

Hervé Devillé

Unemployment in Brussels: between skill mismatch and job competition

About the need to combine selective and comprehensive employment policies in the Brussels-Capital Region¹

Translation: Gabrielle Leyden

Unemployment is a major challenge for the Brussels-Capital Region. Employment policies are thus crucial and their effectiveness is primordial. Such a context calls for a thorough, accurate description of the employment market's configuration and functioning.

Two systems based on two different principles are traditionally proposed to explain the employment market. The first one is based on the idea of a supply-and-demand mismatch. The assumption is that jobseekers' skills or qualifications are insufficient or inappropriate. Job offers exist, but cannot be filled by the people on the labour market. Inversely, jobseekers are available but cannot fill the vacant positions. This leads to two logical proposals: Worker mobility across the various skill segments should be improved by occupational training and redeployment schemes and a policy to boost employment should focus on the lowest skill levels. The second system to explain unemployment posits a general shortage of job vacancies. In such a context of job scarcity, increased competition between jobseekers leads the most skilled or educated to apply for jobs that do not require their level of skill or formal qualifications. The result is (vertical) job competition or occupational downgrading, called the "ladder effect", in which workers in each skill segment compete with and crowd out those below them down to the lowest rung in the ladder, where workers can drop no lower. Such a vision calls for non-selective policies that aim for an across-the-board rise in employment so as to enable each worker to find a job that meets her/his skill level whilst avoiding the ladder effect and its squeeze on less skilled workers.

Author

Hervé Devillé has a PhD in economics from Brussels Free University (Université libre de Bruxelles - ULB) and is a professor at Catholic University of Lille (Université catholique de Lille), France, where he teaches macroeconomics, economic and environmental policy, and labour economics. He is also a consultant for the European Communities and on secondment with the Ministry of the Brussels-Capital Region. He is the author of a number of publications on the labour market.

¹ This summary was written by Brussels Studies' editorial staff and approved by the author. As for all Brussels Studies publications, the full text is available for downloading free of charge on the following site: <http://www.brusselsstudies.be>

Contacts :

H. Devillé : hdevil@ulb.ac.be

Miichel Hubert (ed. in chief.), 02/211 78 53 – 0485/41 67 64
hubert@fusl.ac.be

Brussels Studies is published thanks to the support of the ISRIB (Institute for the encouragement of Scientific Research and Innovation of Brussels - Brussels-Capital Region)



Until now, economic labour market studies have used one or the other of these explanatory systems and thus culminated in diverging recommendations. The originality of the work done by Hervé Devillé, a PhD in economics who is a professor at Catholic University of Lille (France) and on secondment with the Ministry of the Brussels-Capital Region, is to combine these two approaches in a single theoretical model, based on the hypothesis that, far from excluding each other, these mechanisms combine on the labour market, meaning that both of them must be taken into account to develop effective policies. This approach holds out hope for the development of more realistic and effective employment recovery policies in the Brussels-Capital Region.

When applied to Brussels jobseekers disaggregated by level of education (higher, upper secondary, lower secondary, and primary), this model reveals a more complex situation than previous studies. The levels at either end of the range (higher education and primary education) present markedly contrasting profiles. So, as higher education is the topmost level, it is not subject to competition from above, whilst jobseekers with higher educations are free to compete for jobs with lower qualifications and thus upper secondary school graduates. This situation can therefore only increase the probability that such over-qualified jobseekers will exit unemployment. This advantageous situation is bolstered by a high tightness coefficient, indicating the disparity between the demand for labour and the supply. Since the latter cannot satisfy the former entirely, jobseekers with higher educations become particularly attractive on the employment market. Inversely, jobseekers with primary school educations are likely to face competition from more educated workers but are unable to downgrade their positions themselves, since they are on the bottom rung of the ladder. They are also plagued by a small tightness coefficient, indicating their lack of attractiveness for employers. Given the weak demand for jobseekers with primary educations on the labour market and competition from lower secondary school graduates, their situation is very unfavourable. Between these two extremes, the upper secondary education level has a smaller tightness coefficient than the higher education level. Workers with upper secondary educations are thus less sought after on the labour market. They face competition from jobseekers spilling over from the higher education level but can also vie for less skilled jobs themselves. So their situation is less favourable, overall, than that of workers with higher educations. In contrast, lower secondary education is in a particularly unfavourable position. It has the smallest tightness coefficient of the four categories. This is doubtless due to the fact that employers see few advantages in hiring a lower secondary school graduate instead of someone with primary schooling, given that the latter will have similar skills but lower wage demands. Consequently, the probability of exiting employment is particularly low for lower secondary school graduates. Of course, they can downgrade and compete with jobseekers with primary school educations, but they are also subject to competition on their own level from jobseekers with upper secondary educations. This configuration is particularly unfavourable, as setting their sights on less skilled jobs is of little benefit in terms of probability of exiting unemployment, whilst the competition from above is relatively effective. The result is that the unemployed with lower secondary educations have the lowest probability of exiting unemployment.

Generally speaking, skill mismatching has a greater effect on the employment situation than job competition from above. However, the latter cannot be discounted and

does affect the general picture by limiting the variations that are induced by mismatching at times and by accentuating them at others, for this study yields a vital teaching: The situations of the various skill levels are largely dissimilar. So, jobseekers with higher educations stand out due to the fact that the two mechanisms' effects on them are positive and reinforce each other throughout the business cycle, whereas the two mechanisms' effects on jobseekers with upper secondary educations abet each other during lows in the business cycle only and oppose each other during business cycle highs. The two mechanisms have negative effects on the lower secondary level, which is in a particularly poor position. However, as their effects are mutually anticyclic with regard to the business cycle, they have only a very slight influence on the probability of exiting unemployment for this level of training. This situation is thus very different from those of the other levels. Finally, the primary education level benefits from skill mismatching and is hurt by job competition. The two effects combine, but the net effect on the probability of exiting employment is nevertheless more favourable than for the lower secondary level.

This study of unemployment in Brussels shows that job competition and skill mismatching constantly combine in variable proportions that depend on the business cycle and skill segment (or level of education) considered. Consequently, it is impossible to set up effective policies to boost employment without taking account of this fact. In particular, focusing on low-skilled jobs alone without worrying about promoting employment across the board would be ineffectual. Indeed, the risk would be one of seeing more qualified jobseekers spill over into the segments intended for less qualified workers during recessions. This spill-over would reduce the effectiveness of selective policies targeting low-skilled workers greatly.