



THEME 5

ECONOMIC GROWTH

AND CYCLICAL

GROWTH

OVERVIEW THEME 5

ECONOMIC GROWTH AND CYCLICAL GROWTH

- MONEY AND CAPITAL MARKETS
- CAUSES AND CONSEQUENCES OF INFLATION
- EMPLOYMENT AND COMPETITIVENESS: LABOUR MARKET POLICY
- ECONOMIC GROWTH (long term)
- CYCLICAL GROWTH (short term)
- FISCAL AND MONETARY POLICY
- ECONOMIC MODELS

**STARTING FROM AND
ELABORATED THROUGH
CASES**

CHAPTER 3 (LPD 13): LABOUR MARKET POLICY

- 1. CASE 1: LABOUR MARKET**
- 2. CASE 2: UNEMPLOYMENT**
- 3. CASE 3: ACTIVATION**
- 4. CASE 4: COMPETITIVENESS**



1. CASE 1: LABOUR MARKET



Employment rate of 20-64-year-olds: 72,3%

Employment rate of people coming from non-EU countries on the rise

Employment rate of persons with low qualifications remains very low

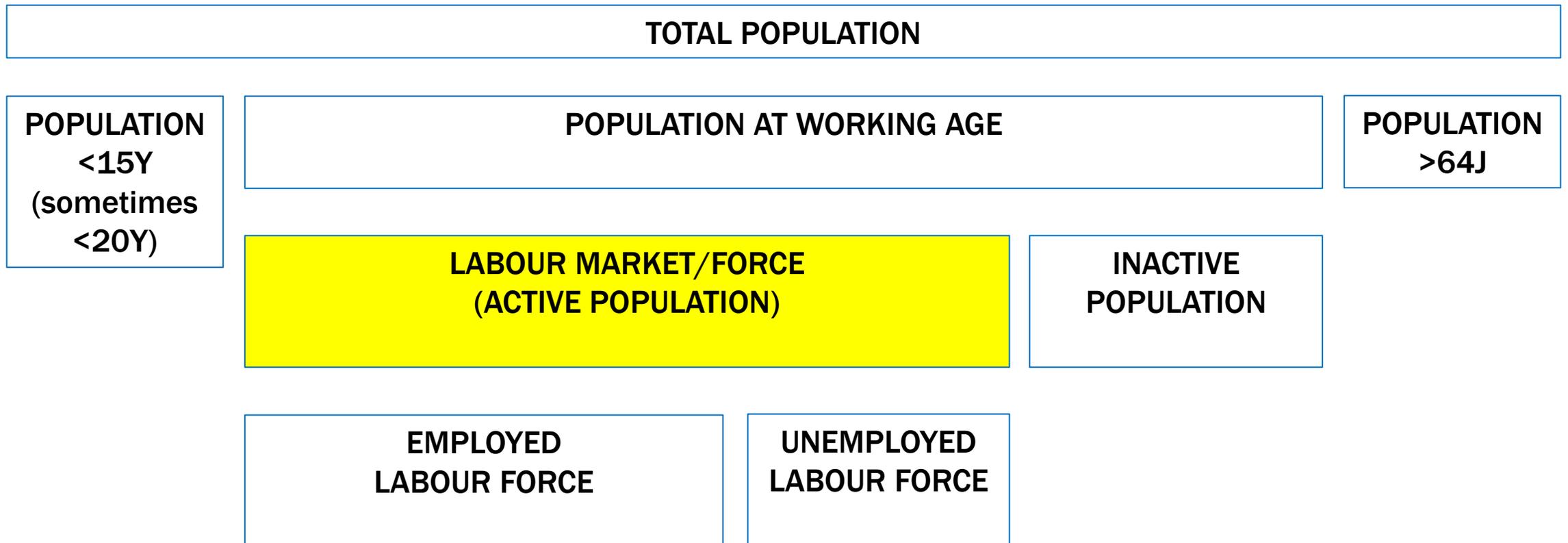
Strong rise in employment rate of over-55s

EMPLOYMENT RATE IS ONE OF THE MOST IMPORTANT LABOUR MARKET INDICATORS THAT IS CONSTANTLY IN THE NEWS

WHAT DO WE MEAN BY **EMPLOYMENT RATE?**

OVERVIEW OF ALL LABOUR MARKET INDICATORS

The **labour market** is the market in which the demand for labour (from employers) and the supply of labour (from employees) come together.



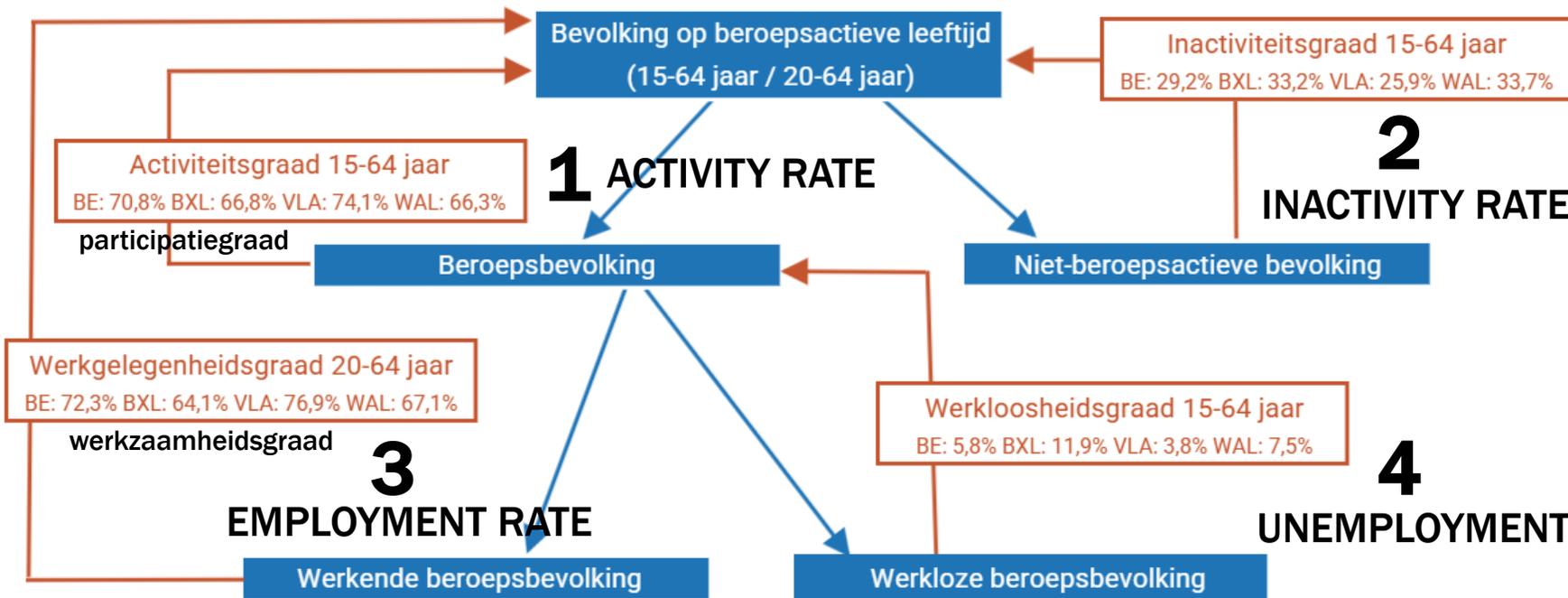
Starting from the total population, we first arrive at the population at working age. This runs from 15 years to 64 years.

Within the working-age population, the vast majority is available for the labour market = the active population. Another part is not: it concerns housewives, young people (students), discouraged unemployed, long-term sick people, people with disabilities, early retirees. The inactive population therefore refers to people who are able to work (according to their age) but are not available for the labour market for one reason or another.

Within the active population, there are those who are actually working and therefore working = the employed labour force. The other part concerns the unemployed labour force.

We can map out the labour market on the basis of a number of labour market indicators.

Arbeidsmarktindicatoren 2024 per regio



1 = (labour force : population at working age) * 100

2 = (inactive population : population at working age) * 100

3 = (employed labour force : population at working age) * 100

4 = (unemployed labour force : labour force) * 100

<https://statbel.fgov.be/nl/themas/werk-opleiding/arbeidsmarkt/werkgelegenheid-en-werkloosheid#:~:text=De%20activiteitsgraad%20geeft%20het%20percentage,binnen%20een%20bepaalde%20leeftijdsgroep%20weer.>

ACTIVITY RATE

Activiteitsgraad België vs. EU (2024)

Leeftijdsgroep	België (%)	EU-gemiddelde (%)
15-64 jaar	70,8	75,8
20-64 jaar	72,3	75,8

Bron: Statbel & Eurostat [Statbel +9](#)

Evolutie en vergelijking

- **België:** De activiteitsgraad is sinds 2000 gestegen van 65,8% naar 72,3% in 2024.
- **EU:** Het EU-gemiddelde bedroeg 75,8% in 2024, met uitschieters zoals Nederland (83,5%) en Duitsland (81,3%).

België blijft dus iets onder het EU-gemiddelde, ondanks een positieve evolutie. De Belgische regering streeft naar een activiteitsgraad van 80% tegen 2029. [Statbel](#)

**NEED FOR
MORE
ACTIVATION**

TARGET OF 80% BY 2029

EMPLOYMENT RATE

Werkgelegenheidsgraad België vs. EU (2024)

Leeftijdsgroep	België (%)	EU-gemiddelde (%)
20-64 jaar	72,3	75,8

Bron: Eurostat

Evolutie en vergelijking

- **België:** De werkgelegenheidsgraad is sinds 2000 gestegen van 65,8% naar **72,3**
- **EU:** Het EU-gemiddelde bedroeg 75,8% in 2024, met uitschieters zoals Nederland (83,5%) en Duitsland (81,3%).

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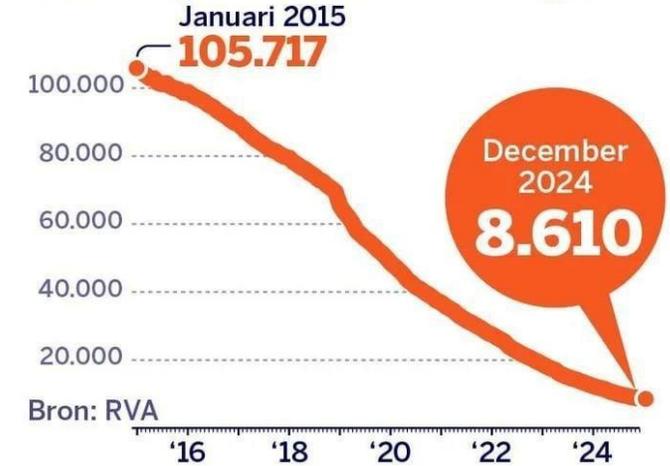


Young people are entering the labour market at an ever later stage (but low degree has negative impact on employment)

Maternal participation in the labour market is increasing



SWT al jaren in dalende lijn



Abolition of SWT offers potential (former early retirement system)

100.000 langdurig werklozen dreigen op 1 januari uitkering te verliezen

Unemployment benefit will be finite in time (2y)



Participation of non-Dutch-speaking newcomers is increasing

UNEMPLOYMENT RATE

Werkloosheidsgraad in Europa

Land	Werkloosheidsgraad (%)
België	5,8
EU-gemiddelde	6,2

Evolutie en vergelijking

- **België:** De werkloosheidsgraad bedraagt **5,8%** in 2024, wat iets onder het EU-gemiddelde van 6,2% ligt.
- **EU:** Het EU-gemiddelde is 6,2% eind 2024, met uitschieters zoals Spanje (10,4%) en Griekenland (9,6%).

België presteert dus iets beter dan het EU-gemiddelde, maar er zijn aanzienlijke regionale verschillen binnen het land.

Gewest	Werkloosheidsgraad (%)
Vlaanderen	4,3
Wallonië	7,5
Brussel	11,2

A hand holding a red magnet is positioned above a line of seven blue human figures. The magnet is tilted towards the figures, suggesting attraction or selection. The background is a warm, bokeh-style light pattern.

2. CASE 2: UNEMPLOYMENT

**Rising US unemployment points
to recession**

The Netherlands is failing to get young
people from migrant backgrounds into work

Workers in horticulture sector sit at home
without work

Move to Spain or lose job: that's the
choice given to Sibelco workers

**WHAT ARE THE CAUSES OF UNEMPLOYMENT
AND THE DIFFERENT FORMS OF UNEMPLOYMENT?**

OVERVIEW OF ALL CAUSES AND FORMS OF UNEMPLOYMENT AND HOW THEY CAN BE SOLVED

CAUSE	FORM	SOLUTION
DECLINE IN ECONOMIC GROWTH (e.g. recession)	CYCLICAL UNEMPLOYMENT	FISCAL AND MONETARY POLICIES AIMED AT STIMULATING ECONOMIC GROWTH (see elsewhere)
OUTFLOW OF JOBS ABROAD (e.g. labour-intensive companies)	QUANTITATIVE STRUCTURAL UNEMPLOYMENT	REDUCING WAGE COSTS INCREASING EDUCATION LEVEL FURTHER TRAINING/RETRAINING
MISMATCH BETWEEN REQUIRED COMPETENCIES AND SUPPLY ON THE LABOUR MARKET	QUALITATIVE STRUCTURAL UNEMPLOYMENT	INCREASING EDUCATION LEVEL FURTHER TRAINING/RETRAINING!
LOSS OF ACTIVITY DURING THE SEASON	SEASONAL UNEMPLOYMENT	(idem)
TRANSITION BETWEEN TWO JOBS	FRICTIONAL UNEMPLOYMENT	FACILITATING MATCHING BETWEEN SUPPLY AND VACANCIES
UNEXPECTED CIRCUMSTANCES (ECON., TECHN.)	TEMPORARY UNEMPLOYMENT	-



**LABOUR MARKET CHALLENGE:
TENSION BETWEEN SHORTAGE (EXCESS DEMAND) AND SUPPLY SURPLUS**

ROLE VDAB !

**OPEN
POSITIONS**

**BOTTLENECK
JOBS**



UNEMPLOYMENT

unemployment trap

EXCESS DEMAND

SUPPLY SURPLUS

A hand holding a red magnet is positioned above a line of seven blue human figures. The magnet is tilted towards the figures, suggesting an attraction or activation process. The background is a warm, bokeh-style light pattern.

3. CASE 3: ACTIVATION

OCMW Beringen will activate living wage recipients with sick note

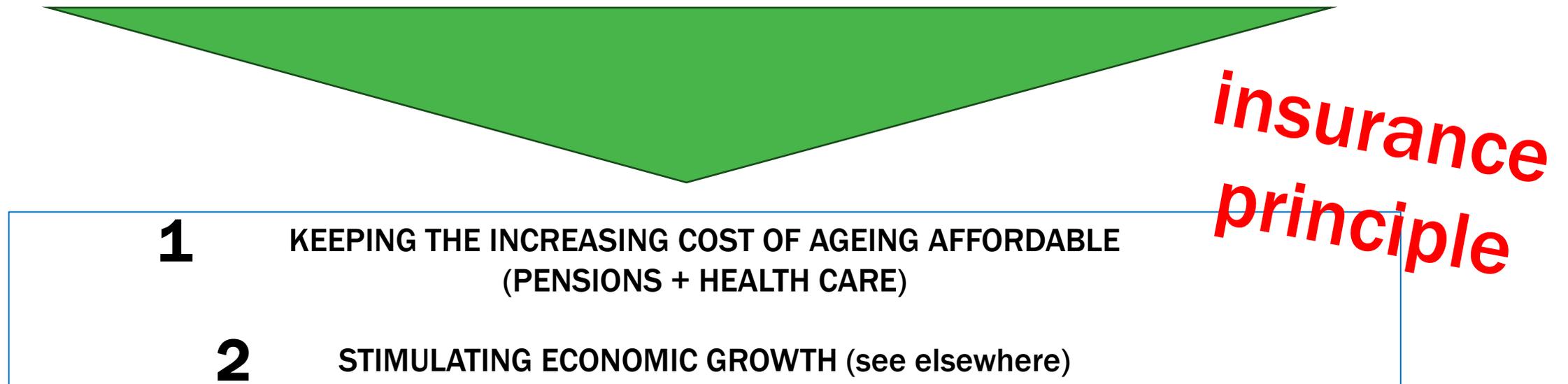
Brussels fails to activate long-term sick people

The biggest challenge: getting more people from migrant backgrounds into work

Better opportunities for women's participation

**WHY IS ACTIVATION SO CRUCIAL?
AND WHAT FORMS OF ACTIVATION ARE THERE?**

CLARIFICATION OF THE IMPORTANCE OF ACTIVATION



FORMS OF ACTIVATION

“CARROT”	“STICK”
RETRAINING/UPSKILLING (e.g. bottleneck jobs)	SANCTIONS FOR NON-COMPLIANCE WITH INVITATIONS FOR COUNSELLING, REFUSAL TO WORK
TRAINEESHIPS	LONG-TERM ILLNESS CHECKS
OUTREACHING + CLICKING	FINITENESS OF UNEMPLOYMENT BENEFIT
REINTEGRATION OF LONG-TERM SICK PEOPLE (specific HR approach by companies)
FINANCIAL INCENTIVES (e.g. combining work with benefits)	(Outreaching is a method that is based on an active approach and is aimed at promoting well-being. Especially important to reach certain target groups.)
SUPPORT (e.g. investing in more childcare)	Clicking implies that we do not let people go.)
.....	



IMPORTANCE OF WORKABLE WORK ON ACTIVATION

Workable work is important for employees, entrepreneurs and organizations. Those who have workable work enjoy their work more, learn more, stay in work longer and are sick less often.

Workable work starts from four basic characteristics.

- 1 work that does not overwork you and therefore avoids work stress***
- 2 work that provides job satisfaction and therefore has to do with motivation***
- 3 work that offers opportunities to keep up and therefore has to do with learning opportunities***
- 4 work that leaves enough room for family and private life and has to do with work-life balance.***



<https://www.werkbaarwerk.be>

A hand holding a red magnet is positioned above a line of seven blue human figures. The magnet is tilted, and the figures are standing on a reflective white surface. The background is a warm, bokeh-style light pattern.

4. CASE 4: COMPETITIVENESS

Belgian exports under pressure: falling competitiveness

After Luxembourg and Denmark, our country has the highest labour cost in Europe

Wage increases on top of the index are not feasible!

WHAT IS THE DANGER OF AUTOMATIC WAGE INDEXATION?

HOW DOES AN OPEN ECONOMY STRENGTHEN ITS COMPETITIVENESS?

DANGER OF AUTOMATIC WAGE INDEXATION

BLESSING	DANGER
<p>MAINTAIN THE PURCHASING POWER OF HOUSEHOLDS</p>  <p>SUPPORT CONSUMPTION = ENGINE OF ECONOMIC GROWTH</p>	<p><u>PRIVATE SECTOR:</u></p> <p>INCREASE IN WAGE COSTS (increase in wages without productivity increase)</p> <p>RISK OF WAGE-PRICE SPIRAL</p> <p>INCREASE IN WAGE (COST) HANDICAP COMPARED TO NEIGHBOURING COUNTRIES</p> <p><u>GOVERNMENT:</u></p> <p>INCREASE IN WAGE COSTS</p> <p>INCREASE IN BUDGET DEFICIT</p>
<p>TRADE UNIONS defend the system + expect wage increases on top of inflation adjustment/index</p>	<p>EMPLOYERS want (at least) to reform the system to support competitiveness</p>

HOW DOES AN OPEN ECONOMY STRENGTHEN ITS COMPETITIVENESS?

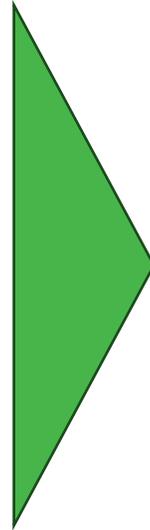
POSSIBLE POLICY MEASURES	EXAMPLES
1. Reduction of labour costs (without harming productivity)	TAX SHIFT (reduction of employer's social security contributions), index jump
2. Investing in innovation and R&D	Patents, cooperation between industry and research centres (universities)
3. Strengthening education and skills	STEM education, lifelong learning
4. Improving infrastructure	Expanding and improving logistics infrastructure (e.g. ports, highways, rail)
5. Reducing regulations and administrative burdens	Digitization of government services, one-stop counters for starting entrepreneurs
6. Promoting international trade and diplomacy	Concluding trade agreements such as CETA, trade missions

You increase competitiveness not only by becoming "cheaper", but especially by being smarter, faster, more sustainable and more qualitative than the rest.

AND WHAT IS THE EU DOING TO STRENGTHEN THE COMPETITIVENESS OF THE UNION AND THE MEMBER STATES?

BEFORE THE EURO:

**BELGIUM WAS ABLE TO STRENGTHEN
COMPETITIVENESS THROUGH
EXCHANGE RATE POLICY**



Currency manipulation involves a country intervening in the market determination of the exchange rate of its currency in order to influence its trade balance.

Usually this is done to favour his exports over his imports.

**CHINA MANIPULATES THE YUAN.
THE CURRENCY BECOMES A
WEAPON!
(says the US)**

AND WHAT IS THE EU DOING TO STRENGTHEN THE COMPETITIVENESS OF THE UNION AND THE MEMBER STATES?

IN EUROPE:

**HOW DOES THE EU BOOST OUR
COMPETITIVENESS?**



1. **Strengthening the internal market (e.g. Digital Single Market)**
2. **Financial support for innovation, digitalisation and sustainability**
3. **Skills and education policy**
4. **Supporting SMEs and start-ups**
5. **International trade agreements (e.g. MERCOSUR)**
6. **Strategic autonomy**
7. **Reform pressure (e.g. labour market)**

AND WHAT IS THE EU DOING TO STRENGTHEN THE COMPETITIVENESS OF THE UNION AND THE MEMBER STATES?

Digital strategy & Green Deal
EU aims to become a digital and ecological leader

EU SME Strategy
Access to finance, digitalisation and international markets.

EU compares the performance of member states in terms of innovation, productivity and entrepreneurship.
Example: European Innovation Scoreboard.

European industrial strategy
Promotes the resilience and competitiveness of European industries.