

ARITAKE-WILD

Joint European Level Social Partners'
Work Programme 2009 – 2010

Joint Study on Restructuring in the EU
Final Phase

National Dossier

Belgium

Brussels

14th October 2009

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December 2009



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Introduction and background – the purpose of the national dossier

This report on the role of the Belgian social partners in restructuring was prepared following the discussion of an initial draft with the national social partners at a seminar held in Brussels on 14th October 2009. The Belgian national seminar was the 25th in a series of national seminars to be held in the European Union member states in the framework of the Joint European Social Partners' Work-programme. The report was prepared by the selected external expert for Belgium, Dr Valeria Pulignano, working with the expert coordinator for the project, Mr Alan Wild.

The document is presented as an “expert report”. It represents the views of the consultants involved in its preparation and does not purport to represent the views, either individually or collectively, of the Belgian social partners or the case study company representatives that contributed to it, or those of the European level social partner organisations that were responsible for its commissioning.

The prime purpose of the report is to contribute to the development of a synthesis paper that compares and contrasts the roles of the social partners in restructuring in the EU Member States with a view to drawing lessons for the future and to help shape the activities and priorities of the social partners at the European level in this area. It also informs readers on the role played by the Belgian social partners in the process of economic restructuring at the national, sectoral and enterprise levels.

By the end of the project, similar national reports will have been prepared and been discussed by the social partners in the EU member states. It is planned to develop an overall discussion document based on the role of the social partners in restructuring in every country in the European Union for consideration by social partner representatives from throughout the EU at a seminar in Brussels in January 2010.

The main body of the report is presented in three sections;

- ✧ Section one – a macroeconomic review and trends of restructuring in Belgium;
- ✧ Section two – the role of the Belgian social partners in restructuring;
- ✧ Section three – Case studies.

Each of the sections was briefly presented and discussed at the national seminar. The Belgian social partners were asked to comment on the accuracy of the report; to suggest areas that might be “over” or “under” stated or omitted; and to assist in the drawing of overall conclusions on the effectiveness of Belgium’s social partners at all levels in the anticipation and management of restructuring. This final national report takes into account the content of the meeting, but remains nonetheless an “independent expert report”.

Joint study on restructuring in the EU, Final Phase - Belgium

Finally, it should be noted that the ultimate audience for this document is “non Belgian” and the authors therefore apologise to the national seminar participants for providing elements of detail and background that may appear obvious or superfluous to the Belgian reader. The inclusion of this material is essential however if the broader objectives of the project described above are to be accomplished.

Alan Wild
Expert Coordinator of the Project

Section one – A Macroeconomic review and trends of restructuring in Belgium

Introduction

Belgium is a country with a federal structure. It consists of three regions (the Flemish region, the Walloon region, and the region of Brussels), which are responsible for territorial matters, and three communities (Dutch, French and German), which are responsible for person-related issues. Each community is autonomous in the cultural and educational policy fields. Responsibility for policy-making concerning the environment, housing, water, energy, employment, economic infrastructure and transport rests at the federal level and the federal government has competence in the field of macro-economic and fiscal policy. Labour law, social security matters and the regulation of the collective bargaining system are also the responsibility of the federal state.

Although the country has major cultural, economic and regional differences, Belgium was one of the founding members of the European Community (the European Union) and has been a strong proponent of regional economic integration. In 1999 the country was one of the founding members of the EMU. Although Belgium is one of the smallest member states in the EU it is one of the largest trading nations in the world. In particular, its location at the heart of a highly industrialized region has helped make it the world's 15th largest trading nation.¹ The port of Antwerp is considered the second largest port in Europe. In 2000, 80% of Belgium's trade was with other members of the EU. Membership in the EU was the culmination of longstanding national support for economic cooperation and its central location and good infrastructure has helped Belgium to expand to become a distribution capital and a European bridge for business throughout the whole world. Belgium has been historically a country open to establish regional customs economic union joined with other countries. For example, in 1921 the country joined with Luxemburg to form the Belgian-Luxemburg Economic Union which provided for an interchangeable currency. Belgium and Luxemburg have also joined with the Netherlands to form the Benelux customs union and "Benelux" was considered a mini-laboratory for wider European cooperation.

Belgium is a member of the OECD, an organization of the world's most highly developed industrialized democracies.

Macro Economic Indicators

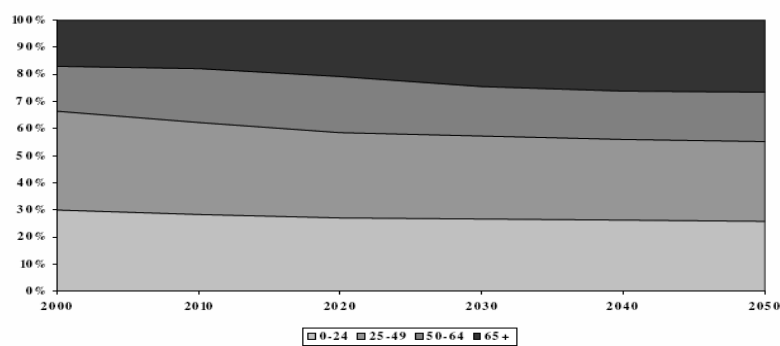
Population

Between 1831 and today the Belgian population has increased from almost four million to more than ten million inhabitants. This rise, though constant, had different rhythms. In the 19th century the population increased rapidly due to high birth rates and low mortality rates. During the 20th century natural demographic growth became nearly insignificant. During this century population movement was characterized by sudden shocks, caused by the baby boom starting after World War II and by waves of international migration.

Belgium currently has a population of 10,666,866 people (January 2008). The population grew by 0.13% from 2005 to 2006 and by 0.3% from 2006 to 2007. The country's birth rate is 10.38 births for every 1,000 citizens with 10.27 deaths for every 1,000 population. The data show that like other industrialized countries, Belgium is facing a major demographic challenge. The age structure of its population is projected to change considerably in the first half of this century. For the last fifty years, the proportion of people aged between 20 and 64 remained stable whereas the proportion of younger people has dropped and older people increased. In 1950, 30% of the population was younger than 20 and 11% was older than 65. In 2000, these shares were 25% and 17% respectively. The projections of population in the illustration below confirm this evolution (Figure 1).

¹ The 2008 World Factbook.

Figure 1 : Population by age, 2000-2050



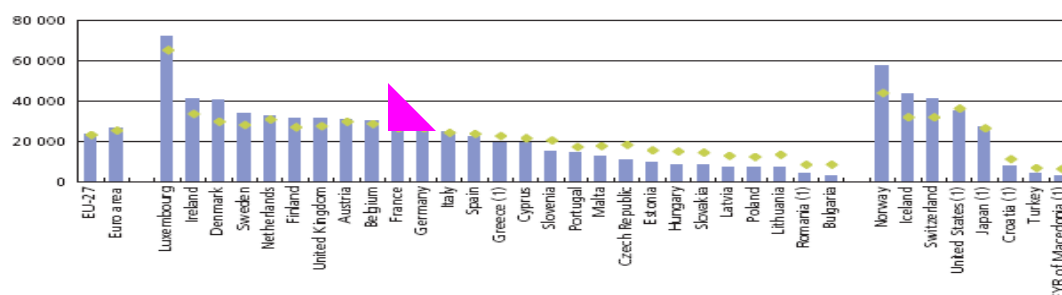
By the year 2050 it is expected that the number of people in Belgium over the age of 65 will make up 26 % of the population (Mestdagh and Lambrechts, 2003). This is confirmed also by the International Monetary Fund's (IMF) study on aging also which predicted in 2007 that Belgium's population would increase by 5 % by 2050 due to immigration, a higher fertility rate, and longer life expectancy. According to the European Foundation for Living and Working Conditions in 2007 almost 20% of the Belgian population was made up of non nationals.(among EU nationals mainly Italian and Polish – among non-EU nationals mainly Moroccans, Turks, and Sub-Saharan Africans)². The Belgian government spent 9.1% of its GDP on pensions and 7.1% on health care expenses in 2005. Because of the population aging process, by 2050 total social spending is expected to increase substantially if there is no change in the age of retirement. Most of the higher social spending will occur in pension and health care, rising by 3.9% to 13.0% of GDP and 3.7% to 10.8% of GDP respectively.

GDP development

With a gross domestic product per capita (in constant prices) of 36,322.18 USD in 2008, Belgium was 21st in world rankings (World Economic Output, 2009). GDP per capita is higher than both the EU-27 (29,200 USD) and the EU-15 (32,900 USD) figures. Within the EU Belgium ranks in the ninth place behind Luxemburg, Ireland, Denmark, Sweden, Netherlands, Finland, the United Kingdom and Austria (Figure 2). Compared to 2007, in 2008 Belgium registered a 2.64% increase of gross domestic product per capita. In the forecasted year 2009 the GDP per capita is estimated to be 36,655.93 USD, or 0.92% more than the 2008 figure.

According to Eurostat, productivity per capita in the Flemish region is between 20 and 25% higher than that in Walloon (Eurostat, 2004).

Figure 2: GDP per capita at current market prices, 2006

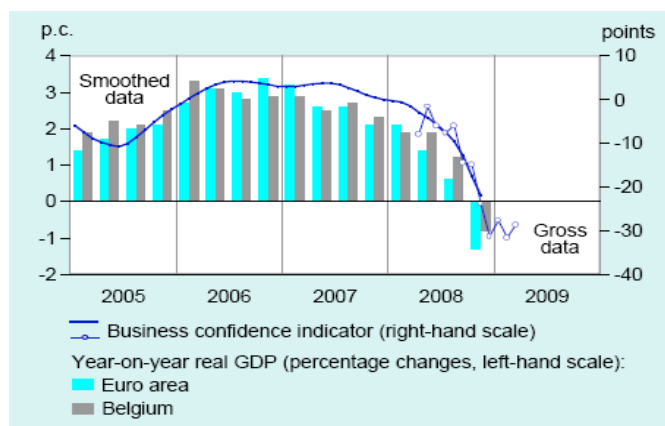


² <http://www.eurofound.europa.eu/ewco/studies/tn0701038s/be0701039q.htm>

According to the IMF there has been a growth of overall GDP of 1,9% in 2006, 2,8% in 2007 and 1,1% in 2008. This moderate growth is the consequence of limited domestic demand and weaker external demand for Belgian products due to the French, German, Dutch economic slowdown. It is important to remember that Belgium has a very open economy and is one of the world's prime destinations for foreign investment with the three top investors being Luxemburg, the Netherlands and France. Belgium's top three import partners are Germany, the Netherlands and France making the economy strongly reliant on its European trade partners. The country sells 75% of exports inside the Euro zone. In recent years the competitiveness of Belgian exports has suffered from the appreciation of the Euro.

The current global economic crisis resulted in negative results for the Belgian economy in the last quarter of 2008. Between December 2008 and December 2009, a slowdown of 1.9% of gross domestic product (GDP) is expected, as well as an increase in the unemployment rate from 7.1% to 7.8%. The Central Bank forecasts a loss of 58,000 jobs in 2009 while the government estimates a deficit of 3.4% of GDP in 2009. According to National Bank of Belgium macro-economic statistics there will be a negative GDP growth in Belgium in 2009 (-2.4% on average) (Figure 4). For 2010, growth is expected to pick up moderately to 0.8%.³

Figure 4: GDP Growth and Business Cycle indicator



Source: National Bank of Belgium, n.43/March 2009

The ranking of Belgium in global and European indicators

Belgium enjoys a relative high status among the leading economies in the world according to a variety of indicators. The World Economic Forum's global competitiveness index ranking 2007-2008 ranks Belgium nineteenth out of 131 countries (behind the United States, Switzerland, Denmark, Sweden, Singapore and Australia) and ahead of highly competitive countries in and outside the European Union such as Germany and Finland. If compared to the 2006-2007 ranking Belgium is amongst the countries which improved slightly their position.

³ The National Bank of Belgium – Belgian Prime News, n.43/ March 2009

Table 1: Global Competitiveness Index 2007 and 2008 comparisons

Country/Economy	GCI 2008-2009		GCI 2007-2008 Rank	Changes in Rank	
	Rank	Score		2007-2008 2009	2008- 2009
United States	1	5,74	1	→	0
Switzerland	2	5,61	2	→	0
Denmark	3	5,58	3	→	0
Sweden	4	5,53	4	→	0
Singapore	5	5,53	7	→	+2
Australia	18	5,20	18	→	0
Belgium	19	5,14	19	→	0
Iceland	20	5,05	20	→	0
India	50	4,33	48	→	-2
Chad	134	2,85	131	→	-3

Source: World Economic Forum - The Global Competitiveness Report 2008-2009

Every year since 1990 the UNPD Human Development Report has calculated a Human Development Index (HDI) that looks beyond economic figures to a broader definition of well-being and quality of life. The HDI provides a composite measure of three dimensions of human development: living a long and healthy life (measured by life expectancy); being educated (measured by adult literacy and enrolment at primary, secondary and tertiary education); and having a decent standard of living (measured by purchasing power parity, PPP, income). The HDI for Belgium in 2005 (latest available data) is 0.946, which gives the country a rank of 17th out of 177 countries with data. It is worth noting that this is the same score as for United Kingdom and slightly above Luxemburg (Figure 5).

Figure 5: Belgium's human development index (2005)

HDI value	Life expectancy at birth (years)	Combined primary, secondary and tertiary gross enrolment ratio (%)	GDP per capita (PPP US\$)
1. Iceland (0.968)	1. Japan (82.3)	1. Australia (113.0)	1. Luxembourg (60,228)
15. Austria (0.948)	21. Finland (78.9)	13. Iceland (95.4)	13. Sweden (32,525)
16. United Kingdom (0.946)	22. Greece (78.9)	14. Sweden (95.3)	14. Finland (32,153)
17. Belgium (0.946)	23. Belgium (78.8)	15. Belgium (95.1)	15. Belgium (32,119)
18. Luxembourg (0.944)	24. Costa Rica (78.5)	16. Slovenia (94.3)	16. Australia (31,794)
19. New Zealand (0.943)	25. Luxembourg (78.4)	17. Libyan Arab Jamahiriya (94.1)	17. Japan (31,267)

Source: UNDP 2008

On the Lisbon Indicators, Belgium is ranked tenth in Europe and scores slightly above (5. On social inclusion, innovation and R&D Belgium tends to rank behind the Nordic economies such as Denmark, Sweden and Finland (Table 2).

Table 2: Progress on Lisbon Indicators 2008 - Ranking and Scores of EU Countries

			Sub-indexes							
			Information Society	Innovation and R&D	Liberalization	Network Industries	Financial Services	Enterprise Environment	Social Inclusion	Sustainable Development
	Rank	Score	Rank	Rank	Rank	Rank	Rank	Rank	Rank	Rank
Country/economy										
Sweden	1	5,71	1	2	3	4	1	7	3	2
Denmark	2	5,64	3	3	4	2	2	6	1	4
Finland	3	5,64	7	1	6	6	4	1	2	1
Belgium	10	5,11	13	6	8	10	8	9	5	10
Poland	26	3,76	26	22	25	26	25	25	26	24
Bulgaria	27	3,68	25	27	27	25	27	22	27	27
EU15		5,07								
EU 27	-	4,73								
USA	-	5,44								

Source: World Economic Forum – The Lisbon Review, 2008

Structure of the economy

Belgian business structure has experienced two significant changes in recent decades.

Firstly, the move of the centre of industry from Wallonia to Flanders. More specifically, the coal mining and heavy industry, which had enabled Belgium to become the most industrialized country in Europe after Great Britain, lost their dominant status in the second half of the 20th century. In the middle of the 20th century, Belgium still had 100,000 miners, in 1983 the last Walloon mine closed and 1992 marked the end of the last mine in Limburg. The steel industry also declined sharply during the same period as a result of the European Coal and Steel Community and the associated redevelopment of Europe's steel sector.

However, a new landscape soon emerged. Alongside an active service sector which represents 74% of the regional gross added value and 77% of regional employment, Wallonia is today famous for the highly technical character of its products. Wallonia's entrepreneurs have accumulated impressive know-how by concentrating on high growth niches in sectors like the science, aerospace, biotechnology, microelectronics, new materials and information technology. Technology sectors accounted for 8.6% of salaried employment in 2006 and recently, employment has been increasing rapidly in high-tech manufacturing industries, chiefly in the pharmaceutical and life science industries. This 'innovation system' is based on the collaboration between universities, research centers, and the financial and public sectors, all of which contribute to the development and extension of the region's productive base. 83% of Wallonian exports (e.g. mechanical, engineering, chemical and pharmaceutical products) are sold to EU member states (Bio-Tech in Wallonia Report, 2008).⁴

Secondly, as is the case with other EU countries, Belgium transitioned from agriculture to industry and today to a society where services represent the dominant activity. Currently, almost 60% of the workforce (equivalent to almost 72% of the firms) is employed in the services sector and just under 25% (equivalent to almost 28% of the firms) is employed in industry which accounts for almost 25% of added value. The biggest service is the financial sector, where Brussels has a long tradition of banking, a respected stock exchange that is part of the Euronext system, and a variety of insurance, leasing and investment fund firms including the major financial services groups Fortis and KBC. The health sector has also become an important vehicle of growth and

⁴ <http://recherche-technologie.wallonie.be/en/menu-gauche/ressources/biotech-in-wallonia/index.html>

employment in the Brussels region, representing more than 3,000 companies and around 70,000 jobs. On the manufacturing side the motor industry deserves mention being home to a major Volkswagen plant, the headquarters of Toyota Motor Europe, the sales, marketing, and logistics offices of Daimler and operations of Ford of Europe and its subsidiary Volvo.

Agriculture today represents approximately 1% (Table 4). Retail businesses and tourism increasingly account for a larger percentage of the nation's GDP, while financial services continue to expand and to attract foreign investment. Belgium is the home to a number of international corporations, including the (petro-) chemical industry with bases in Antwerp (e.g. Total, ExxonMobil, BASF, Bayer). Most sectors of the Belgian economy are dominated by foreign companies. For instance, U.S. software manufacturers control almost 40% of the Belgian market. Moreover, companies such as Compaq, Dell, and IBM dominate the personal computer market. In the metal sector 7 out of 10 workers are employed by a foreign company

Table 4: Structure of the Belgian economy (share as % of total value added)

	1970	1980	1995	2003	2010
Agriculture	4,2%	2,6%	1,7%	1,4%	1,3%
Industry	43,7%	36,9%	29,5%	25,7%	24,4%
Energy	6,1%	5,8%	3,4%	3,0%	3,0%
Manufacturing industries	30,5%	23,3%	20,7%	17,7%	16,3%
Construction	7,1%	7,8%	5,4%	5,0%	5,1%
Market services	40,8%	46,1%	57,4%	60,8%	62,9%
Transports and communication	6,9%	7,4%	7,3%	7,2%	8,2%
Health	3,4%	5,3%	6,5%	7,4%	8,0%
Services to households and firms	10,2%	15,5%	23,2%	25,9%	27,1%
Other market services	20,4%	17,9%	20,5%	20,3%	19,6%
Non market services	13,9%	18,0%	15,9%	16,0%	14,9%

Source: Presentation by Sleuwaegen L. on 'Belgium: A New Economy?' - Vlerick Leuven Gent Management School/KULeuven, 2008

Table 5: Distribution of firms and workers according to branch of activity in 2005

		Firms		Workers	
		Units	Percentages of the total	Units	Percentages of the total
Secondary sector					
C	Mining and quarrying industry	126	0.1	3,283	0.2
D	Manufacturing industry	14,755	13.0	546,077	29.2
E	Energy and water	59	0.1	23,154	1.2
F	Construction	16,851	14.9	172,665	9.2
Commercial services					
G	Trade and repair	38,719	34.2	424,405	22.7
H	Hotels and restaurants	9,523	8.4	88,512	4.7
I	Transport and communication	6,763	6.0	244,922	13.1
J	Financial and insurance services	4,882	4.3	122,374	6.5
K	Real estate and business services	21,402	18.9	247,717	13.2
Total of the private sector		113,080	100.0	1,873,109	100.0

Source: P. Heuse and Y. Saks (2009) 'Labour Flows in Belgium', Working Paper Research, National Bank of Belgium, n.162, April

The fact that industry's share in the economy has declined to approximately 20% of value added does not automatically correspond to a process of de-industrialisation;

- ✧ In the last 10 years, industrial production has increased in volume almost as quickly as the Belgian economy as a whole. The decline in the share of industry in GDP can be attributed to higher productivity, which has led prices to fall. Indeed, industry still accounts for 80% of the Belgian exports;

- ✧ The boundaries between industrial and service activities are becoming more blurred. This is because many industrial jobs having been outsourced to the service sector and many industrial activities moved up the value chain and turned into service companies (e.g. ICT hardware became ICT software).

A strong position in trade

Belgium, which accounts for less than 0.2% of the world population, has a world market share of 3.4% of exports and 3% of imports and is ranked tenth for international trade in goods. On international trade in services, Belgium has a world market share of 3.6% and is ranked eighth. Approximately 20% of Belgian exports are consumer goods and intermediate goods account for about 60%. These are mainly machines and equipment, which account for 28% of exports, and chemical and allied products accounting for 22%. Almost all of the 900,000 cars manufactured by Volvo, Opel, Volkswagen and Ford in Belgium are exported and account for almost 15% of Belgian exports. Belgium is the world's largest exporter of diamonds and carpets and is the second largest exporter of plant fibres, chocolate and margarine. It is the world number three for glass exports and ranks fourth for the export of eggs, non alcoholic drinks and cars. The country's main imports are machinery, chemicals, raw diamonds, pharmaceuticals, foodstuffs, transportation equipment, and petroleum products. More than 75% of trade is with other European Union countries, chiefly Germany, the Netherlands, France, and Great Britain.

Foreign trade and direct investments

As a small country with an open economy, Belgium is highly dependent on foreign trade and international cooperation. Foreign investment in Belgium generally takes the form of establishing subsidiaries of foreign firms in the country. Both the federal and the regional governments encourage foreign investment on a national treatment basis. Foreign corporations account for about one-third of the top 3,000 corporations in Belgium.

During the 1990s, global flows of FDI expanded considerably following the lifting of barriers to foreign trade and capital movements, and the liberalisation and privatisation of previously protected sectors. That process was also facilitated by the progress of information and communication technologies. These factors fostered the creation of new subsidiaries in other countries, particularly in the emerging economies, and cross-border mergers and acquisitions which are behind a major part of the FDI flows into developed countries. The volume of FDI contracted sharply in the early years of this century in the context of declining economic activity, corporate debt reduction and the bursting of the financial bubble. From 2004 onwards, global FDI resumed its expansion, driven partly by investment in emerging economies. At the end of 2005, almost half of the equity capital invested in Belgian companies as a whole was owned directly or indirectly by foreign shareholders. On that same date, subsidiaries of foreign firms, i.e. companies in which over 50% of the capital is directly owned by a foreign firm, on their own accounted for 15.2% of total employment in resident firms, while subsidiaries of firms resident abroad employed 343,864 people. Belgium's inward FDI stock in 2005 was 65% of GDP and its outward FDI stock reached 53% of GDP, compared to 33.9% and 40.2% respectively for the EU as a whole. This reflects ongoing expansion at a faster pace than domestic economic activity. While outward FDI has, like that of other developed countries, focused more on developing countries, driven by the search for new markets and lower costs, particularly for labour-intensive activities, it is nevertheless still concentrated mainly on the developed countries. The latter, including the new EU members, accounted for 88.9% of Belgium's outward FDI stock in 2005. The main protagonists in these capital transfers, effected partly via mergers and acquisitions, were Belgian firms active in the service sector, and their primary aim was market development.

Government policies to stimulate trade and direct investments

In Belgium, incentives set in place to attract foreign investments consist primarily of tax measures. One of the main priorities of government's reforms has been to ensure that corporate taxation in Belgium is competitive in the international sphere.

In 1982, for example, a new system of tax exemptions encouraging investment in corporate stocks took effect. Special encouragement has been to industries that will create new skills and increase export earnings. The government grants equal treatment under the law, as well as special tax inducements and assistance, to foreign firms that establish enterprises in the country. There is no regulation prescribing the proportion of foreign to domestic capital that may be invested in an enterprise. The foreign investor can repatriate all capital profits and long-term credit is available. Local authorities sometimes offer special assistance and concessions to new foreign enterprises in their area. In parallel to this a system of coordination centers (i.e. tax havens for financial centers of multinationals) has been recently abolished because not compatible with the rules of the internal market. It was replaced by the 'notional interest'. In accordance, all companies can deduce an amount of their profits that is equal to their equity multiplied by the interest rate on state bonds. The result is that the average company tax rate has decreased from 33% to 25%. Since the start of EU's single market, most, but not all, trade and investment rules have been implemented by Belgium in order to be in line with other EU member states.

The reform of corporate taxation introduced by the Belgian government on 1 January 2003 lowered company taxes from 40.17% to 33.99%, a rate below that of the country's larger neighbours. Tax-related administrative formalities have also been simplified. The cost of social security contributions was brought down to the average rate for the six neighbouring countries. A tax ruling system was also introduced. It enables a potential investor (domestic or foreign) to obtain from the Belgian tax administration a written declaration (with legal value) on the tax treatment to be given to the investment project. This facilitates planning and the estimation of foreseeable net profits. Other direct aid schemes such as investment-related subsidies have also been introduced. Finally, the reform introduced a principle of non-discrimination whereby foreign companies (including subsidiaries and branches) have the same legal rights and obligations as national companies.

Until 2005 Belgium was ranked by the Ernst and Young '*Baromètre de l'attractivité belge*' (Barometer of Belgian Attractiveness, 2005) ninth among the Top 20 most attractive European countries for foreign investors. Its strong points included the quality of life, a highly-skilled workforce, the openness of the economy, an advantageous geographical situation, a high level of productivity and excellent telecommunication infrastructure. Important to mention is also the part exemption for companies to pay family tax (*bedrijfsvoorheffing*) on shift work which aims to promote export-oriented industries (which in many cases work in two or more shifts). The stability of the industrial relations climate has also worked to Belgium's advantage. Since 2005, the share in overall investment has decreased in Belgium: from 60 to 52% in Flanders, compared to 28% in Wallonia and 20% in Brussels. The immediate future does not seem promise improvements with the number of international companies considering investment in Belgium in the near future dropping to 23% in 2009. A number of reasons were identified as significant obstacles to investment in Belgium. The perceived lack of political and legislative stability and transparency

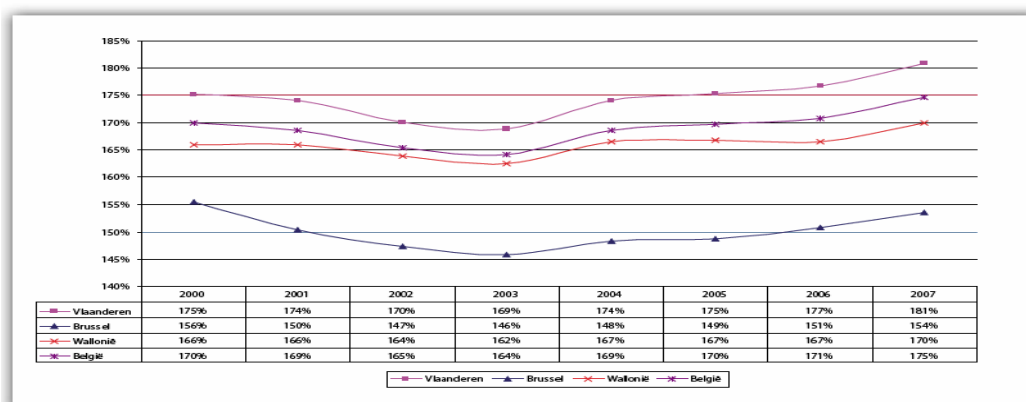
have recently added to the country's traditional weak points of high wage costs and taxation, inflexible labour legislation and the difficulty of obtaining public funding.⁵

A special kind of SME country

In structural terms, the Belgian business world consists of a number of large companies and a very high number of SMEs. Some Belgian companies employ many thousands of people worldwide and the Stella Artois Brewery in Leuven is part of Inbev, the largest brewery group in the world. The majority of Belgium's largest companies belong to foreign groups. Recently, foreign shareholders took control of some important Belgian national companies and currently, the decision-making centres for two thirds of the top 100 Belgian companies are located abroad.

According to recent national data produced by UNIZO (the association of the small and medium sized enterprises) the Belgian economy is dominated by SMEs. Approximately 83% of Belgian companies have less than 10 employees and 97% of companies employ less than 50 people. The highest percentage of SMEs is in Flanders (59% of the total Belgian SMEs) and they are mostly concentrated in the service sector (e.g. financial and insurance). By contrast, in Wallonia 15% of SMEs are in the industrial sector. In Belgium, SMEs account for over 70% of GDP.⁶ The majority of Belgian SMEs are family businesses but this does not prevent them from being important players on the international market. Belgian SMEs are often particularly good niche companies, which are often market leaders in their own sectors. It can be seen from inter-regional comparison that the productivity of SMEs in Belgium has generally increased in 2000-2007, with higher level in Flanders than in Wallonia and the Brussels region (Figure 5).

Figure 5: The productivity of SMEs (measured as the % of gross added value on personnel costs) in Belgium per region (2000-2007)



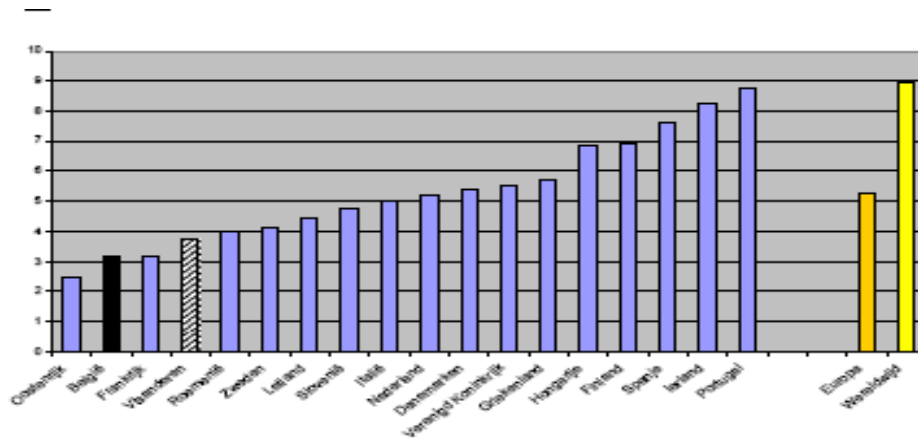
Source: UNIZO (2008) 'Het KMO-Rapport Vlaanderen', December: p.17

European comparisons also show how unique Belgian small companies are: Belgian SMEs are the most profitable in the EU. Belgium is also one of the few countries in Europe where the profitability of SMEs is considerably higher than in the large companies. According to a study developed in 2007 by the Vlerick Leuven Gent Management School the total entrepreneurship activity, measured by the percentage of adult population involved as owner/manager in start-up firms (less than 3 months operational) and new firms (between 3 and 42 months operational) in Belgium was 3.15 % in 2007 (2.73% in 2006) with the highest rate in Flanders with 3.71% in 2007 (3.06% in 2006). However, compared to other European countries, Belgium has a lower total entrepreneurship activity. In 2007 in EU the total entrepreneurship activity reached 5.27% (5.01% in 2006) (Figure 6).

⁵ De Morgen 'Decreased Foreign Direct Investment in Belgium and Flanders', 4 June 2009: p.1

⁶ UNIZO (2008) *Het KMO-Rapport Vlaanderen*, December: p.11-15

Figure 6: Total entrepreneurship activity in the EU context

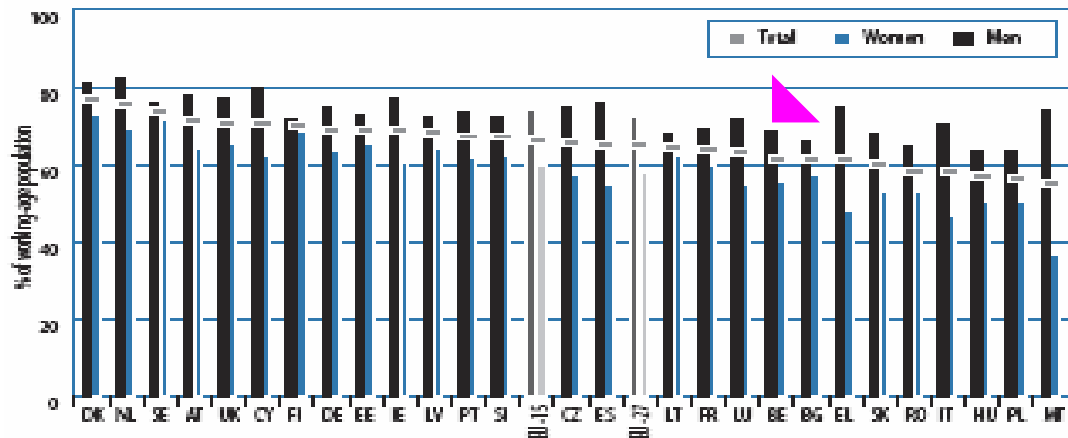


Source: Vlerick Management School, 2007

Employment and unemployment

With a rate of 62%, Belgium has one of the lowest employment rates in Europe. According to Eurostat, inter-regional differences in unemployment rate are high. Contrasting sharply with Flanders, the unemployment rate in Wallonia reaches 30% in some regions. Both male (68%) and female (55%) employment rates are below the respective Lisbon targets of 70% and 60% (Figure 7).

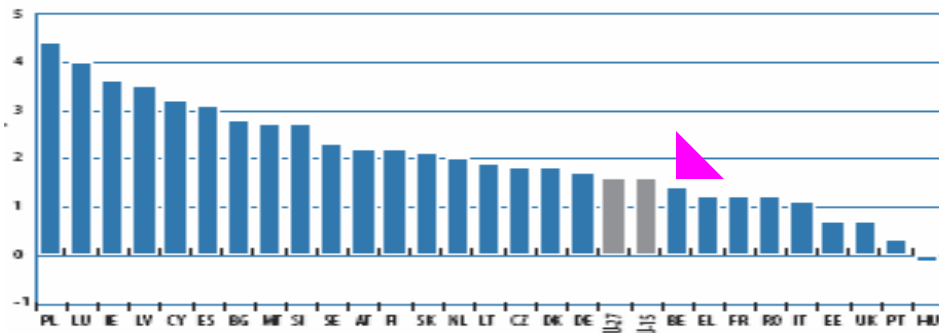
Figure 7: Employment rates in the EU member states 2007



Source: EU Commission – 'Employment in Europe', 2008, p.30

Between 2000 and 2007 the total employment rate in Belgium grew (Figure 8). It is interesting to note that although there was an increase in the employment rates of female and older people (4.7% and 15.6% respectively), the rates for these two social groups still remain much lower than the Lisbon targets for 2010.

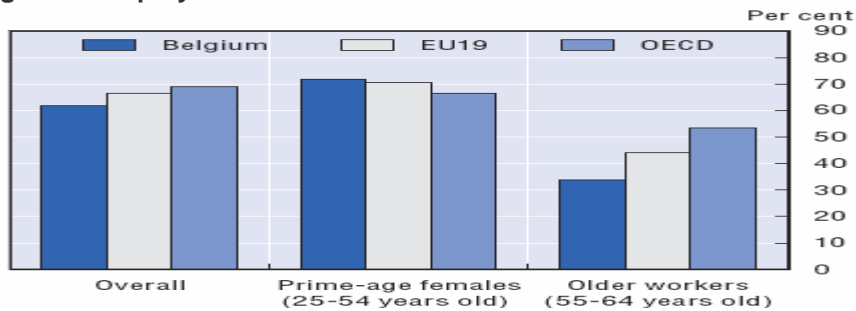
Figure 8: Employment Growth for member states 2007



Source: EU Commission – ‘Employment in Europe’, 2008, p.28

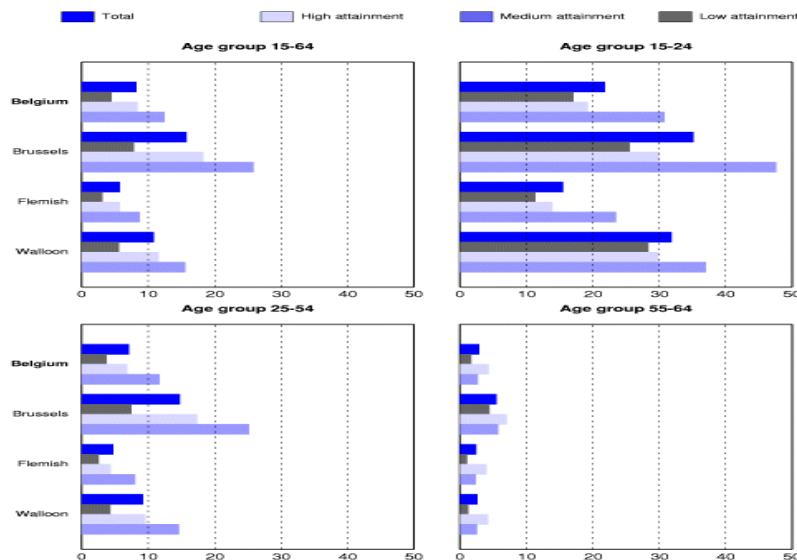
In comparison with other OECD countries employment rates are particularly low for older workers (28% of the population aged 55-64), younger workers (27% of the population aged 15-24) and ethnic minorities. By contrast, rates are near international averages for prime-age women workers (Figure 9). Structural unemployment rate is around 7%. Long-term unemployment counts as almost half of the total (Figure 10).

Figure 9: Employment rate of older workers 2007



Source: OECD (2009) ‘Country Note Belgium’

Figure 10: Unemployment rate by region, age and attainment

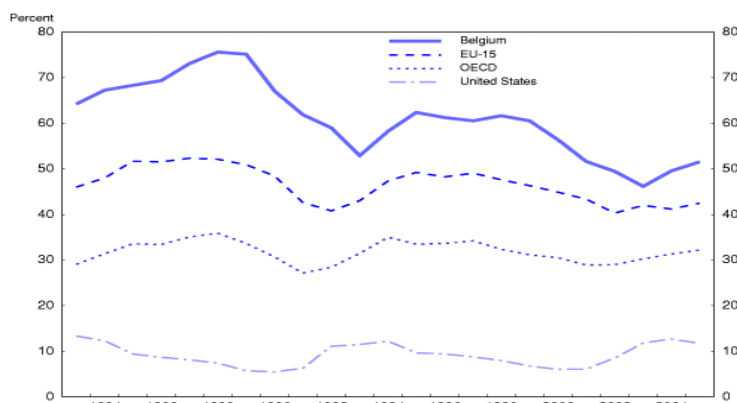


Source: OECD (2005) ‘Economic Survey - Belgium: Increasing the employment rate’

Between 1970 and 2005, employment (in number of persons) increased by 0.4% on average per year in Belgium as a whole. At the regional level Flanders, Wallonia and Brussels annual employment growth varied between -0.7% and 2.0% over the same period, with the Flanders experiencing a growth rate above 1%, while some of the South West region had to contend with a fall in their employment level. Large regional disparities in employment growth have occurred in Belgium over the past 35 years.⁷ Establishing the underlying reasons for these significant uneven regional employment dynamics is a very complex task. In the extensive theoretical literature concerning this issue, a long list of possible explanatory factors can be found. Among the most cited are: the industry structure of economic activity; the quantity and quality of labour supply; the extent of innovative activity; geographical location; accessibility and availability of infrastructure, of other business support services and of natural resources.

Domestic employment increased, on average, by 61,300 persons in 2007 and 44,200 persons in 2008. The harmonised Eurostat unemployment rate (which is calculated by means of labour force surveys) fell from 8.3% in 2006 to 7.5% in 2007 (Eurostat, 2009). These data suggest that the structural unemployment rate in Belgium is slightly above the average of the EU15 (6.8%), the EU27 (6.5%), and the average for the OECD (Figure 11). According to Eurostat (2009) the female unemployment rate (8.8%) is above that for men. (6.2%).

Figure 11: Ratio of long-term unemployed (>1 year) to total unemployed



Source: OECD (2006), *Employment Outlook*.

Looking at more recent data, between the second and third quarters of 2008, the Federal Public Service of Economy, SMEs, self-employed and the energy sector noted a 25.3% increase in the total number of unemployed people. The unemployment rate of workers aged between 15 and 24 years rose substantially by 78.1%. Although the month of September always leads to an increase in the unemployment rate of young workers as they finish school and enter the labour market it appears that many young people entering the labour market did not find a job. Unemployment is also affecting a large proportion of high-qualified workers. Unemployment among people with a university degree increased by 62%; by 9.3% among those with mid-level qualifications; and by 27.6% for those with low or no qualifications. Despite these recent changes, the unemployment rate for workers with a university degree remains lower (4.6%) than it is for workers with no or a very low qualification (14%) and for workers with a medium education (7.3%). These data are reported by a study conducted by the human resources consultancy SD Worx (2009) which highlights the increasing unemployment rate in vulnerable sectors in Belgium. According to this study the economic crisis will generate major consequences for qualified and unqualified manual workers during 2009.⁸

⁷ Quarterly Newsletter of the Federal Planning Bureau, 03-2007

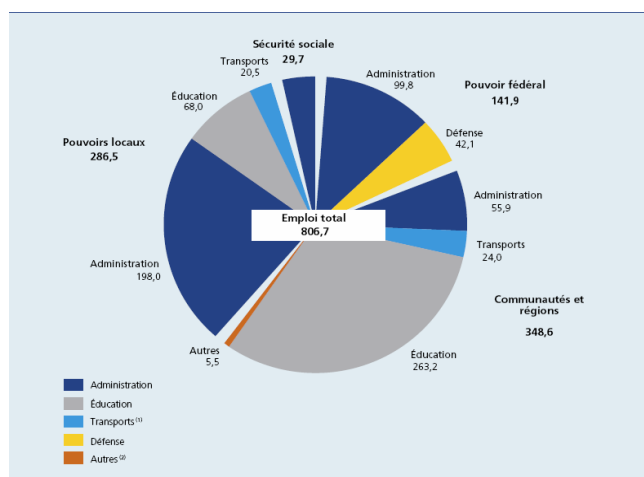
⁸ Source: The SD Worx's study is reported in EIRO (2009) '50% of companies expect to restructure in 2009' <http://www.eurofound.europa.eu/eiro/2009/02/articles/be0902069i.htm>

Belgium's labour market remains characterised by a level of unemployment higher than both the European and OECD averages; rising but still low participation rates; and a significant regional mismatch between labour demand and labour supply. Active labour market policies have been indicated as an important part of the Belgian government strategy to boost employment. Emphasis has been placed on discouraging early exits from the labour market and encouraging re-entry of those who remain out of the workforce. Activation measures⁹ have been enacted in the form of individualised road maps for returning to work, follow-up interviews and possible sanctions in case of insufficient job search activities. The unemployment benefit system remains unchanged. In addition, wage moderation (within the national central bargaining system) and the development of new policies on quality of work have been included by the government as part of this strategy.

Employment in the public service sector

The general government sector employed just over 800,000 workers in 2007. The sector's main employers are the Communities and Regions and local authorities, while the federal government and social security together account for only one-fifth of public administration staff.¹⁰ Following a period of stable employment levels from 1982 onwards, employment in the public sector in Belgium increased between 1997 and 2007. The analysis reveals that this expansion was not uniform across the branches of activity. Recently, employment has declined in defence and in some federal government departments. Conversely, growth has been particularly marked in transport and in administration, especially where those services come under control of local authorities, and in some federal departments such as justice. All sub-sectors have shared in the employment growth recorded since 1995. Local authorities account for over 60% of that growth, and the Communities and Regions almost 30%, the remaining 10% being due to increased employment at federal level, including social security. In the administration branch of activity, local authority recruitment did not relate to civil service functions but concerned social work (crèches, the Public Social Welfare Centre re-employment programmes, etc.), the police and cultural and sports positions (Figure 12).¹¹

Figure 12: Employment in the public service sector in Belgium



Sources: ICN, BNE.

1) Sociétés régionales de transport en commun et services auxiliaires des transports.

2) Entreprises publiques de radiotélévision.

Source: Bisciari P et al. (2009)

⁹ Activation is only applied to unemployed less than 50 years old and with a relatively long unemployment history.

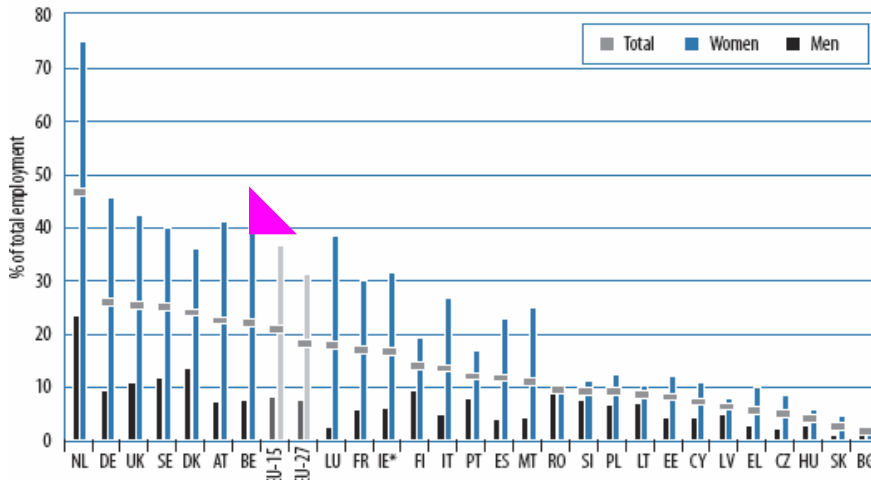
¹⁰ If the concept used is broader than general government, and includes heavily subsidised jobs (health, social work and service vouchers), public enterprises and market inter-municipal associations, there could be 1.4 million persons in public employment in Belgium.

¹¹ P. Bisciari, B.Eugène, L. Van Meensel « L'emploi public en Belgique », *Revue économique*, Juin 2009

“Atypical employment” and working time

Part-time work is becoming more important to the Belgian economy. In 2007, according to Eurostat figures, around 22% of Belgian **employees** were not employed on full time working patterns. With this part-time worker concentration, Belgium is just above the EU15 average of 20.8%. The majority of Belgian part-timers are women with a part-time work ratio of 40% whilst the male ratio is only 7.8% (Figure 13). However, part-time is currently becoming more popular among the male blue collar workers. Employees overall can work part time (at 80% of fulltime hours) in the last 15 years of their career and the loss of income is compensated by a social security benefit.

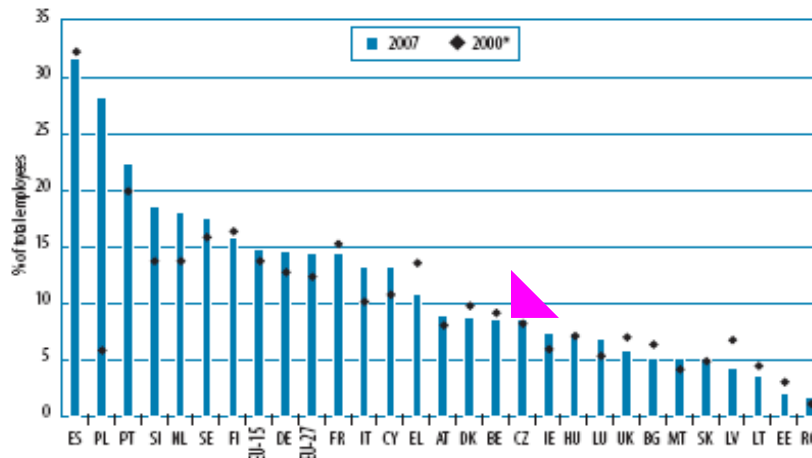
Figure 13: Part-time employment for member states by gender, 2007



Source: EC, *Employment in Europe*, 2008, p.34

The growing use of part-time work in Belgium goes in parallel with the use of other alternative forms of employment such as temporary work, employment for non-standard hours, overtime working, variable working hours and home working. This means that the labour market dominance of the typical full-time employee on a permanent contract is gradually diminishing. However, overall the use of fixed-term employment rose only moderately in Belgium between 2000 and 2007 (Figure 14).

Figure 14: Changes in the share of fixed-term employment in total employment in member states 2000-2007



Source: EC, *Employment in Europe*, 2008, p.35

Likewise, the decline in average working time and the increased dispersion which have emerged over the years in Belgium has not been exceptional. A survey conducted by the OECD (2005) on trends in working time shows that the decline in working time in Belgium has progressively slowed falling to an average rate of only -0.1% over 1995-2003 (Figure 15).

Figure 15: Trend growth in hours worked per person employed



Source: OECD (2005) *Economic Survey of Belgium – Trends in Working Time*, p. 2

Belgian employees work an average of around 35 hours per week. This puts the Belgian working time slightly below the EU 15 average.¹² Average working time is significantly longer for self-employed persons than for employees.

The Belgian Labour regulation on working time: general aspects

In comparison to other OECD countries Belgian regulation on working time is stricter in the following aspects:

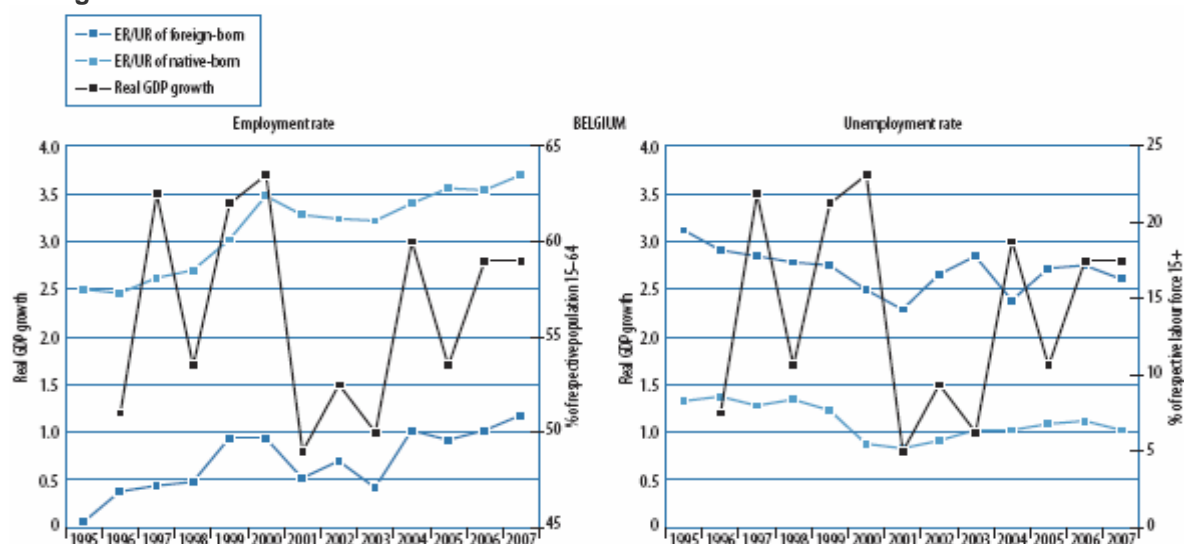
- ✧ The type of work for which agency employees may be used;
- ✧ The cumulative maximum duration of successive temporary contracts.

If flexibility is expressed in terms of more or less frequent occurrence of alternative forms of employment, then Belgium displays greater flexibility than the EU 15 average in terms of part-time work, unpaid overtime and home working. All other flexible forms of employment (primarily shift work, variable working times, temporary forms of employment and Saturday work) are less common.

Migration and employment

Belgium is a country with a long tradition of migration, and the immigrant population is a rather heterogeneous one. The employment related fortunes of immigrants vary widely by ethnic group, with immigrants from EU15 countries – who account for about 45% of all working-age immigrants – having outcomes that broadly match those of the native born. In contrast, employment rates for non-EU15 migrants are low, particularly for women. Their prospects are generally best in Flanders, followed by Brussels and Wallonia in that order. More recent immigration waves, particularly from non EU15 countries, have tended to settle in Flanders and Brussels. Low employment and high unemployment of immigrants are not recent phenomena in Belgium (Figure 16).

¹² “Working time and forms of employment in Belgium”, *Economic Review* 2nd quarter 2006

Figure 16: Employment and unemployment rates for native born and foreign born versus GDP growth in 1995-2007

Source: EC Employment in Europe 2008

In contrast to what has been observed in other European OECD countries, the employment rate of immigrants has been well below that of native Belgians, and this has been the case for more than two decades (see Figure 16 above). Historically, this is linked to the fact that the industrial areas which have been in decline since the 1970s especially in Wallonia are also those where the bulk of post-war labour migrants were employed. Indeed, outcomes of immigrants from EU15 countries have improved compared to those observed in the early 1980s. At the same time immigration flows have changed towards a larger proportion of non EU 15 immigrants. One factor contributing to the low employment of immigrants is their low level of qualifications. Between 2002 and 2003, 74% of Turkish-Moroccans in the Belgian labour market were employed in blue collar occupations as were 40% of those whose origin was from other non EU countries (see Table 6).

Table 6: Employed population by professional statute and nationality, 2002-2003

	Belgian nationality		Foreign nationality		
	Native	Naturalised	EU-15	Turkish Moroccan	Other non-EU
Blue-collar worker	26%	33%	35%	74%	40%
White-collar worker	33%	31%	35%	12%	30%
Civil servant	26%	19%	13%	6%	13%
Self-employed (owner or family assistant)	15%	17%	17%	8%	17%

Notes: averages of LFS data 2002 and 2003; figures in italic can be biased due to small sub-sample

Source: European Foundation for the improvement of Living and Working Conditions (2007) 'Working and Employment Conditions of migrant workers – Belgium'

The labour market position of immigrant women, particularly of those from non-EU15 countries (specifically from Morocco and Turkey) is problematic. Only one third of this sample population is in employment, and their unemployment rates are higher than in all other OECD countries in the comparison group.¹³ Belgium is among the OECD countries where the employment of women differs most by educational attainment. This appears to be linked with disincentives in the tax and benefit system which results in high net replacement rates for couples with second earners and a low income. This is also an issue for integration, as foreign born women are overrepresented

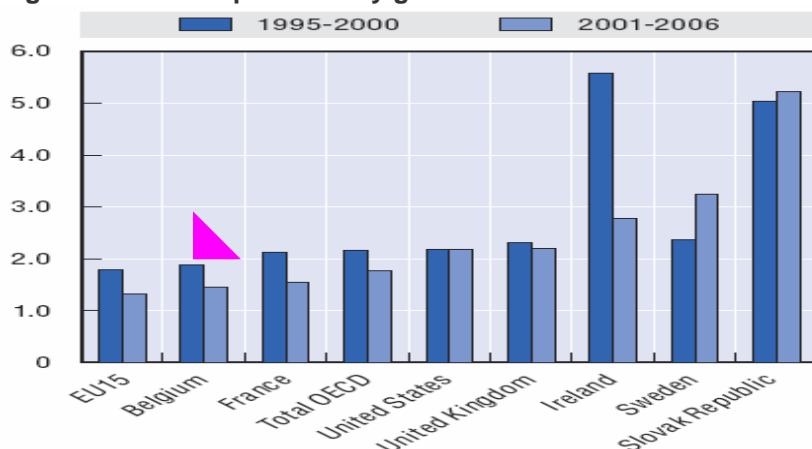
¹³ OECD (2004), *Trends in International Migration*.

among those with low education and are the ones most affected by unemployment/inactivity traps.

Moderate development of labour productivity

Although the Belgian economy has grown relatively strongly over recent years, benefiting from the favorable international economic environment, annual labour productivity growth from 2001 to 2006 was relatively low at around 1.5%. This was below the OECD average of 1.8% and below its 1995-2000 level of 1.9% (Figure 17). It may be argued that one of the reasons of this slowdown is the recent national policy orientation to make economic growth more labour-intensive by lowering indirect labour costs on the lowest wages (i.e. the most labour-intensive jobs) or by creating a significant number of new jobs in the social economy ('neighbourhood services'). Combined with some weaknesses in the innovation system, these trends have raised awareness of the need to boost innovation to ensure the country's future prosperity.

Figure 17: Labour productivity growth 1995-2000 / 2001-2006



Source: OECD (2008) *Belgium country Profile*

Research and innovation have therefore become a top priority of the regional and federal governments to boost labour productivity. The federal government has continued to strengthen fiscal measures to foster R&D and investment in innovation, and the regions have developed and implemented a wide variety of programmes to foster science-industry linkages (see below).

Inter-regional initiatives to foster R&D and innovation

- ✧ The Brussels region has launched a Regional Plan for Innovation (2007-2013);
- ✧ Wallonia is implementing the Priority Action Plan for the Future of Wallonia (2006-2009);
- ✧ Flanders has approved an Innovation Policy Plan with various action lines based on an integrated third generation innovation vision. Also the already extensive horizontal IWT programme for R&D business support was recently expanded.

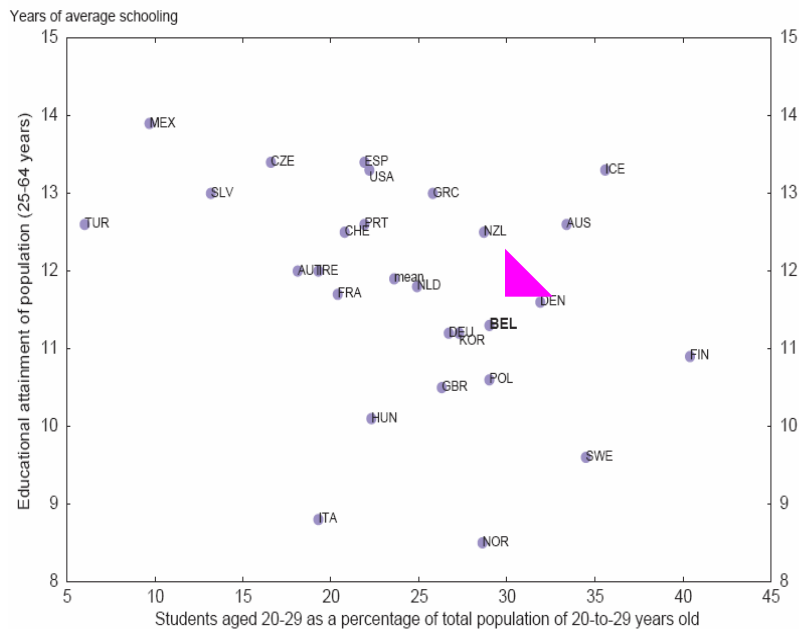
These initiatives have led to various measures, such as a decrease in the wage costs of researchers via tax deductions and the introduction of R&D tax credits. At the regional level, the Brussels region has a public-private scheme for funding up to 75% of R&D activities, and the creation of innovative spin-off companies is encouraged. In Wallonia five competitiveness poles trigger collaboration by the region's universities and companies; they address all aspects of R&D, industrial realization, and training of the necessary workforce. In Flanders, ten sector-based competence poles have been established, aimed at cooperation between economic and knowledge actors.

Source: OECD (2008) *Country Profile Belgium*.

Educational attainment

The average educational attainment of the working age population in Belgium is lower than in most of the other OECD countries (OECD, 2006). This reflects the fact that historically only a relatively small part of the population attained upper secondary education whilst tertiary education attainment was relatively high. Tertiary education¹⁴ has been expanding over recent years, leading to a significant improvement in the educational attainment of younger generations, with 41% of the age cohort 25-34 years having a tertiary degree. This is among the highest rates of tertiary education attainment among younger people in the OECD and twice as high as the Belgian age cohort of 55-64 years. Overall about 30% of Belgians hold a tertiary education degree, which is (excluding the Nordic countries) among the highest in Europe and set to increase further with the high enrolment rate into tertiary education (Figure 18).

Figure 18: Educational attainment and enrolment in tertiary education 2006

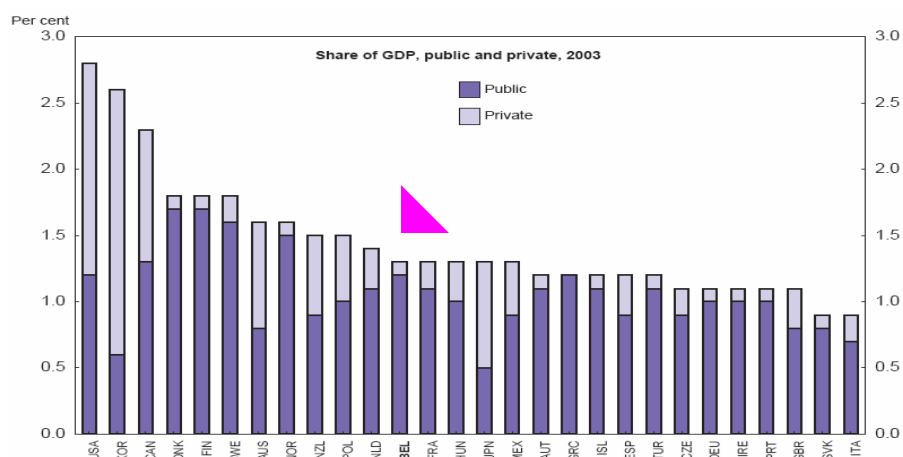


Source: OECD, Education at Glance 2008

Despite an apparent shortage of teaching resources, total spending in tertiary education in Belgium as a share of GDP is relatively high by international standards (Figure 19). In response to the budgetary pressure arising from the larger enrolment, there has been a drive in the French-speaking community to seek economies of scale and scope by merging non-university institutions. This does not seem to have reduced overhead cost to date.

¹⁴ Tertiary institutions include universities – providing longer academic degrees – and non-university institutions, which typically provide shorter professional degrees.

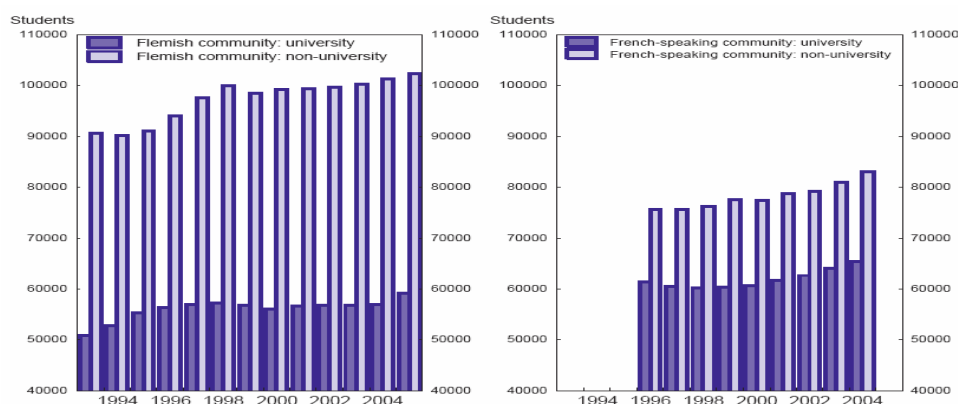
Figure 19: Expenditure on tertiary education



Source: OECD, *Education at Glance*, 2006

Regional disparities are reflected in the number of persons enrolled in tertiary education as well as in the spending to tertiary education (Figure 20a and Figure 20b).

Figure 20a: Enrolment in tertiary education (1995-2003)



Source: Hoj, J. (2007) *“Improving Incentives in Tertiary Education in Belgium”*, “OECD Economics Department Working Paper, n.587

Figure 20b: Spending per student in the Flemish and the French community

	French Community	Flemish Community
University	7 761	13 241
Non-university	4 772	6 219
Total spending in millions of euros	894	1 409

Source: Hoj, J. (2007) *“Improving Incentives in Tertiary Education in Belgium”*, “OECD Economics Department Working Paper, n.587

Figure 20a reflects differences in education achievements between the Flemish and the French communities. In addition the French community reflects higher level of school drop-out rates.¹⁵ The French community has refocused school curricula on core general skills (reading literacy, foreign languages, mathematics, and sciences) and devoted more resources to students from lower socio-economic backgrounds in order to reduce drop-out rates.

The nature and extent of restructuring in Belgium

Restructuring is an economic, social and political process that is not new. It takes place at different paces in different times and places, taking some forward on the wave and leaving others behind the wake. Globalisation, fast-growing technological change, and the ease of capital flows in the years preceding the 2008 financial crisis have all contributed to making today's economy one of accelerating change. Corporate restructuring is a permanent feature of this change and can take different forms:

- ✧ Plant/branch/office closures;
- ✧ Internal reorganisation;
- ✧ Outsourcing of goods or services;
- ✧ Reorganisation following merger or acquisition;
- ✧ Relocation to another region or country.

These different forms of restructuring may occur in combination (e.g. internal reorganisation, outsourcing and relocation) and follow different rationales and objectives, such as production rationalisation, cost reduction, increased efficiency and/or modernisation of production methods or shifting activities into other areas, that constrain the form and extent of restructuring as well as the scope for outside intervention. As an open economy and a high wage country, Belgium, as other industrialised nations, is facing growing pressures and challenges in the context of the various dimensions of restructuring mentioned above. In general both macro and micro-economic restructuring is taking place along similar broad patterns and trends as in other highly industrialised countries.

Macroeconomic change and employment

Between 1998 and 2006 in the private sector the job creation rate in Belgium was on average 8.8%, while at the same time the job destruction rate reached 7.2% according to data provided by the National Bank of Belgium (Table 7). Movements in the job reallocation rate are highly procyclical and could be interpreted as indicative of a relatively rigid labour market. It should be noted, however, that the development of temporary agency work and temporary lay-offs are not included in these data.

¹⁵ Unemployment for the younger group is 19%

Table 7: Job creation and job destruction (1998-2006)

	Job creation rate	Job destruction rate	Job reallocation rate	Net employment growth rate
1998	9.8	8.3	18.0	1.5
1999	10.4	8.1	18.4	2.3
2000	10.7	6.7	17.4	4.0
2001	8.6	7.6	16.1	1.0
2002	7.8	8.5	16.3	-0.6
2003	7.3	7.7	15.0	-0.3
2004	8.3	7.0	15.3	1.3
2005	7.9	5.9	13.8	2.0
2006	8.9	5.6	14.6	3.3
Average	8.8	7.2	16.1	1.6
Standard error	1.2	1.0		
Correlation with GDP at constant prices	0.69	-0.42	0.24	0.82

Source: P. Heuse and Y. Saks (2009) *Labour Flows in Belgium*, Working Paper Research, National Bank of Belgium, n.162, April

Job creation and job destruction rates differ significantly by company size and branch of activity. As Table 8 shows industry and manufacturing proved to be clearly less dynamic in terms of job creation and destruction than services during the period 1998-2006. The job creation rate was much higher in the commercial services sector as a whole. Although the rules for recruitment and dismissal are the same for the two sectors, the possibilities of adjustment of the volume of work by adapting temporary unemployment and employing temporary agency workers are undoubtedly more widely used in the industry and manufacturing sector, which could partly account for the weakness of job creation and destruction rates. These lower levels could also be explained by the structure of employment in the industry and manufacturing sector, where firms are on average larger and older than in the service sector, and by higher sunk costs¹⁶ for industrial companies than for firms operating in service sector.

Table 8: Job creation and job destruction rates by branch of activity (1998-2006)

	Job creation rate	Job destruction rate	Job reallocation rate	Net employment growth rate	Contribution (in p.c. of the total) to		
					Job creation	Job destruction	Total employment
Secondary sector	6.9	6.7	13.5	0.2	32.8	39.3	39.8
C Mining and quarrying industry	4.7	5.7	10.4	-1.0	0.1	0.2	0.2
D Manufacturing industry	6.0	6.3	12.3	-0.4	21.3	28.0	29.2
E Energy and water	5.3	5.8	11.2	-0.5	0.7	1.0	1.2
F Construction	10.2	8.0	18.2	2.2	10.7	10.2	9.2
Commercial services	10.3	7.7	18.0	2.6	67.2	60.7	60.2
G Trade and repair	9.4	7.2	16.6	2.3	23.4	21.4	22.7
H Horeca	17.3	12.6	29.9	4.7	8.7	7.7	4.7
I Transport and communication	6.4	5.4	11.7	1.0	8.9	9.4	13.1
J Financial and insurance services	8.7	7.6	16.3	1.1	6.3	6.6	6.5
K Real estate and business services	14.4	9.2	23.6	5.1	19.9	15.6	13.2
Private sector	8.8	7.2	16.1	1.6	100.0	100.0	100.0

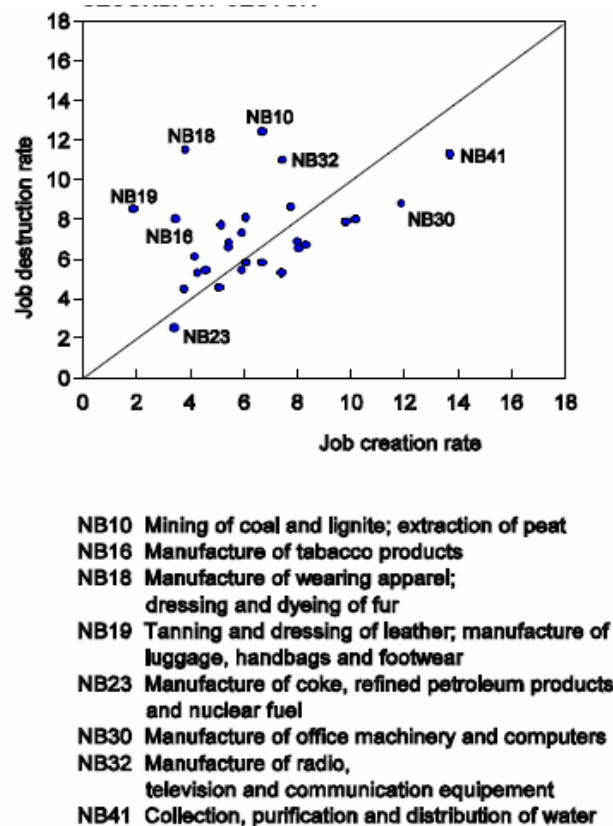
¹⁶ 'Sunk costs' are costs that cannot be recovered once they have been incurred.

Source: P. Heuse and Y. Saks (2009) *Labour Flows in Belgium*, Working Paper Research, National Bank of Belgium, n.162, April

Structural change in industry and manufacturing

In manufacturing industry, the lack of job creation has resulted in an overall decline of the workforce. Over the period 1998-2006, the share of manufacturing industry in job expansion movements (21.3%) remained far lower than its relative share in total employment (29.2% in 2005), while its share in job destruction (28.0%) was quite similar. The average job creation rate (6%) remained lower than the job destruction rate (6.3%) so that the workforce decreased by 0.3%. A decline was also recorded in the mining and quarrying industry and in the energy and water branch. Conversely, the construction sector – where working conditions are generally difficult and employment shortages frequent – was particularly dynamic, with job creation and destruction rates higher than those generally observed in services, and a positive and quite high net employment growth rate (2.2%) (Figure 21).

Figure 21: Job creation and job destruction rates in the industry and manufacturing sector (1998-2006)



Source: P. Heuse and Y. Saks (2009) *Labour Flows in Belgium*, Working Paper Research, National Bank of Belgium, n.162, April

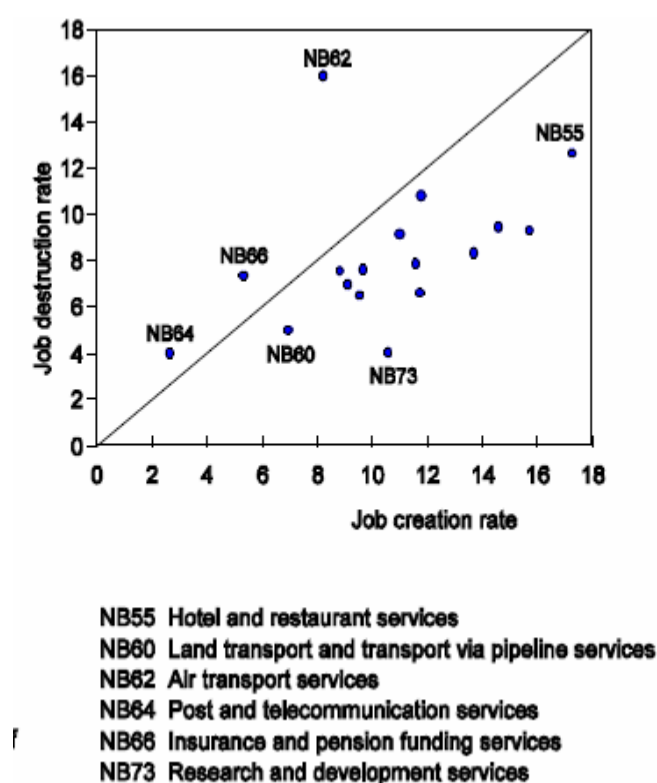
Structural change in private services

In services, the most dynamic branches of activity in terms of job reallocation are Horeca (29.9%), real estate and business services (23.6%), where the annual net employment growth rate was about 5% on average between 1998 and 2006. In the trade and repair branch (with a job reallocation rate of 16.6%), job creations were also considerably higher than job destructions, so that the net employment growth rate reached more than 2% per year. Despite a relatively high job reallocation rate (16.3%) the net employment growth rate has remained very low, at only 1.1% in

financial and insurance services. The workforce grew at the same pace in transport and communication although employment adjustment remained very small (with a job reallocation rate of only 11.7%) (see Figure 22).

The strong job mobility in the Horeca branch, real estate and business services is partly related to the small size of the firms and the very high birth and mortality rate of companies in this sector. In these branches of activity a firm employs on average 10 workers. The average firm size is also quite small in the construction sector and in the trade and repair branch. There tend to be fewer employment movements in branches where larger firms are active, like in the transport and communication sector (with very large companies in rail transport and postal services), energy and water (energy distribution remaining relatively monopolistic) and manufacturing industry.

Figure 22: Job creation and job destruction rates in the service sector (1998-2006)



Source: P. Heuse and Y. Saks (2009) *Labour Flows in Belgium*, Working Paper Research, National Bank of Belgium, n.162, April

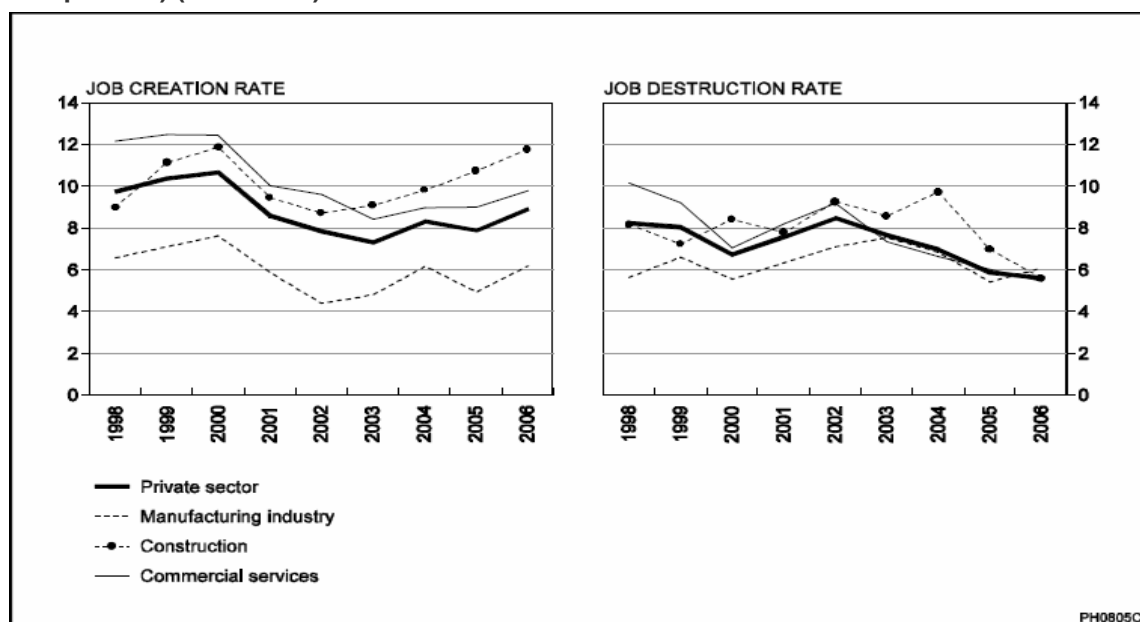
Inter-branch (private services-industry/manufacturing) comparison

Looking at average job creation and job destruction rates for the period 1998-2006 in the diverse sub-branches of activity, it appears that across the different sub-sectors within industry and manufacturing job destructions are usually equal to or higher than job creations in the sector. For the business service sector, job creations are usually equal to or higher than job destructions, except for air transport services (where the net employment growth rate reached on average - 7.7%)¹⁷, insurance and pension funding services (-2.0%) and post and telecommunication services (-1.3%) (Figure 23 below).

¹⁷ Job decline in the air transport services is mostly the result of the bankruptcy of Sabena in 2001.

The differences between industry and services widened in 2002, when the job creation rate in industry declined more markedly than that observed in services. In addition during the last period of economic recovery, the job creation rate rose more vigorously in services than in manufacturing industry. Whilst the job destruction rate in services was much higher than in manufacturing industry in mid-1990s, these two rates converged thereafter (contrary to the movement observed for the job creation rate); the job destruction rates became roughly similar in the two sectors in 2003 and then followed the same downward trend.

Figure 23: Job creation and job destruction rates in the private sector (sub-sectoral comparison) (1998-2006)



Source: P. Heuse and Y. Saks (2009) *Labour Flows in Belgium*, Working Paper Research, National Bank of Belgium, n.162, April

Structural change in public services

The trend of privatisation of state enterprises occurred in many countries, partly in the 1980s, but more particularly in the 1990s. The main areas affected were telecommunications, postal services, transport, public utilities, banks and insurance. This reduced the boundaries and curtailed the employment levels of the public sector and also sometimes of the central government sector. Belgium has been one of the countries to be affected more substantially by government reforms. Through a succession of state reforms in the 1980s and 1990s Belgium has been transformed from a decentralised unitary state to a federal state.

As Belgium has evolved from a unitary to a federal state, the Belgian civil service has undergone a constant reform process over recent years. An increasing number of activities have been devolved to regional governments and this has given the new regional civil service the opportunity to organise on an up-to-date basis. An important modernisation reform of the federal administration launched in 1999 (the 'Copernicus plan'), in practice created a third employment status within the federal administration, based on a fixed-term mandate (six years) for the top three levels of management, while at the same time promoting a proliferation of consultancies and service contracts to external agencies to accompany the modernisation process.

Some of the key points of the 'Copernicus plan' to modernise the federal civil service

- ✧ **The abolition of ministerial 'cabinets'.** The aim is to recreate a closer link between

ministerial 'cabinets' and federal departments. The new architecture of the ministries (so-called 'federal services') will consist of: a policy secretariat (each minister will have a team of a maximum of 13 people, including drivers); a strategy council (a body to define the minister's policy, with its execution in the hands of an executive committee), including managers from the departments affected by the ministry and also external experts; and a strategy unit (a body to coordinate policy preparation within each federal department).

- ✧ **A new organisation chart for the federal public services** (formerly ministries). The restructuring plan takes place around three types of services: 'vertical services' (with a more uniform definition of the powers devolved to each ministry); 'horizontal services' (responsible for cooperation with the various vertical services, in particular with regard to budget control, personnel management, information technologies etc); and 'programming services' (responsible for administrative simplification, sustainable development, telecommunications, equal opportunities etc).
- ✧ **Appointments.** One of the plan's new aspects (highly controversial for the unions) is to open up certain management positions in the civil service to people who have followed a career in the private sector. On 16 February 2001, the government thus approved a draft order setting up a system of 'top managers' (400 positions have been mentioned) in the federal civil service under temporary contracts of employment (the appointments will thus be for six years). The Minister of the Civil Service has referred to recruitment 'under market conditions' without further clarification.
- ✧ **E-government.** Accelerating procedures within services and also with respect to the public. This acceleration means in particular increasing the budgets allocated to computerisation. As with the rest of the reform, no specific or general budgetary figure has been given by the government.

Source: EIRO (2000) Public consultation on reorganisation of civil services opposed by unions - <http://www.eurofound.europa.eu/eiro/2000/06/feature/BE0006317F.htm>

Liberalisation and privatisation of formerly state-owned companies such as SNCB/NMBS (railways)¹⁸, La Poste/De Post (postal services) and Belgacom (telecommunications) in the first half of 2000 accompanied the process of structural change in the public services. Restructuring processes were coupled with the loss of jobs (e.g. 2,000 workers in Belgacom including compulsory and voluntary dismissals) and changes to employment conditions (e.g. higher demands on workers in terms of mobility and flexibility in La Poste/De Post), which led to insecurity among the employees affected. The unions, which have traditionally been strong in these formerly state-owned companies, openly expressed their dissatisfaction with the modernisation process in the public service sector by organizing days of collective actions.¹⁹

Restructuring and outward relocation

According to the Federal Planning Bureau's (Bureau Fédéral du Plan/Federaal Planbureau, BFP/FPB) study, between 1990 and 1999, only 21% of total industrial job losses were due to the relocation of production activity to another country. In the period 2000-2005 the tendency has relatively increased but not changed dramatically.²⁰ There are no official data quantifying the

¹⁸ In NMBS only the distribution of parcels has been privatized while the networks have been transferred to a public limited company, Infrabel which is still for 80% owned by the federal government.

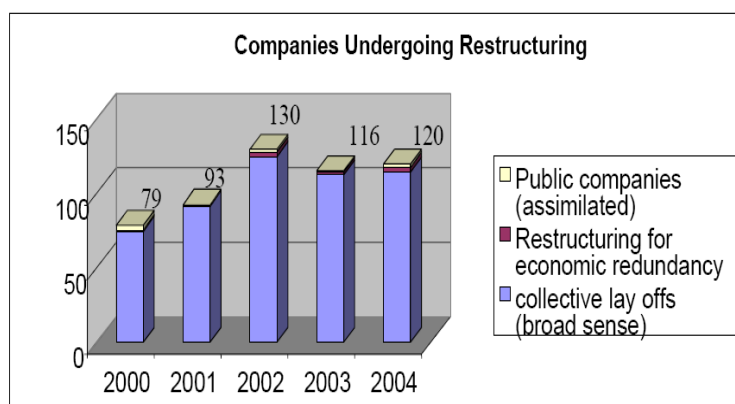
¹⁹ EIRO (2005) 'FGTB/ABVV holds 24-hour general strike' <http://www.eurofound.europa.eu/eiro/2005/10/feature/be0510303f.htm>.

²⁰ For more details see the following reports published by BFP/FPB 'La relocalisation des entreprises' (Company Relocations) (1994); (1998) 'Relocalisation, Mondialisation, un rapport d'actualisation pour la Belgique' (Relocation, Globalisation: an update report for Belgium); (2000) 'Rapport de synthèse: Relocalisation, un élément de la dynamique industrielle' (Summary Report: Relocation, an element of the

phenomenon of restructuring in Belgium and relocation is generally not considered as a macro-economic problem.

A study carried out by the law firm Claeys & Engels attempted to grasp the size of the phenomenon on the basis of a survey of collective bargaining agreements concerning restructuring between 2000 and 2004. Figure 24 shows the constant growth of the phenomenon (with a peak in 2002, probably due to the stock market crisis at that time), and the large predominance of restructuring by collective lay offs. It should be noted, however, that this data only concern companies which have declared themselves to be undergoing restructuring to the Belgian authorities.

Figure 24: Companies undergoing restructuring



Source: 'La problématique de la restructuration en Belgique', MIRE report .

The Federal Planning Bureau's study shows that the share of jobs at risk of being relocated or off-shored due to ICT-developments is lower for Belgium than for the EU15 or the US.²¹ Moreover, a comparative study on relocation in Europe by the EIRO (2005) seems to confirm these results. It states that with more inward relocations than outward ones, job offers remain stable in Belgium. Job cuts in industry are also largely offset by increased employment in the services sector and in the public sector.²²

Nevertheless, according to a recent study conducted by the human resources consultancy SD Worx, half of the companies located in Belgium expect as a result of the global economic crisis to undertake restructuring during 2009. The companies expressing this view are mainly large organisations employing more than 500 employees and many are internationally owned. Domestic companies and small and medium-sized enterprises seem to be less concerned by restructuring processes. In particular, among the companies that have restructured since 2006, most of them (71%) were enterprises with more than 500 employees, while SMEs represented only 21% of those restructuring their activities. The economic sectors most affected are likely to be those most sensitive to demand fluctuation (e.g. motor industry and subcontractors, chemical, metal and glass industries). On the other hand, other sectors seem to be in a stronger position. So far, logistics, transport, hotels and restaurants, health and social work, and food distribution are not facing any slowdown and some sectors are even recruiting additional staff.²³

industrial dynamic); (2007) 'Potential ICT-enabled off-shoring of service jobs in Belgium'; (2009) 'The Impact of offshoring on employment in Belgium'.

²¹ B Michel (2007) 'Potential ICT-enabled off-shoring of service jobs in Belgium' BFP/FPB Report; B. Michel (2009) 'The Impact of off-shoring on employment in Belgium', BFP/FPB Report.

²² EIRO (2005) 'Comparative Study on Relocation of Production and Industrial Relations'

²³ EIRO (2009) '50% of companies expect to restructure in 2009'.

<http://www.eurofound.europa.eu/eiro/2009/02/articles/be0902069i.htm>

Different studies report that more than 50% of relocations out of Belgium involve a transfer of the activity to neighbouring countries (i.e. France, Netherlands, Germany, etc.) but also to the other countries of the former EU15. Relocations to Eastern Europe have accounted for only 10% of the total, but they are of empirical relevance due to the process of EU enlargement. They are followed by Asia with 6%, North America with 4% and North Africa with 4%. Similarly, relocations of production to Belgium have come primarily from neighbouring countries. In terms of sectors, the labour-intensive industrial sectors, especially those using unskilled labour, are often the hardest hit by relocations (e.g. textiles, metalworking, etc.). The trend is nonetheless rising in the service sector. Relocations are more frequent among large foreign companies belonging to a multinational group. According to the BFP/FPB, the network of sites of multinationals gives them a strategic and geographical flexibility which enables them to integrate their network and thus to achieve economies of scale. Finally, we would note that it is rare to see a company shutting down its operations completely in Belgium. In general, only part of the activity is relocated. The reason given for relocations is primarily related to wage costs, which are considered too high in Belgium (according to the BFP/FPB wages are mentioned as one of the three main reasons leading to relocation in 52% of cases). Wage costs are not the only reason, however. The reorganisation of production at European level, access to foreign markets and tax advantages are also cited. The need to follow a client firm that has relocated its activity is also sometimes the reason given for relocation.

Examples of relocation

Two relevant examples of production facilities being relocated on account of costs are in the context of the European Union's enlargement, the German conglomerate Siemens which announced its intention of relocating up to 10,000 jobs to Eastern Europe, in order to take advantage of lower wage costs on one side and the Bosch factory located in Tirlémont/Tienen which experienced two waves of relocations: the first in 2003 and a second in 2005.

The Siemens case

In Belgium, the Siemens site in Herentals, specialised in the development of software for fixed and mobile telephony (research division), lost nearly half of its staff in three years (some 600 jobs out of 1,400 were cut). A new episode occurred at the end of 2003: the management of Siemens Herentals announced that a further 130 jobs (of the remaining 850) would be slashed in the course of 2004 because of relocation to Southern and Eastern Europe. The process of consultation between unions and management was set in motion and agreement was reached on 2 September 2004. Under the threat of relocation, the personnel agreed to increase working hours (38 hours a week instead of 37) without additional pay. This measure would be implemented from 1 October 2004. Of the 130 planned job losses, 44 were thus saved. The agreement is valid for two years and may be extended annually following a review. Furthermore, another agreement provides for a subsequent wage increase of 1% per year. That argument succeeded in convincing large numbers of the company's workers to accept the increase in working hours.

The Bosch case

In February 2003, management announced plans to transfer the production units to countries with lower wage costs, triggering an immediate 24-hour strike. At the time, 1,780 people worked at the site and 300 jobs were threatened. The final decision to relocate two departments to Romania and Hungary was taken in March 2003. The operation was staggered over a period of two years and was resulting in the loss of 140 jobs. In April 2005, management announced that a further 140 jobs would be lost by the end of 2006 due to an automation process, followed by another 124 in 2008 owing to the relocation of another part of production activity to Romania. In addition, workers were asked to make a wage effort of 2.5 million Euros on an annual basis. The aim was to improve profitability. The announcement prompted a 24-hour strike, following

which management agreed to review the relocation option and immediately reported to the group's senior management in Germany to explain the situation. On its return, however, the relocation decision still held. On 7 July, management and trade unions came to an agreement. The 264 job losses will in no case involve compulsory redundancy without any compensation. Workers aged over 53 will leave the company within two years and some 30 voluntary departures will take place annually. Job reductions will be solved through reorganisation within the company or through a redundancy programme.

Source: EIRO (2005) *Comparative Study on Relocation of Production and Industrial Relations. The Case of Belgium*

In Belgium restructuring is a far from recent phenomenon. In Wallonia in particular, and in response to the decline in heavy industry since the end of the Second World War the public authorities have gradually developed a legal framework which makes it possible to manage restructuring effectively, mainly by enhancing the level of social protection for employees during the transition phase between two jobs.

In 1980 a special Law (LAW 8 August 1980) gave the regions powers relating to the placement of workers and re-employment programmes for unemployed job seekers. The regions use the powers given to them by the Federal authorities differently in terms of employment management. With the subsequent 2004 decree instituting the Re-employment Support Programme, Wallonia focuses attention on collective re-employment incentives and the maintenance of social groups through cells managed by employee representatives. In the Flanders and Brussels-regions, the focus is more on individualised support systems such as outplacement. Training and education are therefore crucial elements of a model framework for outplacement/replacement interventions. 'Outplacement' in Belgium is defined as "a cluster of supportive services and recommendations carried out by a third party, paid for by the employer and offered to an individual or a group, in order to enable the employee to find a job as soon as possible with a new employer or to develop a new career as self-employed".²⁴ This is confirmed by the content of the Generation Pacts (2006) which oblige companies making a request for early retirement, or with "employment cells" in place, to offer outplacement to the people who are eligible for retirement. In the case of collective redundancies, companies can extend early retirement only if they show that they have made an effort to help the workers at risk to find a new job. In accordance with the CAO n.17 (December, 2006), employees who are 60 years old (usually reduced to 58+) can ask for early retirement in the case of collective dismissals.

Since the end of 2007 employers have been obliged to offer outplacement to workers aged over 45 years and who are subject to dismissal.²⁵ Moreover, from March 2009 companies with at least 20 employees have been obliged to establish "employment cells" where collective dismissals are implemented. In this respect, it may be argued that outplacement aims at increasing work-to-work transitions in the labour market. In companies where specialised agencies are hired to assist in the process of restructuring and where a kind of coordinating "employment cell" is established involving the HR department, unions, outplacement agencies and the VDAB, this has had a positive effect on re-employment. Finally, despite the regulatory framework established by the government in Flanders to promote outplacement in case of dismissals, the outplacement market is not growing. A study of HIVA (2008)²⁶ examined the financial, organisational and economic reasons inhibiting the growth of the outplacement market in Flanders.

²⁴ De Witte H., Vandorne J., Verlinden R., De Cuyper N. (2001) "Outplacement/replacement interventions (WP1). Country review from Belgium", HIVA-KULeuven, Leuven.

²⁵ In 2007 6281 people followed an outplacement trajectory in Flanders (cfr). De Cuyper P., Peeters A., Sanders D., Struyven L., Lamberts M. (2008) "Van werk naar werk: De Markt van outplacement", HIVA IDEA-Consult

²⁶ De Cuyper P., Peeters A., Sanders D., Struyven L., Lamberts M. (2008) "Van werk naar werk: De Markt van outplacement", HIVA IDEA-Consult

New measures in Belgium to assist businesses and protect jobs under recession

The recent recession caused a high number of restructuring processes and collective redundancies throughout the first trimester of 2009 in Belgium. According to the latest statistics, the number of unemployed people increased by 5% in comparison to 2008. This increase is higher in Flanders, the region the most concerned by important restructurings, with an increase of 11.8%.

At the end of December 2008, the Belgian government agreed on a stimulus plan (first recovery plan) to boost the economy in crisis. This plan essentially integrated the inter-professional agreement concluded by the social partners in 2008 (with regards to strike a balance between companies' competitiveness, purchasing power and employment in light of the current economic crisis) and added some measures to implement the agreement. This plan was integrated in the law of the 7th April 2009 (Loi de relance économique/ Economische Herstelwet). The law understands measures aiming to sustain the competitiveness of the companies and to protect employment. The most relevant measure aims at introducing exemption of tax payment for employers and incentives, benefits or social provisions for workers in situation of restructuring.

In the Walloon region, the regional government established a framework of action against the crisis (5th December 2008). This plan understands measures to sustain employment in companies faced with a decrease in the demand. The government extended the facilities given to enterprises to benefit from loans and extended its funds for vocational training. Besides permanent workers of the company, workers temporarily unemployed, workers from the subcontractors, workers employed with a fixed-term contract or temporary workers will benefit from vocational training. Those measures are applied to all companies located in the Walloon region at the exception of the public administration.

More recently, a law implementing measures to sustain employment in times of economic downturn was published in the Belgian Official Journal on 25 June 2009. Three types of specific measures, applicable during the second half of 2009, aim at decreasing the amount of time worked and reducing salary costs while maintaining purchasing power for the workers: temporary unemployment for white-collar workers, crisis-related time credit and temporary collective reduction in working time.

Only companies in serious difficulty can apply for temporary unemployment for white-collar workers and crisis-related time credit. It concerns companies facing a decrease in turnover or production of at least 20% compared to the previous year or companies with blue-collar workers already temporarily unemployed during 20% of their normal working time. In addition, the company must have a sectoral or company collective bargaining agreement, or an approved company plan.

Temporary unemployment for white collar workers

The employer may suspend the employment contract of a white-collar worker entirely for a maximum of 16 weeks. The employer can also partially suspend the employment contract for a maximum of 26 weeks. In case of a partial suspension, the white-collar worker should work at least 2 days a week. He will receive an unemployment benefit from the National Employment Office (RVA/ONEM) and an additional supplement from the employer which must be at least equivalent to the one received by temporarily unemployed blue-collar workers.

Crisis-related time credit

By means of an individual written agreement between the employer and the worker, the working time of a full-time worker can be reduced by 1/5 or 1/2 during a period of one to six

months. During this time, the worker is entitled to receive compensation from the RVA/ONEM. An additional voluntary contribution can be paid by the employer. Crisis-related time credit has no influence over regular time credit.

Temporary collective reduction in working time

The employer can reduce the working time by one fifth or a quarter by means of a collective bargaining agreement. In this case, a social security contribution exemption is applied (600 EUR for a 1/5 reduction and 750 EUR for a 1/4 reduction) per worker and per quarter. When the reduction in working time is combined with a 4 day working week, this amount is increased to 1,000 EUR and 1,150 EUR respectively per worker per quarter. However, it must be noted that at least 3/4 of the social security contribution exemption must return to the workers by means of a wage supplement.

Source: EIRO (2009) "Tackling the recession: Belgium"

<http://www.eurofound.europa.eu/emcc/erm/studies/tn0907020s/be0907029q.htm> and Circulaire (2 Juli 2009)

"Nieuwe anti-crisismaatregelen om bedrijven zuurstof te geven en om ontslagen te vermijden – Update 2"

Overview of existing employment and re-employment measures in cases of restructuring

Some of the employment and re-employment measures for restructuring implemented to prevent people from dismissal work by increasing the workers' opportunity to participate in training and education and thus to develop necessary competencies. A number of further measures protect people during a lay-off situation, by means of notice provisions and financial compensation.²⁷

With regard to passive job market measures, there is a clear trend to make the system more rigorous and this combines with an increased focus on active labour market measures.²⁸ Unemployed people are encouraged to put more effort into job seeking through new rules applying to those receiving unemployment benefits (*tijdelijk werkloosheid*). Measures for the redistribution of labour, especially 'early retirement', have been subject of discussions. The impact on job-creation is minimal and the measure is primarily used as a form of social support for dismissed employees.²⁹ The cost to society of early retirement is high and results in an important loss of expertise. This growing interest in active labour market measures can be seen as part of a broad trend to make people more responsible for their own career development and for the constant development of their competencies and thus their chances on the labour market. The success of initiatives which offer training and job experience to the (long-term) unemployed are illustrative of this. Among these initiatives we can mention financing mechanisms aimed toward reintegrating employees in the labour market via career guidance (such as the employment cells) and the establishment of collaboration between the major public organisation for vocational training for adults and the industrial sectors and voluntary organizations in the Flemish Community.

Since the mid-1990s several evaluation studies with regard to successful re-integration of unemployed people into a new job have been conducted. A first conclusion as to "what works?" is that career training and initiatives offering job experience show a clear positive influence on the re-employment of people.³⁰ Several studies show that participation in training increases the chances of finding a new job. Training and education are therefore crucial elements of a model framework for outplacement and transition interventions.

²⁷ See Law 3 July 1998 concerning working contracts lays out the notice periods for redundancies

²⁸ De Vos K. and Nicaise, I. (1990) "Tewerkstelling door sociale zekerheid. Deel 1: De integratie van actieve arbeidsmarktstrategieën in de werkloosheidsverzekering", HIVA-KULeuven, Leuven

²⁹ Matheus N., Vleugels I. and Bollens, J., Nicaise, I. (2000) "Uittreders subsidiëren: een rationele optie? Effectiviteit van maatregelen tot inkrimping van het arbeidsaanbod", HIVA-KULeuven, Leuven

³⁰ Bollens J. and Hooge, J. (1996) "Bereik, kwaliteit en effectiviteit van de VDAB-beroepsopleiding voor werkzoekenden", HIVA-KULeuven, Leuven,

It is clear that a "route-oriented" approach offers the best results, compared to activating-measures associated with a single instrument.³¹ The concept of 'route' or 'traject-counselling' is characterised by the fact that an ideal combination of support and other measures is decided on the basis of the counsellor's assessment and experience. Depending on the individual requirements of the job seeker, different instruments (such as orientation, training, job experience and application assistance) can be combined to improve the guidance of the job seeker in his or her transition towards a new job. The added value of 'route-counselling' involves a crucial role for the consultant. His or her experience and capacities to assess the needs of a job-seeker and to direct this person to the appropriate support measures play a significant role in the success of the re-employment guidance. Therefore, the training and selection of these consultants has to be taken seriously, in order to ensure the quality of the re-employment guidance of job-seekers.

With regard to the broad variety of intervention schemes, passive as well as active measures, aimed at the demand side or at the supply side, most are complementary and encompass one's entire active career. Passive measures, such as unemployment benefits, offer a minimum of financial security to low-skilled long-term unemployed persons. In addition to this, job-experience initiatives or recruitment incentives stimulate the re-integration of this target group into the labour market. For this last purpose, an experienced consultant can help and direct the job-seeker towards the most appropriate support measures.³²

³¹ De Vos K. and Nicaise, I. (1990) "Tewerkstelling door sociale zekerheid. Deel 1: De integratie van actieve arbeidsmarktstrategieën in de werkloosheidsverzekering", HIVA-KULeuven, Leuven,

³² De Witte H. (1993) "Gevolgen van langdurige werkloosheid voor het psychisch welzijn: overzicht van onderzoeksliteratuur ("Psychological consequences of long-term unemployment for wellbeing: overview of the literature")", *Psychologica Belgica*, 33(1):1-35

Section Two – The Role of the Belgian Social Partners in restructuring

Social Partners and Social Dialogue in Belgium

Because of Belgium's federal structure, although certain employment and economic policies are decided on a regional level, labour law, social security matters and the regulation of the collective bargaining system are still the responsibility of the federal state. Collective bargaining is highly structured with three interlinked levels: national, sectoral and company. Although there have been recent trends towards decentralisation, the system remains quite centralised combined with an "organised decentralisation" of collective bargaining.

A second influential aspect of Belgian society is the historically important organisation of the society along pillars, known as 'pillarisation'. The country's political parties emerged from strong social divisions. Differences in religion, state, regions and class divisions have been important in this regard. The political factions that were born out of these rifts were connected to highly developed and segmented sociopolitical networks: pillars of organisations (schools, health insurance, etc.) taking care of the members as well as their families almost from cradle to grave. The trade unions are reflecting this historic pillarisation, and are clearly divided along these lines.

Partly due to the pillarisation of Belgian society, there is a long-standing tradition of informal tripartite social dialogue in the industrial relations system. The first social pact dates from the end of the World War II. Since then the government has consulted the social partners regularly on important policy issues. The industrial relations system also has an elaborate conciliation and mediation system (organised by the federal administration).

Trade unions

Trade unions in Belgium are divided between segmented confederations, which have a clear political tradition. The two largest, CSC/ACV and the FGTB/ABVV are linked to the Christian and socialist movements respectively, while the smaller CGSLB/ACLVB is linked to the liberals (they are all affiliated to ETUC). Despite this the unions are able to co-operate with each other and more than half the Belgian workforce is unionised – with the last available data showing a growth in union membership. However, trade unions' density³³ rate (60%) is growing only slightly.³⁴

Table 8: Trade union membership figures (1993-2003)

		1993	1998	2003	
Belgium	CSC/ACV	1,541,000	1,609,000	1,637,000	+6.2%
	FGTB/ABVV	1,109,000	1,187,000	1,201,000	+8.3%
	CGSLB/ACLVB	215,000	217,000	223,000	+3.7%
	Total	2,865,000	3,013,000	3,061,000	+6.8%

Source: EIRO (2004) *Trade unions membership (1993-2003)*
<http://www.eurofound.europa.eu/eiro/2004/03/update/TN0403105U.htm>

Figures from the unions themselves indicate that there are currently 3.3 million union members in Belgium. However, with unemployment benefits normally being paid through the unions³⁵, a large number of the unemployed remain union members and many current union members have

³³ In accordance to OECD trade union density is defined as the percentage of employees who are members of a trade-union. Conversely, trade union membership is defined as the union members as percentage of all employees

³⁴ EIRO (2009) *'Belgium: Industrial Relations Profile'*
http://www.eurofound.europa.eu/eiro/country/belgium_3.htm

³⁵ Trade unions in Belgium do not organise the unemployment benefit insurance like they do in the Scandinavian countries, but are involved in the administration. Unemployed people can also choose to have their benefit paid by a specialised state agency rather than by a trade union.

retired. Competition between unions may also lead to the figures being inflated. These factors led a recent independent report to estimate union density in Belgium somewhat lower than the claimed 60%, at 55.4% (in 2002)³⁶. Union membership has risen since that date, but so has overall employment.

There are two main trade union confederations in Belgium: the Christian CSC/ACV with 1,736,000 members and the Socialist FGTV/ABVV with 1,368,000 members (2005 figures). There is also the smaller liberal union confederation, the CGSLB/ACLVB with 265,000 members. Because of their broad support these three confederations have the status of 'representative' unions. As a result they can sign agreements and present candidates in works council elections. There is also a body for supervisors and managers CNC/NCK with less than 20,000 members, which has limited rights to represent this group of workers. One indication of support is the number of seats won in the four-yearly works council election. At the elections in 2008 the Christian CSC/ACV won 57.41% of the seats (52.5% of the votes), the socialist FGTV/ABVV 34.5% (36.2% of the votes), the liberal CGSLB/ACLVB 6.5% (9.7% of the votes) and the managers' CNC/NCK 1% (0.9% also of the votes). For the committees for safety and health, the results were: CSC/ACV 59.5% of the seats (53.4% of the votes), FGTV/ABVV 34.3% of the seats (36.7% of the votes), CGSLB/ACLVB 6.2% of the seats (9.8% of the votes).

One feature of industrial relations in Belgium is the division between the French-speaking and Flemish or Dutch-speaking communities, which affects all aspects of Belgian society. Employment law is still decided on a national level but the division between the communities has an impact on the relationships between the unions. Another result is that all the bodies and organisations connected with industrial relations have both a French and a Flemish name and abbreviations. Support for and membership of the two main confederations is not spread evenly across the country. Traditionally the CSC/ACV has its strongest support in the Flemish speaking north, the FGTV/ABVV in the French speaking south. Despite this, the results of the social elections of 2008 confirmed that the CSC/ACV has now more seats and votes in works councils and committees for safety and health than the FGTV/ABVV in each of Belgium's three regions: Flanders in the north, Wallonia in the south and the capital Brussels.

The two main confederations are divided into separate unions. For manual workers in the private sector the division is organised by branches with unions for metalworkers, food workers and so on. Non-manual workers are in a separate union in both confederations and both have a union for workers in public services.³⁷

Employers' organisations

Belgian employers' organisational density rate (72%) is amongst the highest rates in Europe.³⁸ The main employer association is VBO/FEB (*Verbond van Belgische Ondernemingen/ Fédération des Entreprises de Belgique*), member of BUSINESSEUROPE. The VBO/FEB represents – indirectly through around 50 sector federations – more than 30,000 small-, medium-sized, and large companies in a wide range of sectors, ranging from industry to services. The association works with three regional employer organisations to devise and promote a consistent message from employers. These regional organisations are: Voka – Vlaams Economisch Verbond (Flemish Region), Union Wallonne des Entreprises (Wallonia), and BECI (Brussels Enterprise Commerce and Industry) (Brussels). There is no institutional relation or structured collaboration between the different employer organizations in Belgium. They are all completely independent from each other (except for the sector organizations that are member of the VBO).

Two associations represent the small and medium sized companies UNIZO and UCM, both members of UEAPME. They are gaining influence in the social dialogue. The membership

³⁶ Visser J. (2006) 'Union membership statistics in 24 countries', *Monthly Labor Review*, January

³⁷ The liberal confederation does not have separate industrial unions

³⁸ Traxler, F., Blaschke, S., and Kittel, B., *National Labour Relations in Internationalized Markets*, Oxford: Oxford University Press, 2001

domain of UNIZO embraces the Flemish SMEs in Flanders and Brussels. UCM represents the SME sector of the Walloon region as well as in Brussels.

Public utilities companies, such as municipal companies belonging to Inter-Regies, public transport companies and La Poste, are affiliated to the Belgian section of CEEP.

The UNISOC is an association of federations for the health care, social-cultural, and educational sector which are not sectors typically represented in the VBO/FEB. UNISOC is currently an associated member of the National Labour Council and an observer in the Central Economic Council. The smallest employer organisations represented in the social dialogue forums are Boerenbond and UPA, representing the agricultural sector.

The system of employee participation and social dialogue

The most important bodies for social dialogue in Belgium are: *De Centrale Raad voor het Bedrijfsleven* (for social dialogue on economic issues)³⁹ and the *Nationale Arbeidsraad* (social dialogue on social matters).

The system of workplace representation: numbers, structure and tasks

Belgium has structures at workplace level representing both all employees and trade unionists, but with only trade unions able to nominate to the works council. The key body is the union delegation which negotiates key issues with management, although the works council has extensive information and consultation rights. Although the works council is a joint body with an employee majority, it has decision-making powers in some areas.

Workplace representation in Belgium runs through two separate channels. The works council (*Ondernemingsraad/Conseil d'Entreprise*) represents the whole workforce, although it is only elected in larger workplaces (above 100 employees). The trade union delegation (*Syndicale Delegatie/Délégation Syndicale*) represents trade unionists. There are also separate bodies for health and safety elected by the whole of the workforce (above 50 employees). In practice, particularly at smaller workplaces, the individuals involved will often be the same in both the works council and the trade union delegation. The two bodies have different functions, but generally it is the trade union delegation which plays the central role, particularly in workplaces where there is a strong tradition of active employee relations.

According to the European Social Survey, about 66% of employees declare having a trade union representative at the workplace – a high proportion compared to the European average. However, there is some question around the validity of this figure based on the high thresholds in Belgium for organising workplace representation on a legal base. As a result of the compromise reached by the social partners in November 2007 agreement, the European Directive 2002/14/EC has finally been transposed in Belgian Law. It establishes a general framework for informing and consulting employees within SMEs in Belgium.

Information and consultation rights in SMEs

Three arrangements were introduced with regards to the transposition of the European Directive 2002/14/EC into Belgian law:

The first of the three arrangements relates explicitly to the transposition of the EU Directive on information and consultation. In implementing this first arrangement, the social partners reached an agreement at the end of February 2008, on two regulatory propositions:

³⁹ At regional level these bodies are called: the *Sociaal Economische Raad voor Vlaanderen* and the *Conseil Economique et Social et de la Région Wallonne*

- ✧ A first text amending the current national collective agreement No. 9 on the functioning of works councils (*ondernemingsraden/conseils d'entreprise*) of the National Labour Council (Nationale Arbeidsraad/Conseil National du Travail);
- ✧ A proposal for a complementary law which would complete the transposition of the EU information and consultation directive.

The second arrangement calls on the sectoral joint committees (*paritaire comités/commissions paritaires*) to introduce the following provisions before 2010:

- ✧ In sectors where no current agreement exists on the introduction of trade union delegations in companies or establishments with 20–50 employees, a framework which provides for this introduction;
- ✧ A framework agreement to organise the information and consultation of employees in companies or establishments with 20–50 employees, where no trade union delegation is present.

A third and final arrangement refers to a planned evaluation, and if necessary a change in the so-called 'gentlemen's agreement of 2002, concerning the handling and timing of industrial conflicts. Under this agreement, the employers would avoid using legal procedures until all conciliation attempts had failed, while workers would agree to respect the notice periods required for strike action. When reaching the agreement, the social partners had to take this element into account due to the increase in the number of unofficial strikes, along with the intensified use of judicial procedures since 2004 by employers in the event of strikes and the ongoing debate on the right to strike in services of general interest. Once again, the agreement refers to the sectoral partners involved in bargaining, who are being urged to improve their rules on mutual respect in the event of an industrial conflict.

Source: Circular 28 April 2008 "Sociale Dialog" and EIRO (2008) "Social partners agree on information and consultation rights in SMEs",

<http://www.eurofound.europa.eu/eiro/2008/02/articles/be0802039i.htm>

Both elements of the system of representation have a clear legal basis. The powers and operation of works councils are set out in a law on the organisation of the economy first passed in 1948 and subsequently amended. The legal position of the trade union delegation, on the other hand, is determined by a series of legally binding collective agreements, with the national level agreement signed in 1971 and agreements for individual industrial sectors reached later. These agreements cover the vast majority of employers, although the details vary. The law on works councils is enforced through regular checks by the labour inspectorate. Due to the fact that it only applies in companies more than 100 employees, only one third of all employees are covered by works councils. There are no statistics on the extent to which workplaces have trade union delegations.

Works councils should be set up in all workplaces with at least 100 employees. Where there are between 50 and 100 the tasks of the works council are taken on by the health and safety committee. The works council has both elected employee members and representatives of the employer, although there can never be more employer than employee representatives. Employee representatives are elected on the following basis:

Number employed	Number of employee representatives
101-500	6
501-1,000	8
1,001-2,000	10

Thereafter two extra for each additional 1,000 employees until 6,000 when it is one extra for each additional 1,000. The maximum number is 25. Manual and non-manual employees should be represented in proportion to their number in the workforce and separate representation within the works council is guaranteed for young workers (aged under 25) and for management once their number reaches a certain level - 25 for young workers, 15 for senior managers. The works council is chaired by the senior representative of the employer, but the secretary comes from the employee delegates. The works council must meet at least once a month and the employee members have the right to meet separately before the meeting.

The numbers in the trade union delegation as well as thresholds for setting one up depend, like all the other regulations governing its operations, on the legally binding agreement reached for the particular sector. There are wide variations. Some agreements have no thresholds, others set them at 10, 50 or 75 employees and in some cases the agreements also stipulate a minimum trade union presence. The number of members typically ranges from two to perhaps eight depending on the number of workers, with a workplace with 300 employees normally having a trade union delegation of four or five. Trade union delegations consist entirely of trade unionists with the different unions in the workplace represented according to their relative strength. Normally members from different unions (normally two) meet separately before the joint meeting.

Information and consultation rights

The role of the works council is essentially to be informed and consulted about a range of economic and employment issues, although it does have some limited decision making powers. Generally speaking, employees' involvement is an area where social partners in Belgium have been actively working on in order to boost productivity and enhance quality of work through workplace innovation strategies. In this respect Information and consultation play a decisive role as well as open communication.⁴⁰

The law sets out rules on how often different types of information should be provided. On economic and financial issues, a range of basic information on the general position of the business - such as market share, financial structure, production levels and future prospects - must be provided every four years, when the works council is newly elected. The economic information, together with the financial information (the financial statements), is updated on an annual basis, and every three months the management must present the current position and indicate how it diverges from its plans. Information on new economic or financial developments that could seriously affect the business must be presented to the works council without delay. The works council can ask for the help of the external auditor (the '*bedrijfsrevisor*'), who in any case should give the works council a report on the annual accounts.

Each year the business must also provide the works council with a social balance sheet (that is an integral part of the financial statements) setting out: the number and type of people employed, joining and leaving; details of any employment creation measures; and information on training. In accordance to the framework of the 'Renault Act' on the information and consultation of workers in cases of collective redundancies (13 February 1998), an employer wishing to dismiss part of its personnel for one or more reasons not related to the individual workers is obliged to present to the works council (or in the absence of a works council, to the union delegation, or to the workers in the absence of a union delegation), a written report expressing its intention to proceed with such a dismissal. More specifically, the employer must inform and consult the works council on cases of mergers, closures, business transfers, large scale redundancies, training plans and the introduction of new technology, as well as other major developments likely to have an impact on employment. The employer must then allow employees' representatives to ask questions and submit arguments or counter-proposals, and is obliged to respond. Finally, it is recommended that an agreement on the restructuring measures is approved with the aim of avoiding

⁴⁰ EMCC (2005) *Workplace innovation – fostering productivity and quality of work*.
<http://www.eurofound.europa.eu/emcc/content/source/eu05013a.htm>

compulsory redundancies without any compensation (through the redistribution of work, the use of early retirement pension, outplacement measures, premiums for voluntary departures, etc.).

Although the Renault law establishes a framework for negotiations between unions and the employer in case of restructuring, the employee representatives cannot prevent collective redundancies. The employment services of the regions and communities concerned are informed of collective redundancies and must use different means to try to reintegrate workers concerned into the workforce as quickly as possible (by providing targeted training, an outplacement unit in the company, etc.). This effort often involves close collaboration with trade union associations. In addition, Belgian law recognizes the freedom of a company to manage its business and, consequently, to reorganize or lay off people. Therefore the obligation to inform employees or their representatives - in companies with at least 20 employees (as the result of the implementation of the European Directive 2002/14/EC into Belgian Law in 2007) - is conditioned to the existence of collective redundancies. Hence, the law in Belgium has a certain weight in the regulating of redundancies and restructuring procedures, but not on the content of the measures to be taken. The latter are usually negotiated at the company level.

The central role of the trade union delegation is to negotiate new agreements and ensure that existing ones are adhered to. The trade union delegation also deals with disputes between the employer and the workforce, both on an individual and collective basis. While the works council is the information body, the trade union delegation is more the demanding and negotiating body. It also has a right to inform the workforce about employment and trade union issues. These rights include distributing leaflets, holding meetings and being involved in the induction of new employees.

The levels of collective bargaining

Collective bargaining in Belgium is highly structured with a central level at the top covering the whole of the economy, an industrial level beneath, covering specific industrial sectors, and company level negotiations at the bottom. Negotiations on pay however only take place in some companies. In each case the lower level can only agree to improve what has already been negotiated at the level above. Although the number of collective agreements concluded at company level has increased⁴¹, the bargaining system remains centralised. Ever since the 1996 Preservation of the Country's Competitiveness Law, the power of central bargaining levels has remained strong, because the margin to bargain on pay increases is largely defined in the biennial cross-industry bargaining round. Even then, the social partners' freedom is limited, because the government can always intervene in order to preserve company competitiveness.

Law 1996 on Country Competitiveness and follow-up

According to the law 1996 on safeguarding competitiveness, social partners in Belgium are requested to negotiate at sector level within the wage margin negotiated within the cross-industry bargaining round the average of the wage increases expected in the country's three main neighbours (Germany, France, and the Netherlands). In concrete terms this means that each time the wage margin is set in successive inter-sectoral agreements, account is taken of the various economic shocks experienced by Belgium and socio-economic changes in neighbouring countries.

The inter-professional agreement (ISA) concluded by the social partners for 2007-2008 is entitled "For an innovative economy and employment". It followed on from three preceding

⁴¹ The number of collective agreements concluded at company or enterprise level increased: from 40-70 company agreements in the 1970s to 624 company agreements in 1982 and 1,989 company agreements in 1987 and 3,784 in 2005. Bargaining at company or enterprise level is concerned mainly with new issues such as flexibility and work organization (EMIRE and EIRO (2007) 'Industrial Relations developments – Belgium', <http://www.eurofound.europa.eu/eiro/studies/tn0703019s/be0703019q.htm>)

agreements, on adjusting the index (01/2006), the declaration on competitiveness (03/2006), and the agreement on reducing employers' payments and adjusting social allowances to increasing prosperity (09/2006). The social partners agreed on and reaffirmed their determination to ensure stricter application of the 1996 law on promoting employment and preventive safeguarding of competitiveness. They recommended that, within the framework of the 2007-2008 ISA, sectors which had not yet done so should negotiate a correction mechanism to prevent excessive wage rises and the conversion of savings on employers' payments into higher wages. The inter-sectoral social partners agreed that a balance had to be struck between, on the one hand, keeping the growth of wage costs under control and, on the other, employees' purchasing power. This agreement contains dispositions which were integrated in the first recovery plan (December, 2008) by the Belgian government for the Belgian economy. The aim of the recovery plan is to stimulate the economy and increase purchasing power for the people. The government has also made some adjustments to the earlier reached wage agreement between the trade unions and the employers. The employees will get a lump sum above the index to increase purchasing power, whereas the companies will enjoy wage cost reductions.

In the second recovery plan for the Belgian economy (Recovery plan "Bis", April 2009) which integrated the inter-professional agreement 2009-2010 the government foreseen the following three "crisis measures":

- ✧ Temporary reduction of working hours in a firm by 20 to 25% with reduction in social security contributions (private/public, blue collars/ employees);
- ✧ Voluntary, temporary switch from full-time to part-time (private firms hit by the crisis, blue collars/employees);
- ✧ Work contract totally or partially suspended because of insufficient amount of work, for employees only (not temporary unemployment but similar measure).

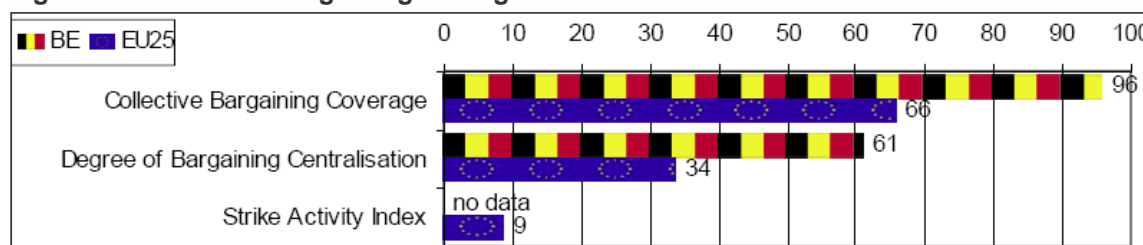
Source: EIRO (2007) 'Social Partners conclude inter-sectoral agreement for 2007-2008'

<http://www.eurofound.europa.eu/eiro/2007/01/articles/BE0701019I.htm>; EIRO (2009) Source: EIRO (2009)

"Tackling the recession: Belgium"

<http://www.eurofound.europa.eu/emcc/erm/studies/tn0907020s/be0907029q.htm>; « Accord Exceptionnel en vue des négociations au niveau des secteurs et des entreprises durant la période 2009-2010 » 22 Décembre 2008.

Figure 24: Collective bargaining in Belgium



Source: EIRO 'Industrial relations profile – Belgium'

Extension mechanisms ensure that collective agreements affect almost the whole Belgian workforce and result in bargaining coverage being one of the highest in the EU (96%). Collective agreements cover all employees or employers who are bound by the agreement whether they are members of the signing union or not. The agreements also bind employers, and their workers, who are not members of signatory organisations, but who are covered by the joint committee within which the agreement was concluded, in a supplementary way. Employers are legally bound by the agreement unless they have individual employment contracts that include clauses negating the agreements. In other words, only employers who are not member of a signatory organisation can deviate from a collective agreement by individual labour contract. This opportunity is limited by legal extensions of agreements. The obligatory nature of an agreement

concluded within the bipartite structure can be extended by royal decree, so that the agreement binds all employers (and their employees) who are covered by the bipartite structure within which the agreement has been concluded. This measure ensures that employers cannot escape their obligations under the agreements by including other provisions in individual employment contracts. This procedure, which is initiated upon request by the joint committee or by an organisation represented in this committee, is used frequently.

At macro or inter-professional level the negotiations can result in two different types of agreement. On the one hand, the negotiations, which take place within the National Labour Council (CNT/NAR) result in inter-professional collective agreements, which are extended to all branches of the relevant activity and throughout the country. However, the application of these inter-professional collective agreements often requires a more detailed agreement at a lower level. On the other hand, negotiations also take place every two years outside the official bipartite organisation and they result in national cross-sector agreements, which cover all companies in the private sector and coordinate the scheduled pay raises for the next two years. These agreements constitute political and moral, rather than legally binding, commitments. Because framework agreements are decided on this level, the national cross-sector level is considered very influential.

At the sector level collective agreements are concluded within the joint committees or the joint subcommittees by all the organisations that are represented by them. There are about 100 joint committees and 75 joint subcommittees in Belgium. The sector collective agreement applies to all the employers and employees covered by the joint committees or subcommittees concerned. Because negotiations on this level implement the framework of the national cross-sector level, it is argued that the sector (where it exists) is the most important bargaining level from a practical point of view. At company level a collective agreement can be concluded by one or more organisations representing employees (union delegates) and by one or more employer organisations or by one or more employers. The company collective agreement is binding for the employer and all the workers, irrespective of whether they are members of a signatory workers' organisation.

Agreements are only valid when signed by a trade union official from outside the workplace. The normal cycle of negotiations is two-yearly with the national level negotiations being followed by industry level negotiations.

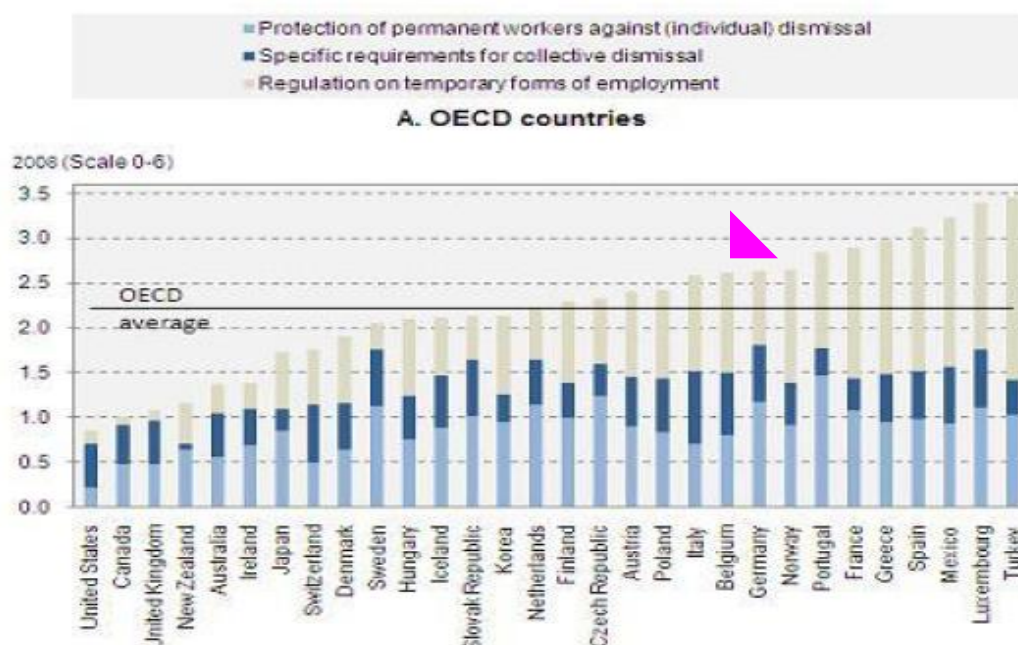
The content of collective agreements

In contrast to many other countries, and in particular to countries with a dual system of interest representation, collective agreements in Belgium cover many issues not solely related to pay and working time, including employment and vocational training (i.e. education and training for young people and the unemployed who are difficult to place in new jobs, positive action in favor of women, career breaks, stages seen as special training opportunities for young people, on-the-job training), bridging pensions, and the older unemployed. For this reason collective agreements are very important in the field of anticipating and managing restructuring.

As Figure 25 illustrates wide coverage and centralized bargaining seem symptomatic of a relatively strict regulatory system with regards to employment. Most of this derives from the existence of strict regulation on temporary forms of employment which regulate the use of non-permanent contracts. During the 1990s Belgium was one of the countries in EU that together with Sweden and Denmark appear to have introduced measures to relax the strictness of employment protection law. No major changes have been registered since then.⁴²

⁴² Radulescu R. and Robson M. (2003) 'Does Strict Employment Protection Legislation Deter FDI?', unpublished paper

Figure 25: Overall strictness of employment protection law, 2008 - Scale from 0 (least stringent) to 6 (most restrictive)



Source: OECD Indicators of Employment Protection, 2008

Belgian collective bargaining arrangements cover not only traditional pay and working conditions, but also vocational training. Belgium is one of the European countries possessing a long-term tradition of vocational training and adult education. Training is considered as an important solution to the unemployment of low-skilled people but also to under-employment in some sectors. New initiatives are continuously being developed and at the end of the year 2007, the Walloon region and the French-Speaking Community launched a new e-learning portal to facilitate and promote distance learning. Training is an important element in the new political initiatives on 'active ageing'. Inactive people over the age of 50, who have to remain available for work, have the right to individual coaching and training designed for their individual needs provided by the employment services of the Regions.

The social partners develop the frameworks of the training system at national level in the inter-professional agreements negotiated every two years. Guidelines regarding funding are defined in inter-professional agreements and sectoral agreements. They define objectives in terms of financial contribution from the employers but also in terms of participation rate to the training programs (50%).

Collective bargaining and training

Educational paid leave (*betaald educatief verlof*) is organised by Belgian law on proposals of the social partners at inter-professional level. In the biannual agreements, the partners define some related objectives to be respected by the authorities (e.g. provisions on educational paid leave for part-time workers).

The national Law 21 December 2001 (collective agreement 77bis) organises the possibility for the employee in Belgium to interrupt totally or partially its career (*crédit-temps/tijdkrediet*) with a social benefit to compensate the lost of wage, a redundancy protection and the right to resume its career at the same conditions than before. In each sectors, these provisions are completed according to the specific needs and characteristics of the

sectors.

In accordance with Law 7 January 1958 (collective agreement n°66) in some professional sectors the social partners organise and manage joint sectoral funds for vocational training. To implement the training programs, they cooperate with the regional public employment bodies (FOREM, VDAB and ORBEM/BGDA). These funds have the objective to organise training that fits the needs of the companies, to fund the training and to deliver certifications. The funds cover 80% of the workers. Some examples of the sectors covered are textile, chemical industry, food industry, retail trade etc.

Vocational training for job seekers is organised by the Regions. Public employment bodies are then responsible for the organisation and the management of the training. The social partners participate in the management committee of these bodies and co-manage the organisation of training. Inter-professional and sectoral levels are the most important bargaining levels for vocational issues. However, these issues concern the companies as well and the training plans are generally discussed at the company level within the work council. At the inter-professional level the social partners established that 1.9% of the total wage cost has to be dedicated to training.

In Belgium there is no specific law regulating 'variable pay' (wage flexibility). However, there exist almost as many variable pay systems as the number of companies, which use it. General dispositions relative to labour contract and to salary are the main reference in this matter. Agreements on variable pay systems are negotiated at enterprise level and they are used for both high professional and lower skill profiles.

The Belgian Reform Plan 2005-2008: copying with the Lisbon strategy

The last Belgian national reform plan (2005-2008) has strengthened the importance of the social partners' involvement in the formulation of innovation policy in order to boost economic growth and to cope with structural change. The Belgian social partners are convinced that a culture of innovation does not only depend on the level of expenditure on R&D but also on numerous other aspects: employees' training, the organisation of work, human resources policy, as well as the involvement and support of all employees; wage costs, mobility and career prospects for researchers, patent award systems, and contacts with research institutions. As a follow up in 2006 in order to increase efficiency for job seekers, the employment services of the regions and communities enhanced cooperation with the other public and private players on the labour market. In Wallonia (as part of the Marshall plan) outplacement and training projects were outsourced, significantly pushing up the share held by the market sector. In accordance with the 'Vlaanderen in Actie' plan, Flanders used tendering outsourcing the entire integration process for the unemployed. Moreover, a new monitoring system for the unemployed was created. After introducing enhanced support for the youngest unemployed people, since July 2005 the target group was expanded to 30-40-year-olds. After 2007, those over the age of 50 were included.

Other important areas of the reform include the creation of a more flexible labour market by encouraging entrepreneurship and promotion of inter-regional mobility as well as the enhancement of social inclusion in the labour market. This attempts to create more opportunities for less-favoured groups (i.e. those on low wages, unqualified, elderly people) while introducing tax cuts for these groups with regards to social security contributions. More specifically, social security contributions for researchers and workers who work on shifts have been reduced. Steps were also taken to ensure that jobs are sufficiently attractive financially to someone coming from the benefits system. In so doing, the so-called 'unemployment traps' are reduced, with the bolstering of the work bonus – a discount on workers' social security contributions - playing a role since 2006. Finally attention has been paid on fostering jobs in neighbourhood and local ('proximity') services by further expanding the 'cheque service' system and providing training and information for potential "cheque service" workers.

The State and collective bargaining

The state potentially plays a major role in collective bargaining. It monitors wage systems and a 1996 law (Competitiveness Law) allows it to link, or limit, pay increases to the forecast pay trends in Belgium's neighbours, Germany, France and the Netherlands in order to maintain the country's competitiveness. The national level negotiations between the social partners take place in the context of an official technical report which sets out this forecast and the government has the power to intervene if the social partners attempt to exceed the limit.

Unlike most other European countries, pay in Belgium is indexed and rises in line with prices. Although the index mechanism exists, the government has historically intervened in order to re-regulate it for macroeconomic policy purposes. For example, in 1982 after the devaluation, the government intervened by temporarily suspending the index mechanism. In 1984-1986 the government favoured 2% wage moderation in order to improve national competitiveness. As a result, at the end of the 80's many employment agreements introduced wage moderation and working time reductions in exchange of employment. Finally, in 1993 the government intervened to take a range of items - tobacco, alcohol, petrol, diesel and the impact of taxes on energy products - out of the index. As a result there is a gap between the index used for pay rises and the actual increase in the cost of living.

Belgium has a national minimum wage, which is fixed every two years by agreement between the unions and the employers' federation at the national level. The amount also rises in line with the government's revised price index.

Section three Case studies

Case study 1: Subcontractors of VW in Belgium

The case study on the subcontractors of VW in Belgium demonstrated both the reliance of particular enterprises on a single dominant company in the area or region and the impact on them of difficulties faced by the organisation. The case showed how the involvement of the social partners and public authorities in developing training and support measures for the workers of both suppliers and VW had reduced the social costs associated with restructuring. The joint initiative took on an inter-regional dimension through its extension beyond VW workers themselves, but also to the workers in the supply value chain. All employees within and outside the supply value chain were therefore covered by the same social and economic provisions.

The site where restructuring occurred was in Fore' (Brussels) where almost 800 suppliers are clustered. Some of the enterprises affected depended exclusively on VW whilst others were only partly dependant. Some of the suppliers were localised on an automotive-supply park very close to the VW operation whilst others were more distant geographically. Those closest were the most dependant and tended to be closely associated with the VW JIT (Just-in-time) and in sequence system (for example in the manufacture of components like doors and seats).

In November 2006 the car maker (VW) announced a restructuring of the global value chain which involved around 400 employees along the value chain in Fore. The initial reaction by the workforce was to arrange a major demonstration followed by a stoppage of production in VW which occurred in December 2006. At the same time the workers in the supplier companies demanded a social plan set at the same level as the workers in VW. In February 2007 the VW workers accepted a negotiated social plan. The VW social plan foresaw the early-retirement of workers over the age of 50 and a programme of voluntary redundancies was launched to attract those prepared to leave the company. At the same time active employment policy measures were also applied including employment cells and the use of an interim agency.

The interesting element of the case relates not the nature of the VW social plan, but the agreement between VW itself, the large number of supplier companies and the public authorities to extend the provisions negotiated in VW to the employees of the company suppliers.

Case study 2: DAF Trucks

After a period of growth in the 1980s, in the 1990s DAF Trucks launched measures to improve productivity and competitiveness. In 1993 the company's first major restructuring plan took place with the announcement of 900 dismissals. At that time restructuring was handled by combining reductions in working time with support for external mobility through transition assistance programmes.

In 2009 DAF found itself severely impacted by the financial and economic crisis and an associated major reduction in production. The onset of the crisis had led to a massive decrease in production from 240 to 100 units a day. The company management announced a proposed reduction of 873 regular jobs in the Westerloo plant in Flanders. Prior to the announcement of a reduction in regular contract workers, DAF Trucks had already let the employment contracts of some 750 temporary workers lapse in November 2009. Despite this, the further reduction of 800 blue-collar and 73 white-collar workers on open-ended contracts was still required.

The DAF trade unions were taken by surprise by the nature and extent of the decision as they had been expecting that temporary unemployment measures would be taken and contested the view that such a large number of permanent job losses were needed immediately. Following a

series of discussions, agreement was reached between the company and the representatives of workers to combine job losses with temporary working time reductions in the hope that the market would recover over a twelve month period. It was agreed in the end that restructuring involving job losses would be handled through a combination of early retirements and voluntary severances. Alongside this a reduction in working time of 20% for other workers was accepted for an initial period of six months. At the end of the period, ongoing need for short time working would be reviewed with a possibility for a further extension for six months,

Case 3: La Poste/De Post

The Belgian Post Office (La Poste/De Post) has undergone a major and ongoing restructuring process since 2000 associated with the progressive liberalisation of the postal sector and enormous changes in the extent and nature of the mail market as a result of e-communication. Along with many of its European system enterprises, the Belgian Post Office has undertaken a range of initiatives to review and modernise its services. The company's management has defined four objectives in order to survive in a competitive market;

- Reduction of costs through improved productivity,
- Improvement in service quality;
- The provision of a wider range of services to mail customers: and
- The development of a more robust retail network (post offices).

The liberalisation of postal services and the search for higher quality and lower costs services has been an international phenomenon since the 1980's and embraced by the European Commission since the 1990's in the form of its public service liberalisation programmes. In the area of postal delivery, the management of La Poste/De Post made a decision to improve delivery service and productivity by the introduction of *Géoroute* software in 2002. The *Géoroute* system was developed in Canada during its own liberalisation process to rationalise the distribution of mail by balancing and optimising delivery routes. As a result of the changes a significantly smaller number of employees were needed to deliver mail with a consequent increase in workload intensity for individual postal delivery workers. The volume of job loss over this period was around 2,500 jobs. The implementation of *Géoroute* within the various post offices triggered a wave of strikes during 2003 and 2004.

At the end of 2005, La Poste/De Post launched the second stage of its technology upgrade initiative. The aim of this phase of the programme was to reduce in the face of a rapid and progressive decline in mail volumes due to the substantial increase in electronic communication. The decline in demand has been estimated at three percentage points every year and the decline is projected to continue.. In total, around 1,000 further job losses were proposed. Again a series of strike-related activities were launched following the restructuring announcement. In September 2006, Belgian newspapers (*Les éditions du groupe Sud Presse*) presented a report on the number of strikes that had taken place in the Belgian post offices. In total, workers at 50 post offices in Wallonia and Brussels had taken strike action since January 2005 in protest against the restructuring and modernisation of postal services. The extent of the total change in the company had been substantial. Since the beginning of 2000 almost 22,000 jobs had been lost; almost 1,000 post offices had been closed; and it was claimed that there had been a deterioration in the working conditions of the employees remaining. The introduction of new competitors into the postal market at significantly lower cost than the national operators has also resulted in increased use of temporary contracts.

Restructuring of the postal sector is a common theme in most of Europe's postal markets and there are a number of case examples in the case studies developed during this project including La Post in France, Poste Italia and Swedish Mail. The nature and extent of changes have been similar, but the employee relations management of change has been substantially different in each case.