BELGIUM, or robust social concertation providing a buffer against growing inequality?

Ive Marx & Lien Van Cant
Herman Deleeck Centre for Social Policy, University of Antwerp


1. Introduction

Belgium's social concertation model is an extraordinarily resilient one. Union membership and collective bargaining coverage remain among the highest in the industrialized world. This goes along with a deep-rooted tradition of multi-tiered bargaining and consultation on all aspects of working conditions. Social dialogue is firmly embedded in an extensive institutional framework and the social partners continue to wield significant influence in shaping social and economic policy through their institutionalized advisory and (co-)governance roles, notably in the sphere of social security.

Belgium is an international outlier in another respect. First and foremost, households all across the income spectrum have seen steady increases in their living standards, including during the recent crisis episode. Belgium is among the few OECD countries not to have seen growing income inequalities. Belgium maintains just about the most compressed wage distribution in the capitalist world, including one of the smallest gender pay gaps, and there is also little evidence of precarisation in the world of work.

This chapter argues that these observations interrelate. The key argument is that extensive and robust social dialogue has helped to contain inequality. The Belgian experience provides a powerful antidote to views that growing inequalities are inevitable in advanced economies. However, while inequalities among workers are remarkably and sometimes exceptionally low by international standards, Belgium's labour market is not as inclusive as one would wish. This, too, has to be seen, at least in part, in the context of the institutional rigidities and insider biases inherent to an extensive social concertation model as Belgium's.

This chapter is structured as followed: section one sets out the main features of social dialogue and its key actors, notably the trade unions and employers’ organisations. The same section will identify how the social dialogue model has changed over time, making a distinction between the period before and after the recession of 2008. The subsequent section will look in more detail at equality outcomes in the sphere of income and work, and how these relate to social dialogue institutions and practices in
Belgium. Before bringing together the main conclusions and highlighting some policy issues, two informative case studies, on the gender wage gap and the perceived work-life balance, are considered.

2. Belgium's concertation model

2.1. Social dialogue

Belgium’s complex multi-level political governance system firmly embeds trade unions and employers’ organisations in the institutional framework. Social dialogue is institutionalized in a system of consultation-, advice- and management institutions in which the social organisations are acting as the authorized representative (Cantillon & Buysse, 2016). This fulfils three major functions: consultation, co-governance and bargaining.

There is bi-partite dialogue between social partners which can result in advice to the government. Two important national negotiation and consultation bodies are in place: the ‘National Labour Council’ (NLC) and the ‘Central Economic Council’ (CEC). One of their main competences is to advise the national authorities on labour and social security law and on general economic issues (e.g. market conditions, expansion policy, taxation, inflation, competitiveness) respectively. Moreover, numerous other consulting socioeconomic councils are in place at the regional (e.g. and The Flanders Social and Economic Council - SERV), sectoral (e.g. joint committees) and firm level (e.g. Works Councils) (Cantillon & Buysse, 2016; Cox & Verreyt, 2013; Vilrox & Ranson, 2000).

Social partners are represented on the governing boards of social security institutes, vocational training (sectoral training funds) and labour market agencies. They sit also on governance and supervisory board of numerous other bodies, the National Bank of Belgium to name just one example.

On matters over which the social partners have autonomy the dialogue is bi-partite, resulting in collective agreements (CA). This would include for example wages (formation and development), working time, non-discrimination and training opportunities. Bargaining on all these aspects of work occurs in a multi-tiered coordinated system. The traditional system of collective bargaining in Belgium is regulated by the Act of 1968 on Collective Bargaining Agreements and Sectoral Joint Committees. Collective bargaining takes place at multiple levels namely national, sectoral and organisational level whereby for each level an institutionalized negotiating forum is established (Vandekerckhove & Van Geys, 2012; Cantillon & Buysse, 2016).

The ‘Group of Ten’ social partners – representatives of the main employers’ organisations and trade unions - agree every two years on a national ‘Interprofessional Agreement’ (IPA). This intersectoral agreement functions as a general framework for further negotiations and covers issues such as wages, social contributions and replacement incomes (Van den Broeck, 2011). Being decided upon the highest level of the industrial relations system, these national cross-sector framework agreements are considered very influential (Van Gyes, 2009). On a number of occasions the government has intervened when social partners failed to reach a central-level agreement (see below).

Implementing the framework negotiated at the national level, social partners bargain over different aspects of working conditions (e.g. pay levels, classification schemes, working time arrangements, training) on the intermediate sectoral level, which is in effect the most important level. Bargaining takes place in joint committees and subcommittees for specific sectors resulting in collective agreements covering all the employers and employees assigned to the committees concerned.
(Cantillon & Buysse, 2016; Van Gyes, 2009; Humblet et al., 2014). Whereas a considerable number of OECD countries moved toward firm-level negotiations, the sector-level remains the dominant bargaining level (OECD, 2004). Social partners enjoy considerable autonomy at this level and their actual influence in shaping the conditions in the world of work is substantial and even decisive.

It is not exceptional for employers and employees to have a third round of bargaining at the firm-level. Three consultation bodies are institutionalized at this level namely: a Works Council, a Committee for Prevention and Protection at the Workplace and a trade union delegation. The former has an advisory competence on financial, economic, technical and social matters and has the authority to decide on issues in the social area such as labour regulations, educational leave and dates for yearly vacation (Humblet et al., 2014). The ‘Committee for Prevention and Protection at the Workplace’ oversees issues relating to workers’ health, safety and hygiene (Humblet et al., 2014). Finally, in contrast to the Works Council, which has a mainly informative and consultation function, it is the trade union delegation which negotiates directly on working conditions with the employer. The trade union delegation also intervenes in any conflict the staff might have with the employer (Cantillon & Buysse, 2016; Humblet et al., 2014; Perin & Ajzen, 2015).

Collective bargaining is hierarchical. The national cross-sectoral agreement provides a framework within which social partners at sectoral level negotiate. Similarly, the sectoral collective agreements concluded in the joint committees set a framework for bargaining at the company level. In other words, the Belgian law does not allow collective agreements concluded at a lower level to deviate, for the worse, from the collective agreements set at a higher level (Perin & Ajzen, 2015; European Commission, 2016a; Cantillon & Buysse, 2016).

As regards collective agreements negotiated within the firm, the Labour Code guarantees the extension of the negotiated agreement to all employees, including non-unionized staff. Multi-employer agreements may be extended to cover unaffiliated employers in a particular sector by Royal Decree, once requested to do so by one of the signatory parties. Nearly all collective agreements are made generally binding, greatly extending their impact and ensuring near to full coverage. Belgium therefore belongs to the top countries as regards employees covered by collective agreements, with a coverage rate of approximately 96 percent (Perin & Ajzen, 2015; Visser, 2016).

2.2. The social partners: trade unions and employer’ organisations

2.2.1. Trade unions

Trade unions in Belgium are mainly organized by economic sector -some very large, some very small - rather than by profession. The resulting confederations are historically organized along the traditional ideological ‘pillars’ of Belgian society. The three main trade union confederations have clear political traditions: the two largest – ‘Confederation of Christian Trade Unions’ (ACV/CSC) and the ‘Belgian General Federation of Labour’ (ABVV/FGTB) – are linked to the Christian and socialist movements respectively, while the smaller ‘Federation of Liberal Trade Unions of Belgium’ (ACLVB/CGSLB) is linked to the liberals.

Furthermore these unions are connected to a network of other but likeminded organisations such as mutualities, financial institutions, political parties, schools and hospitals. The pluralistic unionization model, however, makes it difficult to reach consensus on certain topics. It also forces employers to
take several, possibly contradictory demands into account. Moreover, this plurality creates competition among social organisations in membership acquisition (Cantillon & Buysse, 2016).

It is well documented that, at around 50 per cent, union membership remains relatively high in Belgium (Ebbinghaus, Göbel & Koos, 2011; Bryson, Ebbinghaus & Visser, 2011; Fitz enberger, Kohn, & Lembcke, 2013; Visser, 2016). Benassi and Vlandas (2016) include Belgium, together with the other ‘Ghent-countries’ (Denmark, Finland and Sweden), in the so-called ‘Northern path’. These countries combine high bargaining coverage with high union authority and high union density. The Belgian affiliate rate is notably lower than its Nordic counterparts, but has shown more resilience and even spells of – albeit small – growth over recent years (Van Rie, Marx & Horemans, 2011). Figure 1 furthermore indicates that Belgium is one of the few countries for which density increased since 1970.

Figure 1: Trade union density, Belgium, 1970-2013

Source: Visser

Against the backdrop of a general decline in union membership in nearly all OECD and EU member states, the divergent trajectory of Belgium is remarkable. A number of employment and institutional features promote participation thus explaining Belgium’s high density rate. Firstly, unionization is very often positively related to public sector employment (Schnabel, 2013). A large share of countries with dampening unionization have cut back the public sector – known as a union stronghold – due to fiscal consolidation measures, whereas Belgium is still characterized by a large public workforce. Moreover, while other countries have seen a marked increase in fixed-term and temporary agency employment contracts – which discourage employees to become a member of a trade union (Ebbinghaus, Göbel & Koos, 2011) – this is not the case for Belgium (as will be discussed later).

In addition, society’s institutional framework proves to be a fundamental determinant of unionization (Ebbinghaus, Göbel & Koos, 2011). In case of Belgium, one institutional variable that has been found to strongly affect unionization in most cross-national studies is the union-run unemployment insurance. The so-called Ghent system, which implies that unemployment benefits are, as a rule, administered by union-affiliated institutions, has shown to promote high and resilient union density rates. The system comes in two variants. In Denmark, Finland and Sweden the system comes in the form of voluntary unemployment insurance funds, set up by the unions and heavily subsidised by the state. In this respect, Belgium features a partial Ghent system: while unemployment insurance is compulsory, trade unions retain a major role in the provision of benefits. Notwithstanding the fact that union membership is not mandatory for those insured, the vital role of trade unions in the provision of unemployment benefits and the regular contact with the union officials during spells of
unemployment are said to motivate workers strongly to join unions. This way, the union-run insurance functions as a ‘selective incentive’ (Van Rie, Marx & Horemans, 2011; Schnabel, 2013; Ebbinghaus, Göbel & Koos, 2011; Vandaele, 2009). This is clearly evident in the profile of union membership.

2.2.2. Employers’ organisation

The Belgian landscape of industrial relations is characterized by a well-established and structured network of employers’ organisations. The ‘Belgian Federation of Employers’ (VBO-FEB) is the main cross-sector employers' organisation representing companies in all three regions of Belgium. At the regional level, the most important employer organisations are the ‘Flemish organisation for independent entrepreneurs and SME’s’ (UNIZO), the ‘Flemish Network of Enterprises’ (VOKA), the French-speaking ‘Union des Classes Moyennes’ (UCM), the Walloon Union of Enterprises (UWE) and the Brussels Enterprises Commerce and Industry (BECl). Alongside these national and regional interprofessional organisation there are a number of SME confederations, interest groups (‘Federation of Farmers’ – BB), social profit confederations (Confederation of Social Profit Enterprises - UNISOC) and CSR networks or platforms of entrepreneurs (Cantillon & Buysse, 2016; Peri & Ajzen, 2015; Van Gyes, 2010a).

These organisations, apart from their individual objectives, all advocate free enterprise (Cantillon & Buysse, 2016). Moreover, VBO, UNIZO, UCM and BB participate in the bi-annual cross-sectoral negotiations with the trade unions since they are part of the ‘Group of Ten’ (Van Gyes, 2010a).

As for the density rate of employment organisations a common trend seen in almost all countries is that employers’ organisations have more or less maintained their level of membership, when measured relative to their potential membership, i.e. their organisational density has remained fairly constant. This in stark contrast with the long-term decline trade union membership is experiencing (Schnabel, 2013). Considering Belgium, although no accurate data is available, both trade union and employer’s organisation density rates are high and stable (Visser, 2016).

2.3. The transformation of industrial relations

A key milestone in the development of Belgium’s concertation model is the year 1944. Born in the exceptional atmosphere of solidarity of the final war days, the ‘Social Pact’ marked a move towards more peaceful social relations. The institutions established then to foster social dialogue of course underwent change. In this section, we attempt to outline some important developments.

Period before the recession of 2008

Belgium’s extensive social concertation model emerged gradually. The Pact of 1944 is regarded as a key moment of this process. Economic prosperity during the 1960s made it possible for the institutions established in the post-war period to develop further. In 1960 the social partners concluded in a ‘social planning agreement’ on the joint bargaining rounds to take place every two years. These negotiations, with respect to wages, working conditions and social benefits, would result in Interprofessional Agreements (IPA). On these issues social dialogue became bipartite instead of tripartite. The institutional edifice of the social dialogue was reinforced by the law of 1968 on collective agreements and joint committees. At the end of the 1960s, trade unions and employers’ organisations obtained a high degree of autonomy and were able to negotiate on various labour market issues in a range of institutionalized bargaining bodies (Cassiers & Denayer, 2009).
The ‘golden period’ was followed by a drastic sea change. Belgium, as an early industrialiser, was extremely hard hit by the oil price shocks and the subsequent economic downturn of the 1970s and 1980s. Furthermore, the collapse in the demand of labour occurred precisely at a time when many youngsters (the sizable post war baby boom cohort) and women were entering the labour market. This change in workforce composition did not only substantially increased unemployment rates. It had a significant impact on the organisation of the trade unions as well. The traditional members of trade unions were a homogenous group of male industrial full-time workers whereas the changing labour market made this group more and more heterogeneous (Marx, 2009).

Alongside these external macroeconomic shocks, wider socio-economic changes, such as globalization and technological change changed the context for social dialogue (Visser, 2016). The law of 1989 sought to respond to intensifying international competition. This marked a turning point in that this was the first government initiative to structurally limit the bargaining freedom of the social partners in an ex ante way. In the past interventions had only occurred after wage growth had derailed (Marx, 2009).

The changed socio-economic context strengthened the divergence in interests of trade unions and employers’ organisations, resulting in a turbulent social climate in which negotiations became harder to reach. Firms started to focus more on lowering production costs and increasing productivity, relying on a small (highly-skilled) workforce. Employers’ organisations called for the suspension of the automatic indexation of wages, wage moderation and the reduction of employers’ contributions. Not surprisingly, trade unions sought to protect the purchasing power of their members (Cassiers & Denayer, 2009). The demands of both sides of the industry were often too divergent, resulting in an increased number of interventions by the government (Dryon & Krzeslo, 1997).

As there was little room for manoeuvre with respect to wages, social agreements increasingly focused on flexibility, education and training, innovation and the work-life balance. Pensions and public healthcare also became major topics (Cassiers & Denayer, 2009; Cox & Verreyt, 2013).

Period during and after the recession of 2008

The resilience of Belgium’s social dialogue model was put to test again during the crisis of 2008. Automatic stabilizers (e.g. several unemployment insurance schemes) helped to mitigate the negative impact of the recession on output and employment. Apart from the fact that the public debt rate rose again for the first time since 1993, Belgium weathered the economic storms remarkably well since both its GDP and employment rate declined less than in most European member states (Marx & Schuerman, 2016; Vaughan-Whitehead, 2010b).

Nevertheless, the crisis restricted the room for compromise in collective bargaining. Tensions between the social partners rose to serious levels making the interprofessional agreement of 2009-2010 extremely hard to reach. Consequently, the negotiations only succeeded due to government mediation (Ajzen & Vermandere, 2013). An important measure, unilaterally taken by the government, was that the ‘wage norm’ was made mandatory by Royal Decree. This restricted bargaining power of social partners both at the national and sectoral level. The bargaining rounds for IPA 2011-2012 did not went easily. At the end of 2010 negotiations were blocked due to conflicting opinions on whether or not to retain the index and to increase wages. The discussion on the harmonization of the employment status of blue-collar and white-collar workers proved to be a persistent stumbling stone as well (Cox & Verreyt, 2013). In response to the stalled negotiations and rising social unrest, the Belgian government
decided to unilaterally extend the anti-crisis measures it had taken in April 2009. These measures include, inter alia, the decision to the short-time compensation scheme to white-collar workers and a special redundancy payment for dismissed blue-collar workers (Van Gyes, 2010b). Moreover, the new government, which after a record breaking 541 days of political negotiations was sworn in at the end of 2011, embarked on a reform program. The pension reforms in particular, which made it harder to retire early, sparked reactions from unions resulting in a 24-hour general strike. The unions criticized the lack of social dialogue on the issue and demanded changes to the reforms (Van Gyes, 2012).

Adding fuel to the fire were the numerous business closures and restructuring which were leading to high job losses. October 2012 was even called 'the dark month' for employment in Belgium, since more than 6 000 jobs were lost. While trade unions called a number of strikes in response to planned restructurings, employers’ organisations stressed the importance of keeping Belgian companies competitive. As a result, cross-industry partners again could not sign an agreement for the period 2013-2014. This tense climate put pressure on the federal government, which was forced to reduce the public budget deficit to 2.15 percent before the end of 2012. The government decided to retain the automatic wage index, although the composition of the index basket was altered to temper its effect. While aiming to reduce the labour cost gap with neighbouring countries and thereby strengthening competitiveness, the budget imposed a wage freeze in 2013-2014 as well (Ajzen & Vermandere, 2013). It took long until the ‘Group of Ten’ got back on speaking terms as the government had limited the possibility of wage rises and, as a consequence, restricted the margin to negotiate. After turbulent negotiations and under pressure of prime minister Di Rupo, a new IPA for 2013-2014 was agreed in January 2013 (Cox & Verreyt, 2013).

Recovering from the economic crisis, the new federal government –elected in 2014– decided in its coalition agreement to create a ‘wage index jump’ in 2015 which stopped the automatic pay increases based on the Health Index figures. Alongside other "austerity measures", such as raising the pension age to 67 and reducing public sector spending, the coalition agreement provoked severe social unrest resulting in successive national days of demonstrations and strike actions (Vermandere & Van Gyes, 2015). Social dialogue was clearly in disarray and its relevance was even questioned since these austerity measures were taken without consulting the social partners. Nevertheless an interprofessional agreement was reached for the period 2015-2016, although without a signature of the socialist trade union.

Social unrest continues. The so-called ‘Peeters Law’ (named after the Minister for Employment, Kris Peeters has angered trade unions leading to a tense social climate. The law allows for, among other things, a more flexible distribution of working time. Working time will be calculated annually and no longer per week, be it with a working time limit of 9 hours a day and 45 hours per week (Peeters, 2016). Trade unions disagreed and claimed that, under the new rules, employers are able to demand from workers to work long days for multiple weeks in a row. They also believe that working conditions will worsen since stress at work may increase and finding an optimal work-life balance will become more difficult. The flexibility granted by this law seems to work particularly in favour of the employer and to a much lesser extent to their employees. Moreover, the modification of the 1996 law on the formation of wages was recently approved. The Act aims to reduce the so-called ‘wage handicap’ of the Belgian economy in comparison with neighbouring trading partners even further by setting a maximum margin of increase. A ‘safety margin’ intends to increase employment and safeguard the competitiveness of the Belgian economy (Peeters, 2016; Van Oycke, 2016).
In sum, the economic crisis was not without consequences for social dialogue. Negotiations on interprofessional agreements have proved difficult throughout the crisis period. The government frequently intervened in negotiations and the state became more involved in wage-setting as compared to the pre-crisis years (Visser, 2016). Still, the institutionalized collective bargaining mechanisms remain firmly in place.

3. The Belgian exception: rising living standards, low and stable inequality

We now turn to outcomes. Various sources and studies have shown Belgium to be among the few rich countries not to have seen growing income inequality over the course of the past two decades (OECD, 2011 and 2015; Van Rie & Marx, 2013; Kuypers & Marx, 2015). In addition, living standards have increased steadily (table 1), including during the recent crisis period. Automatic stabilizers, such as extensive short-time compensation schemes, proved instrumental in sheltering the Belgian population from its adverse impacts (Marx & Schuerman, 2016).

<table>
<thead>
<tr>
<th>Year</th>
<th>Median Income</th>
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<tr>
<td>1996</td>
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<td>1997</td>
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<td>1998</td>
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<td>1999</td>
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<td>2000</td>
<td>14778</td>
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<td>2001</td>
<td>15492</td>
<td>0,28</td>
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<td>2003</td>
<td>15522</td>
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<td>2004</td>
<td>15674</td>
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<td>2005</td>
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<td>2007</td>
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<td>2015</td>
<td>21654</td>
<td>0,262</td>
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Source: Eurostat
With just under 15 percent of its population at-risk-of poverty, Belgium takes an average position, which stands somewhat at odds with Belgium's remarkably low overall level of income inequality. It is worth pointing out, however, that Belgium's in-work poverty rate ranks consistently among the lowest of industrialized nations. In 2015, EU-SILC data indicates that only 4.6 of the employees live in a household with an equivalised disposable income less than 60 percent of median household income, half the EU28 average rate. However, poverty rates for working-aged households with little or no labour income are far worse.

The overall level of income inequality is determined by a host of factors (Atkinson and Bourguignon, 2015; OECD, 2015) But decisive drivers are wages, taxes and benefits. Belgium stands out in having an exceptionally compressed wage distribution, in addition to a very large welfare state. In both these drivers of equality, Belgium's extensive social concertation model plays a key role, as we will now discuss.
4. The principal equality generator: pervasive collective bargaining on wages and work conditions

4.1. Extensive social dialogue mechanisms: the source of high and stable wage equality

4.1.1. Exceptional wage equality: brief evidence

Being the main income source for most households, wages play a key role in shaping the income distribution (Salverda & Checchi, 2014). Belgium’s highly compressed wage-structure is a major driver of low overall inequality.

Figure 4: Incidence of high and low pay, 2014

OECD figures indicate that Belgium has the smallest share –only 3.4 percent– of workers earning less than two-thirds of median earnings. The incidence of high-pay among full-time salary workers in Belgium is very low as well (see figure 4). Three inter-decile ratios to measure wage inequality show the same picture. As shown by figure 5, Belgium belongs to the top three and top four performing countries in terms of overall wage equality (D9/D1) and the D9/D5 ratio respectively. Nowhere is the lower half of the wage distribution (D5/D1) more compressed. The workers at the median of the earnings distribution earn only 1.34 times more than the 10 percent lowest-paid workers, while on average this is 1.70 times more.
Moreover, in contrast to many other industrialized countries, there is no indication that wage dispersion increased substantially between the middle of the 1980s and the late 2000s (Horemans et al., 2011; OECD, 2011). This stability becomes all the more clear when looking at figure 6 as all three inter-decile ratios remained virtually unchanged for the last fifteen years. The incidence of jobs paying less than two-thirds of median earnings is now lower than in the early 2000s.

The gender wage gap in Belgium, whilst still significant, has narrowed considerably. The difference between men’s and women’s median wages (OECD data) was 13.6 percent of men’s median wage in 2000, down to 3.3 percent in 2014. The gap is widest among the oldest age categories and narrower among the youngest. From an international perspective, Belgium performs very well (see figure 7).
Therefore, this trend in labour market inequality will be further discussed as a case study – to be found at the end of the chapter.

**Figure 7: Gender wage gap, 2014**

![Graph showing gender wage gap, 2014](image)

Source: Eurostat  
Note: The unadjusted gender wage gap is defined as the difference between average gross hourly earnings of male paid employees and of female paid employees as a percentage of average gross hourly earnings of male paid employees.

**Figure 8: Change in gender wage gap, Belgium, 2000-2014**

![Graph showing change in gender wage gap, 2000-2014](image)

Source: OECD  
Note: The unadjusted gender wage gap is defined as the difference between median wages of men and women relative to the median wages of men.

### 4.1.2. Pervasive collective bargaining as a driving force: how it works

Belgium is characterized by comprehensive collective wage setting. Wage setting in Belgium is a matter in which unions and employers have a large degree of autonomy. While there has been decentralization of wage setting over the course of the 1980s, wage formation in Belgium remains comparatively centralized and coordinated (Plasman et al., 2007; Vaughan-Whitehead, 2010a). Wage bargaining occurs at three interlinked levels. A first round of bargaining at the national level results in an overall agreement (IPA), which covers all companies in the private sector and which sets out general principles and some essential parameters, e.g. the scope for overall wage growth and minimum wage levels. Subsequently, agreements in the joint committees –which can vary considerably by sector– implement the national target at the (dominant) sectoral level. A third round of bargaining can take
place at the firm level, but this is not always the case (especially in smaller firms). Firm level agreements tend to focus on issues of working conditions rather than wages. Lower level agreements must respect employees’ rights set in higher level agreements. Furthermore, strict regulations and procedures govern the bargaining process as agreements are made generally binding covering the whole workforce concerned (Vandekerckhove & Van Gyes, 2014; Van Gyes, 2009).

Indexation mechanism and wage norm
Belgium is one of few industrialized countries that has an automatic cost-of living adaptation mechanism for wages and social benefits. This prevents downward tendencies in real livings standards. However, concerns about “competitiveness” have led consecutive governments to reform the indexation mechanism. This resulted in a series of indexation freezes in the mid-1980s and – as a crisis measure – in 2014/5, and in the adaptation of the basket of goods and services included in the index (Van Rie & Marx, 2013; Vermandere, 2014; Vandekerckhove & Van Geys, 2012). Nevertheless, the system continues to play a key role in wage setting.

Second, the social partners are required to negotiate on upper limits of wage growth. The so-called ‘Competitiveness Law’ of 1989 (which was extended in 1996 and modified in 2014) institutionalized governmental intervention in wage setting when wage developments are considered harmful to competitiveness. This way, the government tries to balance the automatic indexing of wages. A monitoring system was introduced, benchmarking Belgian wage developments against those in main trading competitors and neighbouring countries being Germany, France and the Netherlands. The weighted average of pay developments in these countries is considered the upper margin for negotiations (‘wage norm’), as wage increases beyond this limit trigger government intervention (Van Rie & Marx, 2013; Vandekerckhove & Van Geys, 2012). It is set every two years in the IPA by the social partners, based on estimates provided by the Central Economic Council, in which the social partners sit (Van Gyes, 2009).

High minimum wage
Belgium does not have a statutory legal minimum wage. Instead there is a minimum wage on which employers and trade unions agree at the national level. It applies to all workers (collective wage agreements are legally binding, i.e. they also cover non-unionized workers) and it sets sector-wide or even national level thresholds and definitions of adequate pay. This minimum wage thus has more of a benchmark purpose than anything else – it constitutes the absolute base of the wage building. "Real" minimum wages (i.e. pay scales for the youngest, least qualified and least experienced workers) are collectively negotiated at the industry level and these tend to be considerably higher than the nation-wide minimum wage as they cannot undercut the national minimum standard. Industries where the lowest pay scales are 20 to 30 percent higher than the nation-wide minimum are not exceptional. In some sectors, the lowest pay scales are almost twice as high as the nation-wide minimum (Vandekerckhove & Van Gyes, 2014; Marx et al., 2012). In the services sector, minimum wages tend to deviate less from the nationwide minimum but it is difficult to make general statements as wages are set in dozens of separate collective agreements. All the available evidence suggests that very few people actually work – or can work – for the nation-wide minimum. As a consequence, relatively low paid work is considerably less prevalent in Belgium than in most other comparable countries, including the Netherlands and Germany (Van Rie & Marx, 2013).
Social partners have significant room to negotiate agreements at the sectoral level leading to additional minimum wages for nearly all sectors. This leads to significant wage differentials across sectors. However, the minimum wage is reached at national level and the outcome of the negotiation there is reflective of overall union bargaining power. Agreements reached there are extended to the weakest sectors, thereby compressing the Belgian wage structure. Vandekerckhove, Goos and Geys (2014) empirically confirmed this finding by using administrative data on sector and time variation in minimum wages for the period 1996-2006 in Belgium. The authors find that higher minimum wages indeed reduce not only lower-tail but also overall wage dispersion.

Recent government reforms will lower the minimum wage for young workers. This has sparked fierce reaction of trade unions as, in previous years, agreements were reached to let the minimum wage system for young workers gradually catch up with the full minimum wage. On the other hand, since the index-jump of 2015 has come to an end, the minimum wage for employees over 21 is adjusted to the index again. Some sectors, however, will need to wait until 2017 for their (minimum) wages to be adapted.

**Extension mechanism**

Another equalizing feature of the Belgian wage-setting system is the widespread use of extension mechanisms resulting in near-universal bargaining coverage. Over 90 percent of wage and salary earners (including non-unionized workers) are covered by collective wage agreements, a share that has been constant since the middle of the 1980s (Van Ruysseveld & Visser, 1995; Van Gyes, 2009; Visser, 2011; Vaughan-Whitehead, 2010a). This way, social dialogue determines just about everybody’s pay. This reduces inequality among workers as the standards set at national and sectoral level are extended to employees with weaker bargaining power, particularly those working in small firms. As already highlighted, the pay scales negotiated by collective bargaining are generally higher than the minimum wage and, moreover, extend into the intermediate or even higher pay brackets. Extension mechanisms therefore not only protect the most vulnerable workers, through underpinning low earnings, but generates a compression effect on the overall earnings distribution as well (Bosch, 2015; Villanueva, 2015).
While these extension mechanisms reduce unequal treatment of unionized and non-unionized workers as regards wages and working conditions, it can hamper wage flexibility. A report by the European Commission (2016a) indicates that wages may not be able to fully adjust to differences in productivity across firms or geographical areas within the same sector when collective agreements are made binding for every worker in the sector. This may result in a misallocation of labour (Villanueva, 2015).

However, opt-outs from collective agreements are, although exceptionally, used at company level. Collective agreements negotiated on the lowest level can deviate from sectorally defined standards if the agreement explicitly allows for this. The minimum wage agreed on the interprofessional level must, however, always be respected (Perin & Ajzen, 2015; Visser, 2016).

Also noteworthy is the fact that some sectors, such as service sectors, allow for greater wage flexibility as compared to others (e.g. manual sectors) (Vandekerckhove, Vermandere, & Van Gyes, 2010). However, Belgium is clearly characterized by rigid wage-setting institutions which—in face of asymmetric shocks— are often argued to hamper the well-functioning of the labour market (Fitzenberger, Kohn, & Lembcke, 2013; Vaughan-Whitehead, 2012).

4.2. Working conditions: negotiated flexibility

4.2.1. Limited growth of non-standard work

The gradual growth of non-standard employment is one of the most fundamental structural labour market changes in Western countries (ILO, 2016). Belgium appears to be one of the exceptions in this respect. Although a slight increase can be noted, there is not much evidence of dramatic growths in temporary or precarious work, not even during the recession of 2008. On several measures of 'atypical' employment such as the incidence of fixed term contracts, temporary work, night work, weekend work, etc. Belgium is to be found at the lower end each time. This arguably relates to the continued strength of unions and collective bargaining. To the extent that there have been trends towards more flexibility in the sphere of contract type, working time and work organisation, these have been negotiated rather than politically imposed. We now discuss some trends in somewhat more detail.

Part-time work

Part-time work, an important form of non-standard employment, as a share of total employment has risen substantially and steadily in Belgium, from less than one out of ten workers in the early 1980s to nearly one out of four in the late 2000s. The number of part-time employees was not strongly affected by the recession of 2008, while in most other countries this was the case. Women are clearly overrepresented among the part-time workers (41.4 percent of working women in 2015, compared to 9.3 percent of working men). While men have caught up, part-time work remains dominated by women as these help to combine work and caring activities. Moreover, for typically underrepresented groups in the labour market like youngsters and older workers, part-time jobs ease transitions in and out of the labour market (Horemans, 2016). The proliferation of part-time work in Belgium has not been associated with a rise in involuntary part-time work. On the contrary, Eurostat figures suggest a steady decline in the share of part-time workers that would prefer but cannot find full-time work, from approximately one third in the mid-1980s to 15 percent in 2006 and 10 percent in 2015. In contrast to many other countries, the recession did not increase the number of involuntary part-time workers.
The social partners have had a strong influence on the regulation of part-time employment. The regulatory framework prevents the working conditions of part-time workers to be less favourable than for full-time workers. The remuneration, for example, of the part-time employee may, in proportion to hours worked, not be inferior to the remuneration of an employee on a full-time contract. These principles are defined in the labour law and were extended, in consultation with social partners, through the CA n° 35 (27/02/1981) on part-time employment, the programme act of 22/12/1989 and the law on non-discrimination regarding part-time employees of 5/03/2002.

**Figure 10: Part-time employment as share of total employment, Belgium, 1983-2015**

Temporary employment
As in most European countries, the share of employees with a temporary contract in Belgium is now higher than in the early 1980s, but it remains comparatively low. There has been some degree of fluctuation over time, but the share of temporary employment remains relatively low compared to the European average (7.7 percent in Belgium in 2015, as opposed to 11.9 percent for the EU28). Just as for part-time work, women are overrepresented among temporary employees. Their rates have, however, converged with those of men as well (from 2 times the men’s rate in the mid-1980s to 1.3 times in the late 2000s).

**Figure 11: Temporary employment as share of employees, Belgium, 1983-2015**
This rather low share of temporary contracts can be linked to the strict legislation regarding this type of contract. Belgium remains among the more strongly regulated OECD countries according to some comparative studies (OECD, 2013; European Commission, 2014).

The Law of 1987 on temporary employment, makes a clear distinction between regular fixed-term contracts (FTC) and temporary-work-agency employment (TWA) – the latter being more tightly regulated (OECD, 2013). Albeit the fact that most temporary workers are employed by an agency, this distinction creates inequality among workers (Pecinovsky & Van den Bergh, 2014). The law sets specific limitations to TWAs employment – the use of it must be justified unambiguously on the basis of objective reasons to carry out temporary work – while there are no such limitations for FTCs. The law requires equal pay and working conditions for regular workers in the user firm and TWA workers on assignment. In countries where TWA workers do not enjoy the same pay and working conditions as other workers, TWA employment is used as a cheap way to by-pass employment protection on regular employment, and is seen as a means to weaken trade unions and avoid constraints imposed by collective agreements (OECD, 2013). Moreover, when hiring an employee on a temporary contract, the employer is often required to ask prior permission to union delegates or worker representatives. Another feature that clearly indicates the important role of social partners and collective bargaining regarding temporary employment contracts is the fact that the use of temporary work has traditionally been prohibited in some sectors such as the transport sector. Also, while the core provisions as regards temporary employment are codified in the Law of 1987, more detailed rules are laid down in collective agreements reached by bargaining between trade unions and employers’ organisations (e.g. n° 108 on procedures and duration) (Pecinovsky & Van den Bergh, 2014).

A new law enables temporary work agencies to conclude permanent contracts with the people they send out to their clients. Permanent temporary work contracts are however only possible if a collective bargaining agreement is concluded within the joint committee for temporary agency work (JC n° 322) and the wage between two assignments is guaranteed by the temporary work agency (Peeters, 2016).

Flexible working schemes
The growth of non-standard employment is often related to the shift towards a service-based economy, where employers have more flexible staffing needs in order to cope with irregular demand and flexible opening hours (Horemans, 2016). Yet night, weekend and shift work remains less widespread in Belgium than elsewhere. While Sunday-work has increased slightly, working in shifts and at night has decreased over the years. The figures for Belgium show a large gap with the average of the EU28 member states.

*Figure 12: Employees working shifts as a percentage of the total of employees, 2000-2015*

<table>
<thead>
<tr>
<th>Year</th>
<th>European Union (28 countries)</th>
<th>Belgium</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>20</td>
<td>4.0</td>
</tr>
<tr>
<td>2001</td>
<td>19</td>
<td>9.0</td>
</tr>
<tr>
<td>2002</td>
<td>19</td>
<td>14.0</td>
</tr>
<tr>
<td>2003</td>
<td>19</td>
<td>14.0</td>
</tr>
<tr>
<td>2004</td>
<td>19</td>
<td>14.0</td>
</tr>
<tr>
<td>2005</td>
<td>19</td>
<td>14.0</td>
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<tr>
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<td>19</td>
<td>14.0</td>
</tr>
<tr>
<td>2007</td>
<td>19</td>
<td>14.0</td>
</tr>
<tr>
<td>2008</td>
<td>19</td>
<td>14.0</td>
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<td>2009</td>
<td>19</td>
<td>14.0</td>
</tr>
<tr>
<td>2010</td>
<td>19</td>
<td>14.0</td>
</tr>
<tr>
<td>2011</td>
<td>19</td>
<td>14.0</td>
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<td>2012</td>
<td>19</td>
<td>14.0</td>
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<td>14.0</td>
</tr>
<tr>
<td>2014</td>
<td>19</td>
<td>14.0</td>
</tr>
<tr>
<td>2015</td>
<td>19</td>
<td>14.0</td>
</tr>
</tbody>
</table>

Source: Eurostat
Still, negotiations between trade unions and employers organisations’ have brought changes. Examples are the CA on part-time employment of 1981, the CA nr. 47 which contained agreements with respect to temporary and agency work and the CA nr. 46 on shift and night work both conducted in 1990 and the Act of 1997 on establishing the equality of women and men with respect to night work.

More recently, however, Belgium's centre right coalition government unilaterally moved to increase working time flexibility. Not surprisingly, the so-called "Law Peeters" encountered significant resistance.

The law contains several measures such as the annualisation of working hours. This will make it possible for companies in internationally competitive sectors to develop customized work arrangements by spreading the calculation of the 38-hour week over several years (maximum six years). The concrete terms for application of the system need to be laid down in a sectoral collective agreement. The law also develops a new concept of “voluntary overtime” whereby each worker has a package of 100 voluntary hours of overtime. Other measures supporting labour market flexibility are, inter alia, the administrative simplification of part-time work and the reform of the employer grouping scheme.

The law, furthermore, enables workers themselves to increase flexibility as regards their working-time and place. Important measures in this respect are the establishment of a legal framework for both occasional telework and flexible working hours during which the employee can determine beginning and end of his working hours within certain limits. Finally, legal opportunities to adapt working time
over the life course, through various forms of (paid) leave (parental leave and medical assistance) are further extended and a system of ‘career saving’ is put in place. The latter makes it possible for employees to save up additional holidays.

Despite union protests, the law was approved by the government on October 28th 2016. At the time of this writing it still awaits final parliamentary approval, which is expected. However the government allocated a key role to the social partners in implementing the law. While the law provides the legal framework for more working time flexibility, its actual implementation is only possible through collective agreements to be negotiated by trade unions and employers at the sectoral and firm level. Any moves towards more flexibility that may happen as a result will thus remain negotiated ones.

5. The secondary equality generator: co-governed social security

The remarkable stability of Belgium's income inequality is due in major part to exceptional wage equality and negotiated, rather than imposed, labour market flexibility – both an outcome of pervasive collective bargaining. Besides through abovementioned mechanisms, social partners affect income inequality through their influence on redistribution mechanisms as well. To this we turn now.

5.1. Belgium's social security system

5.1.1. Brief history

Belgium’s extensive social security system is both co-founded and co-governed by trade unions and employers’ organisations. In understanding the key role played by social partners in the Belgian welfare system it is important to briefly sketch its history.

It was the same climate of social unrest that led Otto Von Bismarck to institute the first labour protection laws and social security provisions in Germany, which triggered the introduction of similar laws and provisions in Belgium. Social security arrangements had by then already emerged on a voluntary basis set up under the influence of the emerging trade unions. This was usually within the context of mutual societies and such organisations, which usually had a much broader purpose than providing social security. These mutual societies and organisations were organised along ideological lines, the Christian-Democrat and the Socialist being the most prominent. The pluralist, decentralized and autonomous nature of social security and social welfare provision did not change once the state started taking up a regulatory and standardizing role. But out of a patchwork of arrangements, set up by social partners, emerged a compulsory and increasingly universal system of social security and health care (Deleeck, 2001).

A long phase of incremental expansion of various, mostly occupationally segregated social security schemes culminated in the ‘Social Pact’ of 1944 – agreed on by social partners and the government. Born in the exceptional atmosphere of solidary of the final war days, the Pact marked a consolidation of the welfare system. The Social Pact, while extending compulsory social security coverage, confirmed the subsidiary principle in the sense that nongovernment organisations (i.e. unions and mutual societies) remained responsible for the administration of benefits. In addition, national agencies were created for those not affiliated to such organisations. The role of the state remained, as be before, very much in a regulatory and complementary role. A final safety net, guaranteeing minimum income protection to all, was ensured through three laws enacted around the late 1960s and early 1970s.
The economic downturn of the 1970s and 1980s, caused by the oil price shocks, challenged the social protection system in the most profound way. Confronted with a massive increase in dependency, the social security system transformed from a system largely in the Bismarckian mould into one in which there is an overriding emphasis on minimum income protection.

5.1.2. Social spending in general

As shown by figure 15, Belgium features one of the largest social expenditure budgets (relative to GDP), which also account for its stable and low overall household inequality and moderately low poverty rate (Förster and d’Ercole, 2005; OECD, 2011 & 2015, Nolan et al. 2014).

Figure 15: Social expenditure as % of GDP, 2014

Source: Eurostat

The Belgian system of social security features a wide range of income replacement benefits to compensate workers (and increasingly citizens) against income loss linked to a number of contingencies. Belgian social spending is strongly geared towards cash transfers, with unemployment benefits an exceptionally large branch (table 2). Compared to the EU28 average, Belgium spends twice as much on unemployment benefits. The social partners, and especially the unions, play a key role in this system. For this reason, we will briefly elaborate on the unemployment insurance system.

Table 2: Social benefits by functions in Belgium and the EU-28 (in %, 2014)

<table>
<thead>
<tr>
<th></th>
<th>Belgium (%)</th>
<th>EU-28 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total expenditure</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Sickness/Health care</td>
<td>28,90</td>
<td>29,22</td>
</tr>
<tr>
<td>Disability</td>
<td>8,28</td>
<td>7,25</td>
</tr>
<tr>
<td>Old age</td>
<td>33,62</td>
<td>40,23</td>
</tr>
<tr>
<td>Family/children</td>
<td>7,53</td>
<td>8,54</td>
</tr>
<tr>
<td>Unemployment</td>
<td><strong>11,64</strong></td>
<td><strong>5,13</strong></td>
</tr>
<tr>
<td>Housing</td>
<td>0,86</td>
<td>2,05</td>
</tr>
<tr>
<td>Social exclusion</td>
<td>2,44</td>
<td>1,90</td>
</tr>
</tbody>
</table>

Source: Eurostat
5.1.3. Belgium’s sprawling unemployment insurance system

Belgium’s unemployment insurance system provides a wider range of benefits than is the case in most other countries, making Belgium an outlier in terms of spending on unemployment benefits. Apart from unemployment insurance proper, the unemployment insurance system also forms the basis of the principal early retirement scheme. Career interruption and worktime reduction benefits also fall within the system.

The system is financed mainly through social contributions (with some additional financing from earmarked VAT levies) and is co-governed by the social partners. The bulk of expenditure on unemployment insurance (unemployment benefits, early retirement benefits and administration costs) is distributed by the payment bodies of the three trade union confederations. The remaining expenditure is managed by a public non-union agency in which both trade unions and employers’ organisations are represented (Van Rie, Marx & Horemans, 2011; Vandaele, 2009).

Besides paying out unemployment benefits, trade union membership offers a whole lot of advantages such as extra services in terms of personalized advice and administrative support (filling out forms, compiling dossiers), a union bonus (financed by employers) to partly reimburse membership fees and the right to be represented by a union representative during procedures and appeals in front of administrative bodies and labour courts (which deal with disputes relating to unemployment benefits) (Van Rie, Marx & Horemans, 2011).

Belgium’s unemployment insurance system has a number of particular characteristics. First, unemployment benefit entitlement in the main ‘full-time unemployment’ scheme is in principle unlimited in duration. However, controls on work search efforts have strongly intensified and the previous government made benefit amounts more strongly regressive over time. This accounts in part for Belgium’s comparatively high spending on unemployment insurance. The reverse of this coin is that fewer of the unemployed than elsewhere deplete their insurance entitlement and end up in means-tested social assistance schemes. Second, unemployment benefits are differentiated by family situation: single persons and heads of household receive significantly more than people living together with others that have an income, especially after long spells of unemployment. Over time, benefit cuts have been mainly concentrated on the latter category, as these are assumed to be in lower need. Third, the unemployment insurance system comprises a very wide range of benefits. These include not only benefits to full-time unemployed jobseekers but also to employees who reduce working hours, be involuntarily (short time working schemes, part-time unemployment) or voluntarily (a range of leave and career interruption systems). The system also comprises the main early retirement provision, which we will discuss below.

Finally, the system provides unemployment benefits to workers who are forced to reduce their working time because of factors like bad weather, technical failures, severe drops in demand and other factors theoretically beyond the control of the employer. The short-time working scheme was established well before these became prominent in other countries (Van Rie, Marx & Horemans, 2011). Hijzen and Venn (2011) show that even in 2007 the average monthly take-up of such benefits accounted some three percent of employees. By 2009, this percentage had nearly doubled, making Belgium a clear outlier in this respect. Moreover, one of the measures taken during the crisis was to extend the system to white-collar workers - previously it had only been available to blue-collar workers. With demand being strongly cyclical or erratic in some sectors, this system is an important
source of income stabilization, which proved to be especially the case during the economic recession of 2008 (Marx & Schuermans, 2016).

As a consequence of the multiple functions the unemployment insurance system has taken on, a large number of people at working age receive some kind of UI benefit. At the peak of the recent economic crisis the graph shows more than 1.3 million people were receiving an unemployment benefit. That roughly equals one person receiving a benefit for every four persons working, although there is some overlap, as in the case for workers receiving short-time compensation benefits.

*Figure 16: Unemployment insurance benefit receipt, 1970-2016*

The massive rise in the number of people receiving some type of unemployment insurance benefit cannot be seen separate from the unions’ role in the payment of unemployment benefits. The added services offered by the unions provide a clear and substantial incentive to become or remain a union member. Van Rie et al. (2011) show that the profile of union members closely matches such selective incentives. The unions have strongly resisted attempts to scale back UI benefit receipt be it through the imposition of time limits or the tightening of age and other requirements for early retirement, while they have supported the proliferation of other functions the system took on. As demonstrated in this paper many of those functions have turned out to be beneficial, be it the stabilizing role of the short-time compensation scheme during the crisis or the work-life balance improving impact of career interruption benefits. But the continued rise in the number of people receiving benefits has come at a price in a context where financial resources are not unlimited. As the number of beneficiaries rose benefit levels became less generous and adequate in providing protection against poverty.

While still enjoying a comparatively low poverty rate, Belgium has been slipping down the tables during the last decade and does not seem to succeed in driving back poverty. At-risk-of-poverty rates of people living in jobless households, who are for that reason most reliant on the adequacy of transfer income, are extremely high (58 % in 2015). There is a growing income gap between those who receive income from work and those that rely mainly on income replacement benefits. While Belgium has a system (indexation) that is designed to safeguard the purchasing power of both benefits and wages, the latter have clearly outperformed the former. All social minima have eroded relative to overall living standards. The reason is in part structural. As dual earnership became the norm and drove up overall living standards, individuals or households having to rely on a single benefit (or wage for that matter)
inevitably fell behind. There have been repeated beyond cost of living increases but benefits often fall well short of poverty risk thresholds, as Figure 17 shows.

**Figure 17: Minimum income packages of households in various situations relative to the poverty line (net disposable household income as a percentage of the poverty line), 2014.**

![Minimum income packages of households](image)

Source: Centre for Social Policy Herman Deleeck

6. **Activation**

While Belgium’s unemployment rate is below the EU15 average, its employment rate remains among the lowest of the Northern Continental European welfare systems. Employment growth has remained sluggish. One consequence is that a relatively large number of people at working age rely on some type of income support. Another consequence is that the share of the population paying taxes and social security contributions is relatively small, imposing heavy burdens on those that do.

**Figure 18: Change in employment rate, 15-64y, 1995-2015**

![Change in employment rate](image)

Source: Eurostat
While still enjoying a moderately low poverty rate, Belgium has been slipping down the tables during the last decade. Belgium has an expensive welfare system, which nevertheless is becoming less and less effective in achieving its primary objective of providing people with adequate minimum income protection, especially to those who find themselves excluded from the labour market, as we documented earlier.

6.1. Significant labour market exclusion

*Figure 19: Employment rates for population aged 15-64 by region, educational attainment and country of birth, 2015*

While unemployment is just below EU average, there is significant long-term unemployment, especially among the less skilled. Belgium has just about the highest rate of household joblessness in the EU. More generally, the employment deficit among the less skilled (relative to the better skilled) is larger than in most other countries. Young people leaving school with no or few formal qualifications face dismal job prospects. The employment of immigrants, particularly those born outside the EU, in Belgium is also very low (about 46.2% in 2015 as figure 19 shows). The employment gap between migrants and natives is very high by international comparison (about 17 percentage points difference).

There are also vast regional and local differences in employment outcomes. No European country has such diverse labour market outcomes within such a confined geographical scale. The main differences are between the Flemish- and the French-speaking parts of the country, but even within regions the differences are considerable.

All this may appear surprising since spending on active labour market programs (training, job subsidies, social security contributions, public employment programmes), as well on child care, has increased quite substantially, even putting Belgium in the league of the top spenders on such items. The social partners play an important role in many of these programmes, as (co-)funders or (co-)executors.

Vocational training, for example, falls under the authority of the three regions whereby the social partners, at all levels (cross-industry, sectors and companies), play an important role in devising, organizing and managing the training programs. Training as part of ALMP measures, to foster reintegration into employment, is organized by regional public employment and training services (FOREM for Walloon region, VDAB in the Flemish region, ORBEM/BGDA in Brussels and ADG for the German speaking community). The social partners develop specific training programs and set up joint
sectoral funds for vocational training. Furthermore, trade unions and employers’ organisations develop the framework by setting the objectives and organising the funding of training programs. Intersectoral, and in a next step sectoral, collective agreements define objectives in terms of, inter alia, mandatory financial contributions from the employers and minimal participation rates to training programs. The interprofessional and sectoral level therefore represent the most important bargaining levels with respect to vocational issues. However, training plans are often further discussed and negotiated within the company (Perin & Ajzen, 2015).

Despite many active labour market efforts, employment outcomes remain problematic. That is in part because Belgium’s tradition of negotiated change through social dialogue is hampering some of the structural changes needed for activation efforts to have real impact. In the next section we briefly set out the argument.

6.2. Belgium’s reluctant turn to activation

As elsewhere in Europe, the 1990s mark a clear shift towards "activation". In Belgium, the dire state of public finances added impetus. The introduction of the Competitiveness Law of 1989 and 1996 structurally limited the bargaining freedom of the social partners and institutionalized governmental intervention in wage setting (Van Ruyssevelt & Visser, 1995). There was a further expansion of active labour market programs, making Belgium one of the biggest spender on active labour market policies in the OECD area, relative to GDP. Much of these efforts focused on the demand side, mainly through employers’ social security contribution reductions.

Efforts at the supply side were more hesitant. In fact, to the extent that steps were taken, these happened mainly through non-intervention than through policy reforms specifically aimed boosting work preparedness. Living on a benefit became less attractive already from the late 1980s onwards because benefits were allowed to erode in value relative to wages and general living standards.

It has proved more difficult to introduce reforms in a more purposeful way. Unemployment insurance benefits remained unlimited in time, keeping Belgium a clear international outlier in this respect. Only unemployed person living with another person became liable to have their benefit terminated after an ‘abnormally’ long spell of unemployment, and only if the total household income exceeded a certain threshold. During the 1990s, there was a wave of benefit terminations and suspensions on this and a variety of other grounds. But average benefit duration in Belgium nevertheless remained and remains higher than in most other comparable countries.

Belgium’s relative incapacity to reform social security so as to improve work incentives is nowhere more evident than if one looks at early retirement. There are few European countries where so few people work after the age of 55. The main scheme, colloquially known as “bridge pension”, was conceived as a retirement scheme and not as an unemployment scheme, despite the fact that it formally is. It is now called “Unemployment benefit with company supplement”). It was implemented around the late 1970s to shelter the casualties of the economic downturn and of industrial decline. It saw its biggest expansion during the 1980s.

The vast expansion of early retirement had a number of beneficial effects at the time (Marx, 2007). It provided adequate income protection to those who lost their jobs during a time when reemployment chances were extremely low, if not virtually non-existent. Job losses in Belgium’s industrial sector were massive in the wake of the oil price shocks and many of the workers who lost their jobs were sole breadwinners with few formal qualifications or with very specific technical skills. Especially in the Walloon region industrial employment was hit hard.
The co-funded nature of the principal early retirement scheme helped to contain the public sector cost of industrial restructuring while dampening the social consequences. At the same time, the co-funded set-up facilitated industrial restructuring because it enabled employers to externalise a substantial part of the cost of laying-off redundant older workers. This allowed Belgium to pursue a high productivity path. Moreover, early retirement also reduced competition for jobs. Indeed, employers who resorted to early retirement were principally required to hire a young person to replace the person taking early retirement. In practice, however, the replacement rule was never strictly adhered to. Still, unemployment rates for prime-age men - those still most likely to be the principal breadwinner – did remain comparatively low in Belgium even when overall unemployment reached peak levels.

The attitude of employers’ organisations vis-à-vis this scheme has oscillated over the past decades. When confronted with labour shortages during economic upswings, they demanded the scaling back of the system. But generally speaking, and despite an increasingly cooler stance towards early retirement taken by the representative organisations, individual employers have remained happy users of the bridge pension as a vehicle for facilitating restructurings. The attitude of trade unions towards the early retirement scheme was strongly driven by their members’ expectations. Workers had come to expect to get what many of their former co-workers had got: the chance to leave the labour market early with a relatively attractive financial package. They had built up quite strong expectations regarding the possibility of early retirement.

Successive attempts by the government, and at times also by employers’ organisations, to scale back early retirement and to increase the effective age of retirement have encountered strong resistance from the trade unions (Marx & Schuerman, 2016). This became already clear by the negotiations on the ‘Generation Pact’ in 2005, which was adopted in a watered down version. A more recent pension reform, in which social partners were less consulted, led to the extension of the statutory retirement age and restricted the possibilities to retire early. These –and other– unilateral actions of the government prompted industrial actions. Reforms to the unemployment benefit system have sparked protest from trade unions as well. As of November 2012, new unemployment benefit scales were implemented and benefit amounts were made more regressive over time. Trade unions have strongly criticized these reforms and have mounted protests. However, the current government aims to further reform unemployment benefits.

### 7. Case studies

#### 7.1. Case study 1: The gender pay gap

The gap between male and female earnings remains significant across all Member States despite equal pay legislation being in place in the European Union now for over 30 years (Smith, 2012). Women’s gross hourly earnings are on average 16.7 percent below those of men in the European Union. Figure 7 (section 4) already indicated the exceptional position of Belgium in international perspective since it has managed to narrow gender pay inequalities (see figures 8 and 20). This positive outcome can in part be attributed to Belgium’s well-developed legislative framework which strongly enforces the principle of ‘equal pay for equal work’. The constitution contains the basic rules on which the principle of equal remuneration rests. Furthermore, a Royal Decree in 1987 requires companies to present an annual report on gender equality. A further development of this principle of non-discrimination was introduced in the Act regarding the equal treatment of men and women in the field of wage determination, job evaluation and job classifications in 1999. Finally, a law was voted in 2012 (and revised in 2013) on the explicit fight against wage inequalities between men and women. A number of
European and international agreements guarantee standards of equal treatment as regards wage determination as well (Van Gyes, 2009).

*Figure 20: Change in gender wage gap for a selection of well-performing EU countries, 2000-2014*

When focusing on the critical years of the great recession (see figure 20), almost all countries have experienced a narrowing of the gender pay gap. This is explained by the levelling down of men’s earnings during this period (Smith, 2012). For Belgium, the gap narrowed by nearly 3 percent, while it was slightly on the rise just before the onset of the crisis. Again, Belgium is found to be one of the best performing countries as regards gender pay inequality.

When analysing the gender pay gap by sector, the majority of countries record a higher gap in gender earnings in the private as compared to the public sector. The fact that, in most countries, employees in the public sector are strongly protected by collective pay agreements and other similar contracts establishing pay could be an explanation for this finding (Eurostat, 2016). However, for Belgium, a peculiar and even unique outcome is observed. In the public sector, women's gross hourly earnings are on average higher than those of men. This can partly be attributed to the possibly higher educational level of women in public posts in comparison with men in this sector.

However, the high percentage gap between men’s and women’s earnings in the private sector needs a more nuanced approach as great disparities between private economic activities exist. According to Eurostat figures the gender pay gap in the financial and insurance activities and electricity, gas, steam and air conditioning supply are considerably higher than in water supply, mining and construction activities - in which the gap is even negative. A clear link can be made with trade union representation since the manufacturing and construction sectors traditionally report higher trade union density. In these sectors, higher trade union presence may have a positive impact on the narrowing of the gap, as underlined by Smith (2012). On sectoral level we do find some collective agreements which have a positive impact on narrowing the gender pay gap. The Joint Committee for metal construction (JC 111) for example, ensures equal access for men and women to all functions and all hierarchical levels. The collective agreement of 23/04/2001 even introduced a permanent workgroup based on parity which is responsible for drawing up constructive proposals with regard to increasing the opportunities for
women in the sector (Liagre et al., 2010). However, another explanation could be that these ‘gender equal’ sectors are male-dominated and the small number of women are or equally paid due to non-discriminating collective agreements or are higher educated. Female-dominated sectors are, on the contrary, generally characterized by lower rates of unionization (with the exception of the public sector) (Smith, 2012) which may explain the wide gender pay gap in, for example, the information and communication sector.

Social partners as equalizing actors
The promotion of better working conditions and equal pay for women has long been an important theme for the social partners. Belgium was the first country to introduce an ‘Equal pay day’, on initiative of the social partners.

An important framework is set by the law on the fight against the gender pay gap (revised in 2013) (Van Hove, 2013). The law involves the social partners in actions in the field of wage formation and makes gender discrimination a permanent theme in social dialogue. The law, furthermore, induced measures at the three hierarchical levels. At interprofessional level, the technical report of the Central Economic Council, which prescribes the maximum margins for wage evolutions, needs to include data about the gender pay gap. This information needs to be available for social partners whilst negotiating wages on sectoral level. Moreover, social partners in the Group of Ten are obliged to enter into dialogue on policies to combat unequal treatment of men and women in the labour market. Social partners are required to negotiate on such measures in joint committees as well. These sectoral measures need to address the gender pay gap and to take into account gender-neutral measures in job-grading systems. Noteworthy is the collective bargaining agreement 25ter -in effect since 9 July 2008 and made generally binding by Royal Decree- which requires sectors and companies to test job and pay classification systems for gender neutrality. The law of 2012 took further steps in this respect as it required monitoring of the joint committees for gender-neutrality. Finally, companies have an obligation to submit a report on the company’s wage structure to the works council through which they are revised on their efforts towards gender equality (Perin & Ajzen, 2015; Van Hove, 2013).

Besides abovementioned general legislative measures, more specific initiatives on sectoral level are worth mentioning. Most of the Belgian Joint Committees have introduced non-discrimination of women as a clause in their collective agreements whereby ‘equal pay for equal work’ is their most important concern (i.a. JC’s 111, 124, 130, etc.). The Joint Committee for hairdressing and beauty care (JC 314) includes a general clause on ‘preventing and combating any form of discrimination based on sex’ in all the collective agreements concluded. The Joint Committee representing the banking sector (JC 310) refers to a ‘Charter of Diversity in the banking sector’. Furthermore, almost all Joint Committees target the equal treatment of career breaks (maternity leave, paternity leave, time credit schemes).

Social partners thus play a key role in combating the unequal treatment of men and women. Nevertheless, there is clearly scope for improvement. The Institute for the equality of women and men and the Federal Public Service for Employment, Labour and Social Dialogue have made a number of recommendations in their report on gender pay inequality. These include discouraging stereotypical study choices, improving the work-life combination and further measures to break the glass ceiling (e. g. quotas on minimal presence of women in boards of directors) (Van Hove, 2013).
7.2. Case study 2: Work-life balance

When concerned with the quality of jobs and equality outcomes in the world of work, the balance between work and personal life a key consideration.

Figure 21: Share of workers indicating good fit between work and commitments outside work, 2015

Belgium performs comparatively well when it comes to the perceived work-life balance of its workforce. In 2015, more than four workers in five (85%) reported a good fit between their work and family or social commitments, with just 15 percent reporting that the fit was poor. This is a favourable outcome judged by international standards since on average in the EU 81 percent reports to have a good, and 19 percent to have a poor, work-life balance. The above figure highlights Belgium’s position to be at the higher end.

The sources of conflicts between working and non-working time commitments are numerous. On the one hand, the characteristics of the household affects the pattern of the time use. A couple with young children, for example, will report more conflicts in their work-life balance compared to a young single earner living with parents. The reported tension between work and private life is even worse for single parents. In general, the younger the children, the poorer the fit (Raymo & Sweeney, 2006; Delecta, 2011; Eurofound, 2016). On the other hand, policies need to guarantee that personal circumstances and needs, in relation to such issues as care, are accommodated for the whole workforce, and for vulnerable groups in particular, hence enabling them to continue working over the life course (Eurofound, 2016). In this regard, work and working conditions play a key role, as well as the social infrastructure and social protection provisions.

The influence of the social partners

At European level, several directives address issues that are directly relevant for the work-life balance, e.g. minimum standards in such areas as parental leave and maternity leave. The social partners have special prerogatives in the social policy field, including in relation to working conditions. Important parts of the legislative framework in the area of work-life balance, notably the Parental Leave Directive (2010/18/EU), the Pregnant Workers (Maternity Leave) Directive (92/85/EEC) and the Directive on
Part-Time Work (97/81/EC), are based on social partner agreements and set out the basic rights in the European Union (European Commission, 2016b). Relevant EU legislation also exists in the area of equal treatment between women and men in employment and occupation, the Gender Equality Recast Directive (2006/54/EC), which fits in the context of the earlier mentioned Framework of Actions on Gender Equality. This commitment of the European social partners was adopted in 2005 and contained ‘supporting work-life balance’ as one of its priorities (Smith, 2012). In the summer of 2016, a second stage consultation of the social partners at European level took place on possible legislative action in the area of work-life balance, which aims to address the problem of women’s underrepresentation in the labour market due to the lack of effective possibilities to balance caring responsibilities with the demands of their working life. However, while the trade unions are favourable to new measures in this field, employers’ organisations declared to be against further action (European Commission, 2016b).

Besides the legal instruments set out above, the EU has been addressing work-life balance issues through complementary support measures. These include work-life balance guidelines for Member States’ employment policies, country-specific recommendations in the European Semester, financial support, analytical support, awareness-raising activities, and quantitative targets to improve the provision of childcare (the ‘Barcelona Targets’) (European Commission, 2016b).

Working time arrangements form a key concern in Belgium. Belgium has a comparatively strict working time regulation, yet collective bargaining on sectoral level leaves a lot of room for alternative agreements (Van Gyes, 2009b). In the intersectoral agreement of 2001-2002 social partners agreed on the reduction of working hours in an attempt to promote both employment growth and better reconciliation of the work and private life. The statutory working week was therefore reduced from 39 hours (until 1999 a 40 hours-workweek was in place) to 38 hours (Delbar, 2000). The recent Law Peeters reforms the working time regulation. Important measures in this regard are the ‘plus minus conto’ and the annualisation of working time. By calculating working time no longer on weekly basis, workers may perform more hours during peak periods and offset this ‘surplus’ during quieter periods throughout the year. The working time limit will be 9 hours a day, and 45 hours a week (Peeters, 2016).

Although the minister of work Kris Peeters assures there is no question of abolishing the 38-hour week, the reform has triggered protests from the union who see it as a threat to the work-life balance of employees.

In encouraging a better work-life balance, the career break and time credit scheme – important measures in the context of working time regulations as well – were introduced and regulated by social partners in the interprofessional agreement of 2000. Later, this framework was complemented by several collective agreements (77, 77bis, 103, 103bis). Trade unions have always been great supporters of these schemes, since they facilitate the combination of work and family life (Van Gyes, 2009b). The tightening of the time credit scheme, an important measure in combatting early labour market exit, have consequently resulted in trade union protests (Ajzen, 2015).

According to the labour force survey data, non-standard working arrangements, such as night work and weekend work, are less frequently applied in Belgium than in many other countries. This can in part be linked to the rejecting attitude of trade unions towards this kind of working time flexibility (Van Gyes, 2009b). The government pledged, at the start of its term, however, to provide more flexibility on working time related to market needs (in favor of employers) as well as work-life balance needs (in favor of employees). The Peeters law sets a legal framework for both occasional telework and flexible working hours within certain limits. In addition, a system of ‘career saving’ is put in place which enables
workers to save up time in order to ‘finance’ a career break at a later date. As to employer-oriented flexibility, the law offers, inter alia, the expansion and simplifying of rules regarding the use of overtime and the introduction of permanent temporary work contracts (Peeters, 2016). These measures, which might hamper a good balance between work and private life, have led to trade union actions.

As regards the specific impact of social partners the collective cross-sectoral labour agreement n° 85 of 9/11/2005 is noteworthy. This agreement covered the implementation of telework - a vital flexibility tool used by employees. Another important collective agreement is the one establishing a cross-sectoral framework for night work (n° 46 and extensions). This agreement lays down the conditions as regards the use of night work (compulsory consultation of trade union delegation, remuneration, time schedule, etc.), which seeks to protect employees since working shifts at night might cause work-life balance conflicts. Other cross-sectoral labour agreements in the context of achieving a better work-life balance are agreements n° 35 on part-time work, n° 36 on temporary agency work and n° 45 concerning leave for compelling reasons (Nationale Arbeidsraad, 2016). These sector-wide agreements are complemented by collective agreements at industry and eventually firm level. In particular employee-orientated flexitime is a working condition which is chiefly agreed on between the employer and employees at firm level.

Other policies facilitating the combination work-private life formally set up by the federal or regional Belgian government but with great influence of social partners, are for example extensive child care provisions for working parents. Provisions come both in the form of institutionalized day care centres and private but subsidized “care mothers”. Gross fees are strongly income related as well as partially tax deductible rendering child care close to costless for those with the lowest incomes. Furthermore, parental, maternity and paternity leave and legal absenteeism for medical assistance are strictly framed by law and further determined by collective agreements. The Peeters Law, moreover, extended these legal opportunities through adding an additional three months of time credit for healthcare reasons and one additional month of time credit for palliative care (Peeters, 2016). Finally, the Belgian Service Voucher Scheme, in place since January 2004, has proved to be tremendously popular in relieving the combination pressure. Because service vouchers can be used for such activities as cleaning and ironing, consumers are partially freed from some daily chores. This opens up more time for leisure and child care or workers are able to put in more paid hours than they would otherwise (Marx and Vandelannoote, 2016).

Finally, it is worth highlighting the link between this case study and the previous one. Since women are experiencing particularly strong balancing difficulties, measures taken by social partners to combat WLB-conflicts improve their career opportunities. More equal career opportunities are conducive to more equal pay. This way, the impact of social dialogue on both aspects - equal pay and the work-life balance - may well be mutually reinforcing.

8. Conclusion

In maintaining a strong social concertation model Belgium goes against international trends. Trade unions and employers’ organisations - the social partners - remain institutionally strongly embedded. Bargaining on all aspects of working conditions, including wages, occurs in a multi-tiered bargaining system and legal extension of collective agreements ensures close to full coverage. Although the role of the state has increased over recent years, the social partners continue to enjoy considerable
autonomy in this respect, especially at the sectoral level. The social partners also continue to play an important and stabilizing role in social and economic policy through their advisory and (co-)governing capacities in various institutions of the welfare state.

This report has highlighted that the Belgian social concertation model has many positive, even exemplary aspects and outcomes. It has brought stability even in the most turbulent of times. That was very much in evidence when Belgium broke the record of the longest government formation in modern history, and this during times of unprecedented economic and monetary turmoil. Yet living standards increased in Belgium throughout this episode, while they were dropping or stagnating elsewhere in Europe.

We have highlighted other outcomes. Belgium is among the few rich countries not to have seen growing income inequality over the course of the past two decades, while living standards have increased steadily. Belgium's exceptionally compressed wage-structure is a major driver of its low overall inequality. Belgium has just about the lowest incidence of low-paid work in the industrialized world. As far as we know there have been no increases in low-paid work or in wage inequality. The gender pay gap has decreased significantly to one of the lowest levels found anywhere. All this directly relates to Belgium's comprehensive wage bargaining system and the fact that nearly all workers are covered by collective agreements.

Those favorable outcomes extend beyond wages. There is little evidence of precarisation in the world of work. There has been little state-imposed deregulation and various forms of non-standard work remain less widespread in Belgium than elsewhere. To the extent that there have been moves towards more flexibility, these have been mostly negotiated. Many Belgian workers express relatively high levels of satisfaction with their work-life balance.

In short, on such dimensions as wage equality, job stability, atypical employment or gender equality Belgium does relatively well for reasons that can be directly related to its social concertation model, especially the fact that rules are set through negotiations at various levels rather than by decrees from above.

However, this does not mean that there are no inequalities to worry about. Job growth has been weak and there is particularly strong stratification in labour market participation and unemployment rates by such dimensions as education level, migration background or region. Despite low overall income inequality Belgium's labour market is not as inclusive as it needs to be, and this is arguably at least in part a consequence of institutional rigidities and insider biases inherent to an extensive social concertation model as Belgium's. Furthermore, for a country with a comparatively low level of income inequality and a comparatively high level of social spending, most of it channeled through social insurance systems co-governed by workers and employers, Belgium is confronted with a comparatively high level of relative income poverty.

Belgium's social model has thus not shown itself sufficiently capable to deal with the root problems of sluggish job growth, unemployment and poverty among those at active age. In addition, there are further pressures for change.

External pressures derive from the fact that Belgium's economy is about as internationally oriented as it gets. Few countries in the world import and export more a percentage of their GDP. That exposure requires constant adaptation to international demands and practices, like just in time production and
delivery. This competitive pressure for flexibility in responding to demand fluctuations can be at odds with work conditions agreed in countless collective agreements, often the product of extensive and long negotiations. To deal with these pressures employers are demanding more flexibility, in addition to perennial demands for lower wage costs.

Internally, political changes are challenging the status-quo. Until recently Belgian governments were dominated by parties with very strong links to the labour movement, be it of the Christian Democrat, Socialist or Liberal variety. For the first time in modern history the government is dominated by a political party that does not have such links and that even sees its independence from the labour movement as one of its defining features.

Because of these and other external and internal pressures Belgium's social dialogue model will need to adapt. Unfortunately, Belgium's institutional context is not conducive to rapid change in the directions needed. For all the stability on the surface, Belgian governance is a particularly complex and tense equilibrium, where the next (redistributive) conflict is always on the horizon. A legacy of decades of inter linguistic conflict is a complex federal system in which competencies are allocated in a way which almost inevitably precludes a high degree of policy consistency. The field of industrial relations is as fractured; there are multiple and in effect competing trade-unions and employer's organisations. All this makes for a context in which coherent and purposeful change is difficult to implement.

The Belgian system features a combination of strong problem pressure and an institutional context that makes major changes extremely difficult to bring about. Belgium is often considered a prime example of an ‘immovable object’ meeting ‘irresistible forces’. Yet in concluding it bears stressing that Belgium’s social concertation system has often proved more adaptive than it may appear from the outside. Change tends to occur incrementally, in ways barely noticeable to outsiders, through numerous small changes. The pace of change may appear glacial at times, but there have been many demonstrable functional adaptations over the past decades, arguably in some respects more successful than ‘big reform’ changes elsewhere. Still, this mode of adaptation poses issues in terms of consistency, timeliness, and thus ultimately sustainability.

9. References


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