lack of recognition helped explain why unemployment exit rates were broadly similar for low and highly-educated jobseekers (Observatoire bruxellois de l'Emploi, 2013b). Flanders shortened the average duration of the recognition procedure for higher education degrees from 211 days in 2011 to 127 in 2013, but some backlog remains. In the French Community, tertiary education recognition for professional purposes (rather than for further studies) takes on average around 100 days. However, this statistic does not include the numerous requests (more than half of the total in 2013) on which a decision is postponed, due to incomplete applications or other reasons. Further, the share of negative decisions on tertiary education requests is high in both Communities (in 2013, over 40% in Flanders and around two thirds in the French Community, though this latter figure mostly includes cases where equivalence to a lower degree was awarded). The authorities should continue to reduce delays in degree recognition and ensure that decisions are well-informed. Support to more contacts between Belgian universities, which advise on degree recognition, and their foreign counterparts, especially from outside the EU, could help on both counts.

Fostering diversity in the private sector

Promoting equality of opportunities and fighting discrimination also requires helping firms to address the challenges and exploit the benefits of a more diverse workforce. Diversity plans, pioneered by Flanders and later adopted by the other Regions, are the main instrument for this purpose (OECD, 2008). Firms which choose to implement a diversity plan must set targets for the recruitment, internal mobility, training or retention of immigrants or some other vulnerable group, like unqualified youth or disabled people. To achieve targets, firms receive free consultancy support (e.g. on skill development and the management of diversity) and subsidies to co-finance plan-related costs (e.g. language courses). In Flanders, firm-level plans may also benefit from broader-level schemes set up in cooperation with social partners, such as support in recruitment from target groups (Jobkanaal).

Diversity plans have much scope for expansion and for better links with other policy initiatives. Take-up has gradually increased but remains low: even in Flanders, still less than 5% of all companies have introduced a diversity plan, though the participation share increases with firm size, reaching 30% among those with 200 or more employees. Unsurprisingly, despite generally successful implementation in participating firms, the aggregate impact of plans on the employment rates of target groups remains very limited (ULB, 2012; De Coen et al., 2014). The slow nature of cultural and organisational change may help explain this, as does the post-2008 economic crisis, which has hit immigrants harder than natives. While persevering with efforts for further engagement with social partners to expand diversity plans, the authorities should better exploit synergies with other strands of integration policies. This is already the case with language training in the workplace, but there is scope for better articulation with PES training offers and skill validation.

Overcoming under-representation in public employment

There is large scope for the Belgian public sector to support further the economic and social integration of immigrants. A large employer itself (over a quarter of total dependent employment), by

hiring immigrants the public sector may also act as a role model for private firms, increase the visibility of immigrants in everyday life and better address their needs as users of public services (OECD, 2008; foreign-born teachers illustrate these points). Over the past decade, diversity plans have been launched at several levels of government, and recruitment processes increasingly reviewed for potentially discriminatory features. These initiatives, however, have often had little impact. On top of their overall low employment rate, comparatively few immigrants hold a public sector job (recall Figure 5).

Together with an overall low hiring rate in the public sector, citizenship requirements help explain the low share of immigrants in public sector jobs. There are two types of public employment, statutory and contractual. Statutory jobs (over half of the total) often require, especially at federal level, citizenship of an European Economic Area (EEA) country or Switzerland, while there are in general no nationality requirements for contractual workers. In any case, Belgian citizenship is needed for positions involving the exercise of public authority or the safeguard of the general interest. Unsurprisingly, both for those of EU and non-EU origin, naturalised immigrants are more likely to work in the public sector than those who remain foreign nationals (Corluy et al., 2011). The tightening of naturalisation requirements since 2013 (longer residence periods and need for proof of social and economic integration) will likely worsen immigrant access to public employment, especially for those of non-European origin. In this context, the authorities should consider eliminating citizenship requirements for statutory public sector jobs, with only narrowly-defined exceptions.

As in firm-level diversity plans, indicative targets for immigrant employment or recruitment can be used to promote diversity in the public sector workforce. Encouraging evidence comes from the Flemish government, which in 2004 set a 4% target, to be attained by 2015, for the share of immigrant employees (using a specific definition based on non-European background). The actual share increased from 1.1% to 3.9% in 2006-14. Despite major data limitations (discussed below), this progression has likely been above-average: in the Belgian public sector as whole, the share of the foreign-born increased by only 0.7 percentage points in 2008-12. The Flemish authorities have recently set a new target of 10% for 2019, with an enlarged and more comparable concept of immigrants (based on non-Belgian background). The federal government has also announced the intention to set a target for immigrant employment in the federal administration. Targets of this nature, defined relative to total employment or to new hiring, should be set at all levels of government, their indicative character ensuring that recruitment remains competence-based.

Knowing the ethnic origin of staff is needed to implement targets for immigrant employment and, more generally, to better understand their under-representation. However, at the level of individual layers of government, there remain major data gaps. In most cases, information on the origin of employees is still available only on the basis of citizenship. Exceptions using a broader definition of migration background include a survey in the Brussels Region in 2012 and an anonymous monitoring system implemented by the Flemish government. Systematic monitoring of the ethnic origin of staff, on an anonymised basis and with appropriate data privacy safeguards, should be implemented at all levels of government and based on a common definition of immigrants. Further, monitoring should also be extended to public sector job applicants, thus shedding light on the causes of immigrant under-representation (e.g. few candidates or low success in the recruitment process). Since 2013, the federal and Flemish recruitment agencies have taken a first step in this direction by giving candidates the option to indicate their origin on a voluntary basis.

Migration policies for better matching with labour market needs

Belgian migration policies do not generally push newcomers into periods of forced inactivity, but the matching of inflows to labour market needs could be improved. EU citizens have free access to the Belgian labour market, with transitional restrictions for Croatians only. Immigrants from the rest of the world who still do not have a permanent right of residence generally need a work permit, which can limit career

prospects (see below) but seldom impedes access to employment (De Keyser et al., 2012). However, shortcomings in migration policies leave opportunities for addressing labour market needs unexploited.

Some policy shortcomings are likely to be especially detrimental for the attraction of highly-qualified labour immigrants. Despite efficient administrative procedures for high-skilled newcomers (Deloitte, 2013), Belgium issues initial work permits (type B) valid for only one year, though with the possibility of renewal. This short horizon likely weighs on work and career prospects, one of the areas that make Belgium unattractive for high-skilled immigrants when compared to neighbouring countries (Berkhout et al., 2010). For instance, Germany and the Netherlands issue EU Blue Cards (a combined work and residence permit for high-skilled non-EU citizens) valid for four years, against 13 months in Belgium, and France and the Netherlands grant to other (i.e. non-Blue Card) high-skilled immigrants a three and five-year work and residence permit, respectively. At least for high-skilled labour immigrants, the authorities should significantly extend the current one-year permit duration. In these cases, granting the immigrant's spouse a permit of similarly extended duration may also enhance Belgium's attractiveness. To further reduce administrative burdens, the authorities should finalise ongoing preparations for a single work and residence permit, as in many EU countries. Coordination among different levels of government is essential to implement reforms and avoid undesirable competition between Regions (Box 1).

Box 1. The distribution of competences for integration and migration policies

Integration and migration policies aptly illustrate the complex distribution of competences across levels of government and the ensuing need for strong coordination mechanisms.

Responsibility for the several dimensions of integration policies discussed above lies mostly with Communities and Regions. Communities are responsible for the integration of foreigners, and hence organise integration programmes for newcomers. Within their broader responsibility for education, recognition of academic degrees and professional skills also fall within the remit of Communities. Many of these areas have the potential for synergies with labour market training, for which Regions are responsible. The ensuing need for coordination is strongest in Brussels, a Region where the two main language Communities are present. Regions are also in charge of promoting diversity in the private sector. As employers, all levels of government can influence the participation of immigrants in the public sector workforce.

Responsibility for migration policies is essentially divided between the federal government, in charge of residence permits, and the Regions, competent for those work permits pertaining to labour-motivated migration (type B, valid for one year, and type A, permanent and granted only after two to four years of work under a type B permit). Work permits granted to foreigners with a limited or precarious right of residence, such as asylum-seekers (type C), are issued by the federal authorities. The Sixth State Reform transferred the regulation of labour migration from the federal level to the Regions, previously only responsible for policy execution in this area. Some forms of competition among Regions in the rules for work permits could have negative effects, such as distorting company location decisions. As acknowledged by the authorities, coordination among different levels of government, already substantial before the Sixth State Reform, will thus need to be increased further.

Better use of the simplified work permit procedure to fill bottleneck positions will improve labour market matching for medium-skilled immigrants. This procedure was introduced in 2006 to manage inflows from the new EU member states and has accounted for the majority of work permits issued in recent years. However, the full opening of the Belgian labour market, in 2009, to citizens of countries having joined the EU five years earlier, extended at end-2013 to Bulgarian and Romanian nationals, left the procedure only applicable to Croatians and to non-EU citizens who are long-term residents in a EU country. Furthermore, the list of occupations covered has remained unchanged since the outset, despite the fact that regional PES produce yearly updates of shortage-list occupations, on which technical professions and health care positions feature prominently. The bottleneck procedure should be extended to non-EU newcomers, and its list of occupations regularly updated. Preparatory work towards a dynamic and fine-tuned list is being carried out by the Flemish PES.

There is scope to improve labour market access for asylum seekers, who are barred from working during the first stage of their application procedure. In a welcome step, this period of inactivity, which could formerly be very long, has been reduced to a maximum of six months, already shorter than in some neighbouring countries. Still, as forced inactivity may erode human capital and thus make a return to work more difficult, the authorities could consider giving immediate permission to work in those cases where it can be determined that the asylum application is not obviously unfounded.

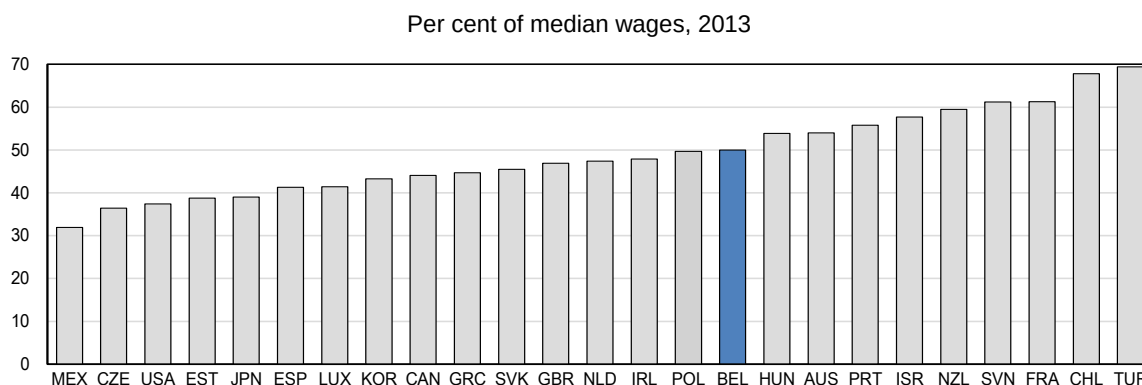
General labour market settings often reduce the employment prospects of immigrants

Belgian labour market settings are generally unfavourable to the employment outcomes of low-skilled workers. Reduced employment rates stem from high labour costs, which deter demand for low-productivity workers, and small income gains when moving from unemployment or inactivity to a job, which discourage labour supply (OECD, 2011; OECD, 2014a). Furthermore, labour market segmentation and rigidity weigh on the wages and progression prospects of outsiders. With immigrants over-represented among low-wage, vulnerable workers, labour market settings likely hurt the foreign-born disproportionately. The possibility of differential effects of given settings on immigrants and natives, on which limited evidence exists for Belgium, is an important area for future analysis (SPF Emploi, Travail et Concertation sociale and Centre pour l'égalité des chances et la lutte contre le racisme, 2013).

Reducing costs and taxes to stimulate labour demand and supply

Minimum wages can create a barrier to employment of low-skilled immigrants, especially for youth. As a proportion of the median wage, the Belgian statutory minimum wage is on the high side in international comparison (Figure 10), and sectoral agreements generally provide for even higher minima. This helps to prevent in-work poverty (which in 2012 only affected 3.6% of those with a full-time job, against 7.6% across the EU), but risks pricing low-skilled workers out of the labour market (Neumark and Wascher, 2006). Groups with further real or perceived productivity handicaps, such as youth or immigrants, will be among the most affected. In 2012, the overall unemployment rate in Belgium was 7.6% (15-64 age group), rising to 19.8% for those in the labour force aged under 25, and, among these, reaching 29.3% and 27.9% for immigrants and their native-born offspring, respectively.

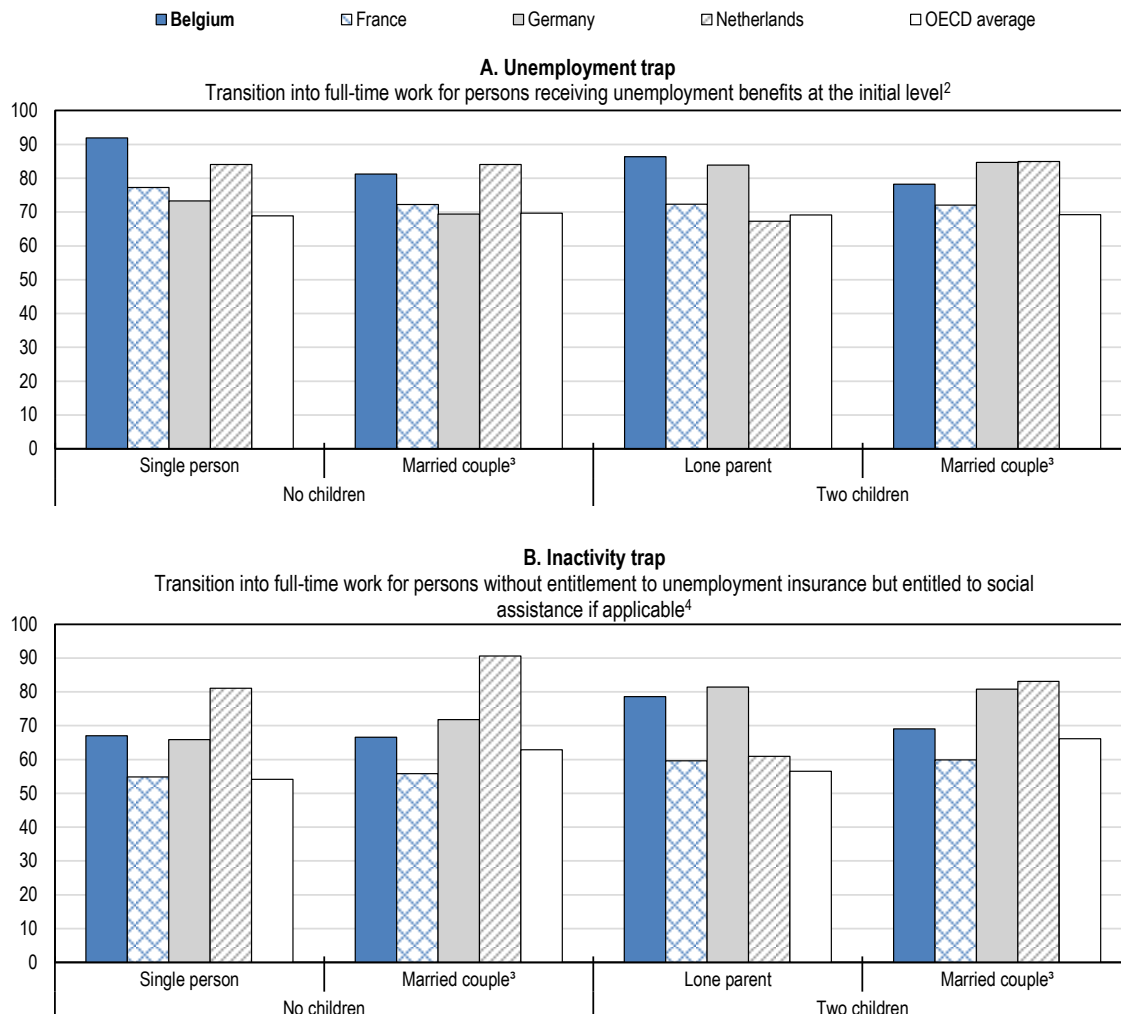
Figure 10. Minimum wages are fairly high



Source: OECD (2014), "Earnings: Minimum wages relative to median wages", *OECD Employment and Labour Market Statistics* (database), November.

Lower youth minimum wages may mitigate risks of labour market exclusion. In 2012, 12 OECD countries applied reduced statutory minima to youth (out of 25 countries setting minimum wages at all). Belgium was one of them, with lower minima in the 16-20 age range (a 6% reduction for each year below 21), where in-work poverty risks are often alleviated by family support. However, this age differentiation is being phased out in 2013-15. Sectoral agreements will still have the option to include lower youth minimum wages, but these cannot fall below the national statutory minimum. Worryingly, since 2012 youth unemployment has risen markedly (reaching 24.9% in the first half of 2014 for 15-24 year-olds in the labour force), and the youth employment rate has fallen, unlike that of prime-age workers. The authorities and social partners could consider reintroducing lower statutory minimum wages for young workers.

The Belgian tax and benefit systems also reduce employment rates, especially among the low-skilled. Labour tax wedges are among the very highest across the OECD. Work incentives are reduced by the combination of relatively generous out-of-work income support, above-average employee social contributions and high personal income tax (PIT) on wages, with marginal rates quickly reaching 50%. At low wage levels, major unemployment and inactivity traps therefore ensue (Figure 11). In one-earner couples, which are much more prevalent among immigrants than among natives, work disincentives also stem from the *quotient conjugal*, a PIT provision which allocates 30% of income to the non-earning spouse: if this spouse enters employment, part or all of the ensuing income will be taxed at the higher tax rate of the other spouse. To reinforce labour demand and work incentives for low-skilled people, labour tax wedges should be reduced, as is being considered by different governments. Care should be taken not to target reductions on very low wages alone, as this would risk increasing already high marginal tax wedges at still modest wage levels, with ensuing low-wage traps and disincentives to upskill. In Belgium, marginal tax wedges currently near 80% at less than two-thirds of the average wage (OECD, 2014a).

Figure 11. Unemployment and inactivity traps reduce work incentivesParticipation tax rate for earnings equal to 67% of the salary of an average worker (AW), 2012¹

1. Participation tax rates measure the extent to which taxes and benefits reduce the financial gain of moving into work. The percentage of AW relates to the earnings from full-time employment of the individual moving into work. Calculations for families with children assume two children aged 4 and 6.
2. For a person who has just become unemployed and receives unemployment benefits (following any waiting period) based on previous earnings equal to earnings in the new job. No social assistance "top-ups" or cash housing assistance are assumed to be available in either the in-work or out of work situation. Any benefits payable on moving into employment are assumed to be paid. Calculations for families with children do not consider childcare benefits or childcare costs.
3. One-earner married couple, the second spouse is assumed to be inactive with no earnings
4. For a person who is not entitled to unemployment benefits (e.g. because their entitlements have expired). Instead, social assistance and other means-tested benefits are assumed to be available subject to relevant income conditions. Where receipt of such assistance is subject to activity tests (such as active job-search or being "available" for work), these requirements are assumed to be met in the out of work situation. Cash housing benefits are calculated assuming private market rent, plus other charges, amounting to 20% of the full-time wage for all family types.

Source: OECD (2014), *OECD Tax-Benefit Models*, March, www.oecd.org/els/social/workincentives.

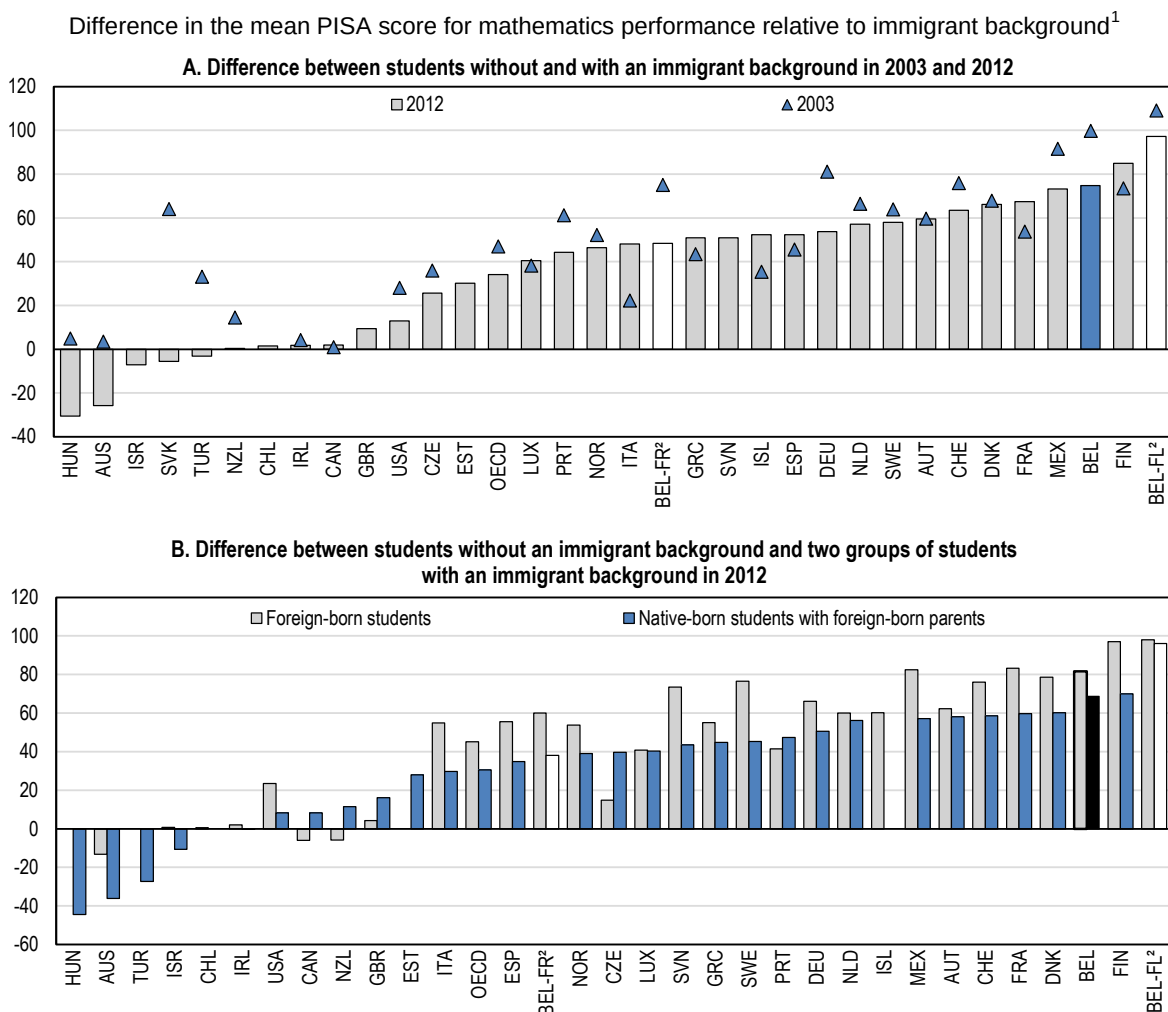
Avoiding relegating immigrants to precarious contracts

Policies that aggravate labour market dualism tend to harm immigrants. In Belgium, the foreign-born are often relegated to the lower tier of the labour market, with lower wages, higher turnover and fewer chances for human capital accumulation (Causa and Jean, 2007; SPF Emploi, Travail et Concertation sociale and Centre pour l'égalité des chances et la lutte contre le racisme, 2013). Employment protection legislation (EPL), which has important implications for dualism, has been recently reformed in Belgium (2014), with the unification of rules for blue and white-collar regular workers as regards trial periods (which were abolished for both groups) and periods of notice before dismissal, among other previous differences. One form of dualism has thus been reduced, which is welcome. However, since the unified rules have increased employment protection for the blue-collar segment, where immigrants are over-represented, there is for this segment a risk of rising dualism between regular and temporary contracts, with immigrants and other vulnerable groups increasingly hired under the latter. If this risk materialises, the authorities should make the unified rules less protective, namely by reintroducing trial periods and shortening periods of notice before dismissal.

The educational outcomes of the children of immigrants need improvement

Compared to their peers without a migration background, the children of immigrants tend to underperform by a wide margin, and by more than in many other countries. Poorer school achievement, a major determinant of the lower educational attainment of the population with an immigrant background, is mirrored in the PISA results (Liebig and Widmaier, 2010): despite some improvement over the past decade, 2012 performance gaps in Belgium remain very high in international comparison (Figure 12). Gaps are largest in the Flemish Community, but also a cause for concern among French speakers. Progress from foreign-born students to native-born students with foreign-born parents is limited.

To an important degree, the weaker performance of the children of immigrants stems from low equity in Belgian education, which harms disadvantaged students in general. Socioeconomic family status has an internationally high impact on student performance, and that impact has only modestly waned in 2003-12 (OECD, 2013d). Controlling for socioeconomic status both at the student level and at the school level (which averages the status of students attending it, and thus captures a high concentration of disadvantaged students in certain schools), the PISA 2012 performance gap between students without and with an immigrant background is nearly halved (from 75 to 39 score points, one of the largest reductions across the OECD). Besides equity issues, immigrant-specific factors, like a different language spoken at home, help explain the performance gap and thus also call for policy action.

Figure 12. Children of immigrants underperform by a wide margin

1. PISA: Programme for international student assessment. Students with an immigrant background are those whose parents were born in a country/economy other than the country/economy of assessment.
2. BEL-FR: French Community; BEL-FL: Flemish Community.

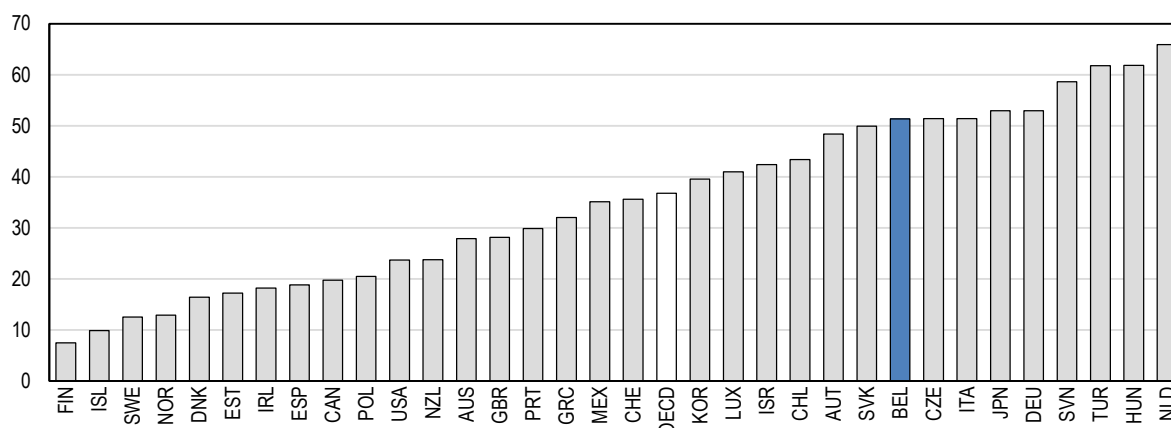
Source: OECD (2013), PISA 2012 Results: Excellence Through Equity: Giving Every Student the Chance to Succeed (Volume II) and national authorities.

Promoting social diversity in schools

School segregation in Belgium is high, helping to explain large performance differences across schools (Figure 13) and calling for reforms in enrolment procedures. Disadvantaged students tend to be highly concentrated, which hampers their learning without clear benefits for their better-off peers (Karsten, 2010). The children of immigrants are hit hard, both because they are over-represented in disadvantaged schools (Figure 14) and because the effect of school disadvantage on learning outcomes tends to be larger than for students with no immigrant background (OECD, 2012b). In both the Flemish and French Communities, free choice of primary and secondary schools, with enrolment largely unregulated until the past decade, has likely contributed to school segregation, which often exceeds residential segregation, especially in Brussels (Musset, 2012; Cantillon, 2013). In welcome steps, the authorities have introduced controlled choice schemes, which supplement free choice with allocation mechanisms to increase social diversity in schools. These schemes, however, need to be further refined and expanded.

Figure 13. Performance differences between schools are large

Variation in mathematics performance between schools as a percentage of variation between+within schools, PISA 2012¹

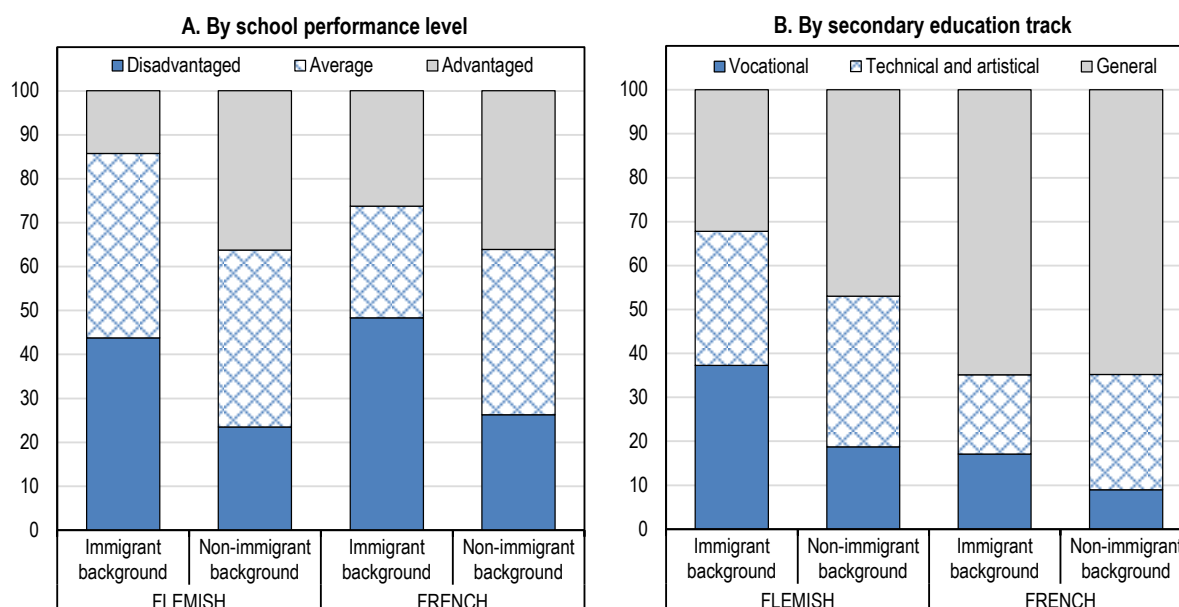


1. PISA: Programme for international student assessment. In some countries, sub-units within schools were sampled instead of schools; this may affect the estimation of between-school variation components (see Annex A3 of source publication). Due to the unbalanced clustered nature of the data, the sum of the between and within-school variation components, as an estimate from a sample, does not necessarily add up to the total variance.

Source: OECD (2013), PISA 2012 Results: Excellence Through Equity: Giving Every Student the Chance to Succeed (Volume II).

Figure 14. Children of immigrants are over-represented in disadvantaged schools and lower education tracks

Distribution of students by immigrant background and language Community, per cent, 2012



Source: Calculations based on OECD Programme for International Student Assessment - PISA 2012 Database.

Flanders pioneered attempts to ensure equal opportunities in school enrolment in 2003, with several adjustments in subsequent years, but these early efforts had limited effectiveness, as school segregation likely increased in 2001-11 (Wouters and Groenez, 2013). Drawing on the lessons learned, a 2011 decree, first applied in 2012-13 (and subsequently adjusted) for admissions in all pre-primary, primary and

secondary schools, gives priority to certain places in oversubscribed schools to both disadvantaged and non-disadvantaged students, in proportion to the socioeconomic composition of each school's neighbourhood. Implementation (e.g. neighbourhood definition) is decentralised to local negotiating platforms (*lokale overlegplatforms*, LOPs), which helps to reduce local resistance to the new rules. Preliminary evidence on the impact of this reform already available for Ghent primary schools points to an overall decrease in segregation (Verhaeghe and Goetmaeckers, 2013).

In the French Community, school choice reforms started in 2007 and enrolment in the first year of secondary education has been subject to a uniform 20% quota for disadvantaged students in every school since the 2010-11 academic year. However, the identification of disadvantaged students can be improved (it relies on the average socioeconomic status of the pupils of the primary school of origin, in turn defined on the basis of residence areas) and there is no scope for adjustments at the local level, which may help explain strong resistance by schools and other stakeholders (Cantillon, 2013). To avoid school segregation exceeding residential segregation, the authorities should align priority rules for school enrolment with the socioeconomic composition of each neighbourhood. They should also better identify disadvantaged students, give local actors some degrees of freedom in implementation and extend similar reforms to pre-primary and primary schools, where enrolment remains largely unregulated. In both Communities there is a need to systematically monitor enrolment outcomes at the school level, and to reduce residential segregation through improved housing affordability and residential mobility (as discussed in Zwart, 2015).

Improving the performance of disadvantaged students and schools

Efforts to tackle segregation should be accompanied by steps to improve student performance in disadvantaged schools. As a result of funding reforms in 2008-09, schools in both main language Communities receive extra financing for disadvantaged pupils, making it possible to hire more teachers and have smaller class sizes. This is welcome, as disadvantaged students tend to benefit strongly from smaller classes (OECD, 2005; Piketty and Valdenaire, 2006). However, teachers in disadvantaged schools tend to be less-qualified (OECD, 2013d), which decreases or even undoes the benefit of a lower student-teacher ratio. They also tend to be less experienced and have high turnover, as disadvantaged schools rely more than others on novice teachers, who soon move elsewhere or quit the profession altogether (Fourny, 2014). The authorities should step up efforts to attract more qualified and experienced teachers to less-favoured schools, inter alia by introducing financial incentives. Greater support for novice teachers from their more senior peers would also enhance teaching quality in schools with disadvantaged populations.

Tackling early tracking and grade repetition

Early tracking is also a source of low equity. In both main language Communities, four different streams of secondary education start at age 14: general (academic-oriented), vocational (emphasising specific professional skills, and considered the least prestigious), technical (also professionally-oriented, but stronger in general skills) and arts (of negligible size). However, pupils are *de facto* first selected at the outset of secondary education – when they are 12, an internationally low age (OECD, 2012c) – and those perceived as weaker are assigned to a lower, pre-vocational stream. Early selection generally harms students in lower tracks, and in Belgium also reinforces school segregation, since schools often offer just one track. Unsurprisingly, children of immigrants are over-represented in vocational streams, especially in Flanders (Figure 14).

Moreover, Belgium stands out for widespread retention practices: 36% of 15-year-olds taking part in PISA 2012 reported to have already repeated a grade, the highest proportion in the OECD (OECD, 2013e). In the case of students with an immigrant background, the share rises to 53%. Grade repetition is often ineffective in improving educational outcomes, widens inequities and has major budgetary costs (OECD,

2012c). It also reinforces tracking, with downgrading to lower streams often a consequence of grade repetition in higher ones (Cockx, 2013).

The authorities have started to tackle these problems. In Flanders, 2014 legislation gives students more possibilities of appeal against grade repetition decisions. Furthermore, the Master Plan for the Reform of Secondary Education (2013) envisages delaying tracking and moving towards a more comprehensive system. The new government stemming from the 2014 elections should proceed with implementing the Plan along these lines. In the French Community, where repetition is highest, the authorities are planning to expand the *Décolâge!* project, currently adopted by one sixth of primary schools, which develops pedagogical tools to reduce repetition. As regards the two initial years of secondary education, a recent reform (2014) abolishes repetition in the first year and reinforces remediation support for students in difficulty. As repetition in that year was associated with relegation to a lower stream, the reform also commendably delays tracking. Furthermore, plans for a common curriculum up to age 15 are being considered. Reforms should indeed be extended to later years of secondary education, since tracking at 14 is still early in international comparison.

Upgrading vocational studies

Besides weaknesses in general skills, largely associated to early tracking, the employment prospects of youth in secondary education vocational studies are also hampered by shortcomings in the development of technical skills. Workplace training is scarce, leading to abrupt transitions from education to work, and the design of programmes insufficiently informed by the needs of the labour market (Musset, 2013). This creates a vicious circle of low quality and prestige of vocational programmes and employer reluctance to train apprentices. Vocational studies should be reformed by expanding high-quality workplace training well attuned to labour market needs. To this end, strong involvement of social partners and an improvement in the general skills of the prospective apprentices are essential. Both the Flemish and the French Community plan to expand dual-track vocational education combining work and study, which may also help to reduce early school leaving.

Addressing the educational needs of the children of immigrants

To teach multicultural classrooms effectively, schools need to strengthen professional development and evaluation practices. Results from TALIS (OECD, 2014b), a survey focussing on lower secondary education in 34 countries and sub-national entities, show that Flanders has the fourth lowest percentage of teachers (8%) with recent training for teaching in a multicultural or multilingual setting (the French Community did not participate). Moreover, this dimension of teacher performance is usually reported as a low-importance item in teacher appraisal and feedback. The authorities should mainstream this dimension in teachers' professional development and assessment. Giving more emphasis to effective teaching of children of immigrants requires as a pre-condition better data collection on the school population. In both main language Communities, education statistics identify nationality, but not migration background.

For many students with an immigrant background, not speaking the language of instruction at home is an important barrier to educational achievement. Belgium stands out as one of the few countries where this barrier affects native-born students with foreign-born parents almost as much as foreign-born students, which underlines the importance of extending the provision of language support beyond newcomers. This should ideally be done through increased participation of children of immigrants under age three in childcare (see below), but also through remedial language classes, which in Belgium are attended by an internationally very low share of students with an immigrant background (OECD, 2012b). In a welcome step, recently implemented (September 2014), the Dutch language knowledge of all new pupils in primary and secondary Flemish schools is to be assessed, with extra tuition when needed. The impact of these efforts should be carefully monitored, and systematic screening of language ability should also be

implemented in the French Community. In 2012, this Community commendably reformed access criteria to remedial language courses in secondary schools, broadening eligibility beyond newcomers.

High-quality early childhood education and care (ECEC) tends to pave the way for successful school attainment at later ages (OECD, 2012d). Attendance from an early age by children of immigrants will be particularly beneficial, given their often poorer home learning environment and language handicaps. In Belgium, participation in pre-primary education from the age of three is almost universal (OECD, 2013f). However, enrolment by younger children in ECEC is lower and widely perceived as unequal. Amidst major data limitations, a recent Flemish survey shows that only 34% of mothers with foreign citizenship are regular users of those services, against 73% of Belgian mothers. Though use by both groups has increased since 2002, the gap between them has remained essentially unchanged (Vande Gaer et al., 2013).

High labour inactivity of female immigrants likely is both a cause and a consequence of keeping young children at home. On top of childcare availability and affordability concerns, which tend to be more pressing in urban areas, evidence suggests that cultural factors play an important role. Among non-EU immigrants, marriage decreases the employment probability of women, and motherhood decreases it further (Corluy and Verbist, 2014). In Flanders, poverty decreases child care use among Belgian mothers, but has a much smaller impact on use among their non-Belgian peers (Vande Gaer et al., 2013). To address cultural barriers, the authorities should step up efforts at parental and community engagement, an important lever for higher and more effective ECEC participation (OECD, 2012d). Offering language or vocational courses for mothers in ECEC premises can be a promising way forward, while helping to compensate the under-representation of immigrant women in some introduction programmes to newcomers.

Recommendations to improve the labour market integration of immigrants

Improving integration and migration policies

- Continue to cooperate with social partners to further expand diversity plans in firms. Expand training offers and skill validation, as well as their articulation with diversity plans.
- Evaluate the effectiveness of language courses to immigrants and link them further to workplace needs and labour market training.
- Further reduce delays in the recognition of foreign academic degrees and ensure that decisions on recognition requests are well-informed.
- Set indicative targets for the share of immigrants in employment or new hiring at all levels of government. Consider narrowing the scope of public jobs subject to citizenship requirements.
- Collect systematic, anonymised data on the country of origin of applicants for public sector jobs.
- At least for high-skilled labour immigrants, significantly extend the current one-year duration of initial work permits. Introduce a single work and residence permit, as planned.
- Extend the simplified work permit procedure to fill bottleneck positions to non-EU newcomers, and regularly update its list of occupations.

Reforming general labour market settings

- As one way to improve labour market outcomes, in particular for the low-skilled, consider reintroducing lower statutory minimum wages for young workers.
- Monitor hiring patterns in the wake of the unification of labour statutes for blue and white-collar workers. If temporary contracts grow at the expense of regular ones, make the unified rules less protective, namely by reintroducing trial periods and shortening periods of notice before dismissal.

Promoting better educational outcomes for the children of immigrants

- Monitor and, where needed, reform school enrolment to reduce concentration of disadvantaged students in particular schools. Ensure accurate identification of disadvantaged students.
- Improve incentives to attract more qualified and experienced teachers to disadvantaged schools.
- Proceed with reforms to reduce grade repetition and delay tracking in secondary education. Expand workplace-based learning in vocational education.
- Train teachers to provide effective tuition to students with different educational needs, as is the case in multicultural classrooms.
- At the beginning of the school year, systematically assess proficiency in the language of instruction in primary and secondary schools, and offer remedial classes when needed.
- Promote participation of children of immigrants in child care below age three through stronger engagement with parents and communities. For this purpose, consider offering language or vocational courses for mothers in child care premises.

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