European Trade Union Institute

From the Selected Works of Kurt Vandaele

2006

A report from the homeland of the Ghent system: unemployment and union membership in Belgium

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Available at: https://works.bepress.com/kurt_vandaele/4/
Introduction: is Belgium a ‘Ghent country’?

Belgium is one of the few post-industrialised countries in which more than half of the dependent labour force is a trade union member. Net union density even slightly increased from 53.9% in 1990 to 55.4% in 2002 (Visser 2006). Union density is higher only in Denmark, Finland and Sweden. These Scandinavian countries have in common the presence of a so-called ‘Ghent system’.\(^1\) A Ghent system can be defined as state-subsidised, but voluntary unemployment insurance administered by unions. Such union-run unemployment funds were first successful in the Belgian city of Ghent.\(^2\)

According to Mancur Olson’s well-known theoretical framework, a Ghent system may act as a valuable ‘selective incentive’ for union membership because it reduces free-rider tendencies (Holmlund and Lundborg 1999). While the historical partisanship of government and the combination of centralised collective bargaining and direct union access to the workplace may count as well, there is overwhelming empirical evidence that a Ghent system contributes to a high union membership rate and largely explains the persistent cross-national divergence of union density (Checchi and Visser 2005, Visser 2002; Scruggs 2002; Blaschke 2000; Western 1997; Rothstein 1992, 1990). Especially when unemployment in most post-industrialised countries increased to double-digits during the last quarter of the 20th century, the positive effect of the Ghent system upon unionisation became clear (Scruggs and Lange 2001).

Nowadays, union-managed unemployment insurance (UI) schemes are under pressure in Denmark, Finland and Sweden (Jokivuori 2006; Lind 2006, 2004; Böckerman and Uusitalo 2006; Pehkonen and Tanninen 1997). These countries have recently seen the emergence of independent unemployment funds that provide UI without requiring union membership. In Sweden, the legitimacy of the traditional Ghent system is further undermined by the hollowing-out of unemployment benefits and the introduction of additional forms of insurance (Kjellberg 2006). This gradual weakening of the close relationship between UI and the unions largely explains the fall in union membership, particularly among young employees. Although union density is still very high, the Danish, Finnish and Swedish unions

\(^1\) Norway abolished the Ghent system in 1938.
\(^2\) ‘Gent’ in Dutch and German or ‘Gand’ in French.
must be wary of a further erosion of the Ghent system. Belgium may be an interesting case for them because the Belgian UI system, as a compulsory scheme, continues to provide an incentive for union membership.

Most industrial relations researchers still consider Belgium as a ‘Ghent country’. Using Qualitative Comparative Analysis (QCA) or other Boolean algebra techniques, however, some studies stress its hybrid character by coding the Ghent dummy variable to 0.5 (see Scruggs and Lange 2002; Oskarsson 2002; Ebbinghaus and Visser 1999). Since UI coverage is not conditional on union membership and only valid for private sector employees, other studies even regard the Belgian case as a non-Ghent country (see Oskarsson 2003). The ambiguity about the Belgian UI system raises the question of whether Belgium is in fact a ‘Ghent country’. By putting the Belgian Ghent system in its historical context, I will argue that Belgium can be considered as a country with a de facto Ghent system. That is to say, despite the abolition of the voluntary, state-subsidised, union-run unemployment funds, the current UI system still encourages unionisation as if it were a Ghent system because the unions continue to play an important role in the system.

**Belgium as the ‘birthplace’ of the Ghent system**

In response to unemployment, which was a new phenomenon in the 19th century, typographers’ unions were the first in Belgium to establish unemployment funds (Peiren 2006: 132-35). Other unions set up funds to insure their members against unemployment in return for a regular contribution. However, largely because of their limited financial strength, most funds ran into difficulty. In Ghent, a city with a long tradition of worker organisations, in 1895 the unions turned to the city council with requests for additional financial support. The council appointed Louis Varlez, a liberal lawyer and social researcher, to study the unemployment problem (Van Daele 2002: 59-90). Having studied experimental voluntary UI schemes at home and abroad Varlez conceived a scheme based on the ethos of ‘self-help’ and individual responsibility. The resulting communal unemployment fund came into force on 1 August 1901.

The purpose of the communal unemployment fund was not to encourage unionisation, but only to ease the consequences of unemployment (Vanthemsche 1985). The supplement that the fund provided to the unemployed was unconditional on union membership and oriented to the individual insured worker. Non-union members could register with the city council and, in case of unemployment, receive the same supplement as that paid out to union members. Moreover, the role of the unions was incidental and instrumental. If the unemployed worker was insured at a union unemployment fund, the municipal supplement was granted through the local union.3 However, since the supplement was given irrespective of the union’s ideology, the principle of ‘self-help’ stimulated the unions to lobby the city council to increase the supplement for everyone (Strikwerda 1997). At the same time, the

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3 As an alternative form of public intervention on unemployment, the so-called ‘Liège system’ directly supplied grants to the union unemployment funds in 1897. The provincial government had the explicit purpose of stimulating the unions involved in UI. This socialist initiative was unsuccessful because Catholics and liberals favoured the Ghent system whose basic principles were more in line with their respective ideologies.
authorities helped the unions as private organisations to carry out their own activities through subsidies. As a result, the principle of liberté subsidée – subsidised liberty – encouraged unions to establish unemployment funds affiliated to a municipal unemployment fund and stimulated workers to join unions and to remain union members when they were unemployed. Hence, very few workers were members of the non-union-affiliated unemployment funds.

Other cities soon followed the practice in Ghent, but the quantitative impact remained quite limited before World War I. As ‘an expression of the national life in which it functions’ (Kiehel 1932: 3), the Ghent system was a clear Belgian example of a synthesis between Catholic paternalism’s emphasis on coping for oneself, the individual liberty of traditional liberalism and socialist pragmatism. Probably because of its compromise character, the Ghent system, adapted in one way or another, became a model for much of Europe and it may therefore be considered as the real originator of UI (Ebbinghaus and Visser 1999: 143; Western 1997: 51-55; Alber 1981; ILO 1955: 15). France was the first country to establish a Ghent system at national level in 1905. Norway and Denmark adopted a national voluntary unemployment scheme in the next two years. Over the next three decades, similar union-led unemployment schemes were in use in the Netherlands, Finland, Switzerland and Sweden.

In Belgium, the Ghent system was institutionalised at national level and extended in 1920 (Vanthemsche 1990: 358-359). A new government institution, the Nationaal Crisisfonds/Fonds Nationale de Crise (NCF/FNC, National Crisis Fund), was created to manage the state’s new benefit system. The UI remained a voluntary system largely based upon the autonomous union unemployment funds. Non-union-linked funds remained inferior. Moreover, the unions were able to make their services for the unemployed more attractive.

Apart from central government support and union benefits, various benefits for the unemployed remained mostly intact at the municipal and provincial level, especially where socialist or Christian Democratic political parties were in the majority. Because the unions paid out all benefits, most unemployed union members were probably unaware of the real source of the payments, which, among other factors, contributed to the further rise in union membership in the interwar years.

**The Ghent system under pressure in the interwar years**

To break the union monopoly in UI, employers set up their own unemployment funds, but they had little success. Employers’ or public sector unemployment funds insured about 3% of workers in 1930 (Kiehel 1932: 148). In fact, conservatives and the main employers’ federation preferred a compulsory UI system. But such a system stood little chance immediately after World War I because of union opposition. Employers’ displeasure with the Ghent system re-emerged when the unemployment question was brought to the surface by the economic crisis in the 1930s (Goossens et al. 1988). They basically criticised the fact that, through their hold on the UI system, the unions had control over the labour market.4 During the first

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4 According to the employers, unemployment benefit was too high, and, as a result, a wage-deflationary policy was obstructed.
half of the 1930s, supported by the employers, conservative Catholic-liberal coalition governments launched an array of initiatives intended to restrict the Ghent system, but the almost exclusive role of the unions remained unaffected.

However, economic depression caused severe organisational and financial problems for the unions; with some of them even on the verge of bankruptcy in 1932 and 1933 (Vanthemsche 1990: 368). Owing to these problems, compulsory insurance against unemployment was (again) placed in the foreground by some unions, particularly by the national leadership of the socialist trade union federation.5 The labour movement was deeply divided, however. The majority opposed an extension of ‘state intervention’ in the UI scheme, especially the Christian trade union confederation, the Algemeen Christelijk Vakverbond/Confédération des Syndicats Chrétiens (ACV/CSC, General Confederation of Christian Trade Unions) which took a firm stand on retaining union participation in the administration. Only the national leadership of the socialist union confederation favoured abolition of the union-run unemployment funds and replacing them with a state-administered system.6 Most of their affiliated unions, especially those in Flanders, were opposed because they feared a drop in membership. So, different socialist union congresses voted against the ending of the union-administered unemployment scheme but differences of opinion continued to exist (see Hemmerijckx 1995: 231-232).

In 1936 the Catholic-liberal-socialist government appointed a royal commissioner for unemployment to write a report that would be used as the basis for a debate in parliament on the introduction of a compulsory UI system (Vanthemsche 1990: 368-371, 1989: 153-181). In his final report the commissioner made a plea for the abolition of all autonomous unemployment funds and their replacement with a government agency jointly managed by workers’ and employers’ representatives. Furthermore, UI would be financed by mandatory contributions from both workers and employers. Their contributions would be paid in advance and deposited in a central public fund. The psychological and financial link between workers and trade unions would be diminished through this collection system. Still, the unions would retain their involvement in benefit administration by paying out unemployment benefits.7 City councils or regional offices of the government agency would also be able to disburse the benefit. However, no parliamentary compromise could be reached on the report and UI reform was still in an impasse when World War II broke out.

A compulsory UI system after World War II ...

In 1944 a compulsory UI system was established within the framework of social security through the so-called ‘Social Pact’ (Pasture 1993). The system remains in place today and closely resembles the proposals of the pre-war report. The UI is basically financed by contributions from

5 Immediately after World War I the unions had in mind the replacement of voluntary UI by a compulsory system, but with preservation of the pivotal role of the union-run unemployment funds.
6 Apart from a Weberian rational bureaucratic viewpoint, the socialist union leadership wanted to encourage the class struggle that was being neglected, in their view, due to union involvement in the UI system. Albeit for very different reasons, they therefore stood alongside the employers, who also wanted to abolish the Ghent system.
7 The royal commissioner for unemployment argued that the beneficiary must not be treated uncaringly, which would probably be the case at the office window of a public service.
employees and employers and is administered by a government agency – the current Rijksdienst voor Arbeidsvoorziening/Office Nationale de l’Emploi (RVA/ONEM, National Employment Office) – jointly run by representatives of both sides of industry (Ministerie van Arbeid 1960). Although the autonomous union funds were abandoned, benefit payment is still to a certain extent in the hands of the unions. Unemployed people can receive their benefit via a particular payment service run by the union of their choice or via a specially designated state agency, the current Hulpkas voor Werkloosheidsuitkeringen/Caisse auxiliaire de paiement des allocations de chômage (HVW/CAPAC, Branch Office for Unemployment Benefits). As a semi-governmental institution, the HVW/CAPAC is part of the social security system and therefore jointly administered by the unions and the main employers’ organisation. Since the 1950s they have both managed a type of social security fund at the sectoral level, too. These employer-funded funds pay out a supplement to unemployment benefit or finance vocational training.

Besides the special state agency, only the ACV/CSC, the socialist Algemeen Belgisch Vakverbond/Fédération Générale du Travail Belge (ABVV/FGTB, General Belgian Trade Union Confederation) and the liberal Algemene Centrale der Liberale Vakbonden van België/Centrale Générale des Syndicats Libéraux de Belgique (ACLVB/CGSLB, General Confederation of Liberal Trade Unions in Belgium) may set up payment services because only they meet the criterion of having at least 50,000 members. Hence, no other unions than the three main union confederations are officially recognised as paying agents in 1947 (Faniel 2006: 326-343). The federal government reimburses all paying agents in order to compensate them for their so-called ‘administrative costs’. Since 1992 this reimbursement has taken workload into account, based upon the number of paid cases and their complexity, wage development at the payment agencies and their productivity. The unions maintain a separate accounting system for their activities and their role as a paying agency. It is impossible for them to use reimbursements for other union activities since RVA/ONEM inspectors rigorously supervise the unions.

…but a de facto Ghent system as a result

The relative importance of the different paying agents can be deduced from the distribution of unemployment benefit expenditure. The union dominance of UI administration is obvious from Figure 1. On average, about 86% of the unemployed made use of the union payment service during 1977-2005.8 Because of its industrial base in Wallonia, deindustrialisation caused an especially high jobless membership rate in the ABVV/FGTB. The HVW/CAPAC is marginal and avoided by the unemployed. Moreover, the trend shows that the HVW/CAPAC was losing ground in the 1990s and beyond. In order to enhance its performance, a management agreement between the HVW/CAPAC and the federal government was concluded in 2003, but that did not change the prominent role of the unions in the UI. Still, the non-union payment service has become more important than in the interwar years, when the union unemployment funds had a share of 97%.

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8 As far as I know, data on the distribution of unemployment benefit expenditure before 1977 are not publicly available.
The state of collapse of the unions and their unemployment funds after World War II may to some extent explain the difference between union dominance before and after the war. Due to the unions’ disintegration, municipal social service departments paid out unemployment benefits in the first four years after the war (Vanthemesche 1989: 179). Moreover, before the war the unions were able to make their unemployment benefits more attractive than the non-union-affiliated funds, but this was legally impossible in a compulsory UI system. Therefore, the Belgian unions lowered the cost of membership. Since the 1950s a so-called ‘trade union bonus’ is paid by the employers to union members and amounts to as much as 75% of the union membership fee (Van Gyes et al. 2000). In addition, unemployed and early-retired union members pay a reduced union fee that is tax deductible.

Although the connection between unemployment and union membership weakened in the post-war period, econometric analysis shows that the prospect of becoming unemployed still drives employees into the unions (Vandaele 2005; see also De Witte 2000). According to the Belgian unions themselves, they can count on an influx of young union members due to the high youth unemployment. The ‘Ghent effect’ is confirmed by the fact that union densities in Belgium and the Netherlands have differed significantly, especially when unemployment soared in the 1970s and 1980s, although both countries are similar in many other respects (Western 1997: 57-58; Rothstein 1992: 34; Neumann et al. 1991: 272). While other factors may count, too, the link between unemployment and union membership is also shown by the fact that union density is lower among public sector employees who have tenure.

Hence, for historical reasons many employees still perceive a strong psychological and administrative association between UI and union membership. What is more, although the costs of the HVW/CAPAC are very low compared to union fees, the special state agency is rather unattractive. First of all, the union payment service is very tempting because unemployed and early-retired people perceive that they get their benefit more quickly and smoothly than when they use the HVW/CAPAC. When the stage agency was established, its working rules were made more restrictive, much to the delight of the unions (Vanthemsche 1994: 187-188). Secondly, the HVW/CAPAC has currently 34 regional offices (HVW 2006), which means that the state agency is undeniably less widespread than the union branches. This geographic inequality became apparent only in 1951. Then the regional offices of the precursor of the HVW/CAPAC were established and gradually took over the function of the municipalities, which were sometimes hostile to the unions, of paying out the unemployment benefits. This new organisation of benefits payments largely complied with the union demands, but the unions still felt that there was some ‘unfair competition’ because the regional offices provided the unemployed with legal advice and the offices could depend on the municipalities which offered free office space and personnel (Januarius 2005). In addition, it was forbidden for the forerunner of the RVA/ONEM to control the accounting of the offices. The establishment of the HVW/CAPAC brought an end to the ‘unfairness’. Moreover, the number of the regional offices was further reduced.

Is the system at risk?
The survival of Belgium’s de facto Ghent system is not assured. Several scenarios are imaginable in terms of which union dominance will be diminished. One is the further erosion of the system by, for example, a reduction in government reimbursements. In fact, this was more or less the case in the period 1983-87 when the Christian Democratic-liberal governments, for austerity reasons, limited reimbursements. When the liberals went into opposition, the Christian Democratic-socialist government increased reimbursements. Heavily influenced by neoliberalism, the Flemish liberal party, the Vlaamse Liberalen en Democraten (VLD), took a radical approach when returned to the federal government in 1999. The VLD tried to abolish the union role in the UI system when they negotiated the coalition agreement. However, their socialist coalition partners very quickly rejected abolition.

Alongside the VLD in 1999, the extreme right ritually calls for the abolition of the unions’ role in the UI system every time the annual report of the RVA/ONEM, which details federal government reimbursements, is published. Since the extreme right fears the reaction of the electorate, however, its attacks on the de facto Ghent system go almost unnoticed by the public (Van Overloop 2006). In concert with the extreme right, some liberal parliamentarians (see, for example, Dedecker 2006: 241-242) continue to challenge the nearly exclusive link between UI and the unions and, ironically, thus support more state involvement. But for the VLD it is politically virtually impossible openly to contest union involvement in the unemployment benefit administration because the Flemish liberals still form a
coalition with the socialists in the federal government. Moreover, after expelling a parliamentarian who continuously grated on the socialists’ nerves, the VLD have recently paid lip service to a more ‘union-friendly’ attitude.

Apart from referring to their historical role of defending the unemployed, the ABVV/FGTB and ACV/CSC have been able to counter the attacks of the (far) right by claiming that they work more efficiently than the government agency. Nevertheless, the unions must be on guard because the current UI system is a constant irritation to the (far) right. The Flemish liberal party recently proposed restricting the duration of unemployment benefit. Since this would probably cause a decline in union membership among the unemployed, the proposal indirectly undermines the union role in the UI system. In answer to the liberal proposal, the current socialist Minister of Labour defended his policy of activating the unemployed (Vanvelthoven 2006). But it goes without saying that this policy implies an increasing conditionality of the unemployment benefits. Nevertheless, the paying of unemployment benefits continues to be uniquely unlimited in time and recent graduates have the right to a benefit after a qualifying period (Palsterman 2003). The benefits, earnings-related since 1971, are automatically index-linked and they have also recently been linked to a rise in incomes.

One other possible scenario that severely threatens survival of Belgium’s de facto Ghent system is the decentralisation of the system. Most Flemish political parties – including the socialists – are trying to put the decentralisation of competencies to the regions and communities and institutional reforms related to the labour market and the social security system on the political agenda (Dandoy and Baudewyns 2005). They are demanding a new constitutional reform of the Belgian state after the federal elections of 2007. Since 1980 the employment service has operated at regional level (Flanders, Wallonia and Brussels-Capital) and vocational training is a competence of the language communities (Flemish, French and German-speaking), but as a part of social security the UI system itself remains a federal competence. In the view of the Flemish employers’ organisations and most Flemish political parties all regions would be economically better off if they each had competence for all aspects of employment and unemployment. Although the political parties in Wallonia and the unions are against a constitutional reform of the social security system, it may be another threat to the de facto Ghent system. Union influence in politics has decreased in all regions, but in Flanders especially decentralisation of the UI system may be a hidden opportunity for the VLD (or others) to weaken or abolish union participation in the system. Even the Christen-Democratic minister-president of Flanders, whose political party has informal links with the Flemish part of the ACV/CSC, recently questioned union involvement.

Conclusion
Belgian union density remains relatively high and stable at the beginning of the 21st century. The UI system is an important factor in explaining why Belgium has been an exception to the general decline in union density that has occurred in most post-industrialised countries. As a result of an ingenious compromise à la Belge, Belgium practises a hybrid system with de jure compulsory UI, but de facto union
dominance through their involvement in benefit administration in the private sector. The Flemish right and extreme-right parties in particular are trying to break the unions’ ascendancy in UI, but as yet without success. The non-union-linked provision of unemployment benefit via the HVW/CAPAC, the state payment agency, remains inferior: most employees consider it as unattractive, which makes it easier for the unions to recruit and to keep members among the unemployed. Just like the Ghent systems in Denmark, Finland and Sweden, the Belgian system supports thus unionisation but within a compulsory scheme. Hence, one can speak of a de facto Ghent system in Belgium.

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