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The Ghent-system, temporary unemployment and the Belgian trade unions since the economic downturn

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Introduction: stable union density

Since the 1980s there have not been significant changes in union density in Belgium, making the country one of the exceptions to the ‘de-unionisation’ trend in the European Union (European Commission 2009: 20-22).¹ Belgium’s relatively high and stable union density is considered an ‘anomalous case’ in comparative perspective (Shalev 2007: 272-273). Explanations are diverse and it is difficult to determine the relations between the explanatory factors, not to mention their relative weight. But the fact that trade unions provide a wide range of services to their members has certainly helped to underpin the social custom of union membership, the payment of unemployment benefits being, perhaps, the most high-profile union service.² Similar to Denmark, Finland and Sweden – countries with voluntary unemployment insurance (Clasen and Viebrock 2008) – the (perceived) risk of unemployment drives workers into unions in Belgium, notwithstanding the fact that unemployment insurance is mandatory. Another idiosyncrasy of the

Belgian unemployment insurance system is that unemployment benefits are, in principle, unlimited in duration.³ However, this last feature has gradually been hollowed out since the 1980s and is repeatedly being called into question by international organisations, the OECD in particular (see Faniel 2008: 54, 2007: 22). Today, the unemployment insurance system is again under pressure due to the economic crisis and the associated rise in temporary unemployment. In fact, as a buffer to the economic downturn, temporary unemployment has not only increased rapidly but its scope has recently been extended. This article seeks to provide a provisional assessment of the short-term effects of temporary unemployment for the Belgian trade unions. It also reflects briefly on possible political threats to the current unemployment insurance system in general.

Debate on temporary unemployment arrangements

The global financial turmoil and economic crisis hit Belgium in the second half

1 ‘Net’ union density stood at 54.1% in 2006, while the weighted average of the ‘net’ union density in the EU stood at 25.1%.

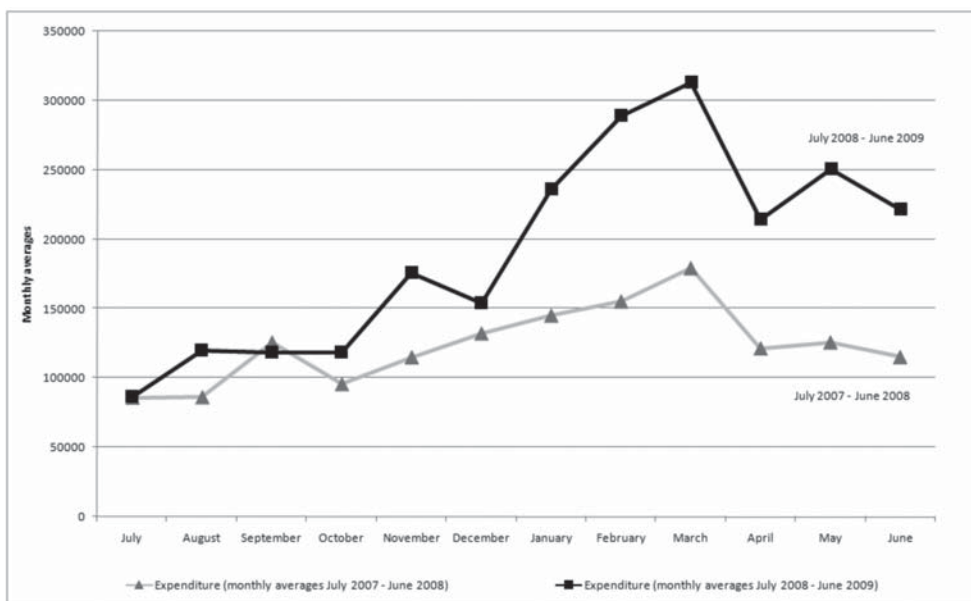
2 Past waves of strike action have also resulted in significant membership gains. Grass-roots mobilisations have often catalysed institutional renewal in the field of industrial relations, while ideological and organisational links between the political parties and main union confederations have favoured a ‘union-friendly’ renewal.

3 Young jobseekers who are unable to find work at the end of their studies can also claim unemployment benefits after a qualifying period.

of 2008. One of the first indications of the crisis on the labour market was the non-renewal of temporary contracts and companies' increased use of temporary unemployment for economic reasons. Traditionally, temporary unemployment is applied primarily in the construction sector, mainly to take into account bad weather, and largely explains why union density is particularly high in this sector. But in all economic sectors, the most important cause of temporary unemployment is that, in the short term, there is

insufficient work for economic reasons.⁴ Employers in particular consider temporary unemployment a flexible instrument for coping with short-term economic difficulties. That is why temporary unemployment increased very rapidly in the last quarter of 2008 (Hoge Raad voor de Werkgelegenheid 2009: 36-39; CRB 2009: 3-8), especially in Flanders (the northern, Dutch-speaking part of Belgium) with its export-oriented economy, resulting in a rise in expenditure, as depicted on Figure 1.

Figure 1: Expenditure on temporary unemployment: monthly averages (July 2007/08 – June 2008/09) (euros)



Note: All reasons for temporary unemployment are included.

Source: RVA/ONEM.

4 Besides weather conditions and economic reasons, circumstances beyond one's control, technical difficulties in the enterprise, the collective closure of the firm due to annual vacations or a strike or lock-out are also reasons for temporary unemployment. The reasons are verified by the Rijkdienst voor Arbeidsvoorziening/Office National de l'Emploi (RVA/ONEM, National Employment Office) and are cleared six months after notification by the employer.

Under the temporary unemployment scheme, blue-collar workers are entitled to unemployment benefit for a certain period of time, during which the employment contract is not terminated but partly or wholly suspended on a temporary basis. In other words, the scheme enables blue-collar workers to keep their jobs and employers to save costs (for application procedures and vocational training) in anticipation of when the economy picks up. Temporary unemployment for economic reasons does not apply to white-collar workers because trade unions fear that this would hollow-out their employment protection – employment law still draws a distinction between blue-collar and white-collar workers in Belgium. Therefore, although originally aimed at reconciling family life and work, employers have, since the crisis hit, increasingly been ‘encouraging’ white-collar workers to agree to a ‘career break’ by means of the ‘time credit system’ and collective working time reductions. In October 2008, as an alternative to lay-offs and their associated costs (including a loss of know-how), employers’ organisations, especially in industry, launched a proposal for temporary unemployment for specific types of white-collar workers (at least for 2009).

The unions, worried about the rising costs to the social security system, were reluctant, linking the possible measure to the long-discussed issue of harmonising the

employment status of blue-collar and white-collar workers and instead favoured collective working time reductions (Van Gyes 2009). Nevertheless, acknowledging the current difficulties, the main employers’ organisations and trade union confederations were able to conclude an inter-sectoral agreement, setting a maximum net wage increase of €250 for 2009-2010. Of particular importance here is that the social partners also agreed on an increase of compensation for income lost by blue-collar workers when they are subject to temporary unemployment and the extension of this scheme to agency workers and workers with fixed-term employment contracts. In December 2008, the government under Prime Minister Yves Leterme (referred to as ‘Leterme I’) (proactively) integrated the agreement (and the policies taken by the regional governments) in its stimulus package to counter the economic crisis.⁵ Further negotiations between the social partners on temporary unemployment for white-collar workers failed, however.

Nevertheless, in April 2009, the government of Prime Minister Herman Van Rompuy (‘Van Rompuy I’) introduced additional measures for reducing working time and minimising lay-offs.⁶ The measures are temporary (until 31 December 2009) but could be extended, once, until 30 June 2010, depending on the economic situation.⁷

5 The Flemish government introduced a ‘bridging premium’ for employees working shorter hours on a temporary basis, whereby part-time wages are supplemented by an income of between €95 and €345 a month.

6 Following the sale of Belgium’s largest bank, Fortis, to BNP Paribas, Prime Minister Leterme and the Minister of Justice and Institutional Reforms resigned at the end of 2008 in the wake of accusations of government interference with the judicial system. Leterme returned in the Van Rompuy government as Minister of Foreign Affairs in July 2009.

7 See www.herstructureringen.be or <http://www.restructurations.be/>

One measure, pushed particularly by the liberal parties, in many respects resembles the temporary unemployment scheme for blue-collar workers. Under the newly introduced arrangements for white-collar workers, the employment contract is partially or fully suspended, for a maximum duration of 26 or 16 weeks, respectively. The arrangement should be included in a collective agreement concluded at the sectoral or firm level or in a company plan. White-collar workers are granted unemployment benefit equal to 70% or 75% of their salary, up to a given ceiling, and a possible additional payment from the employer. Although it is too early clearly to see the consequences for trade unions of the new temporary unemployment arrangement for white-collar workers, an analysis of previous difficult economic times and escalating unemployment can probably shed some light on this.

Different economic times, different inflows

Voluntary and state-subsidised trade union-run unemployment funds existed

in Belgium before World War II. The so-called ‘Ghent system’ – named after the Belgian town in which union-linked funds first flourished – shifted towards a mandatory unemployment insurance system after the War. However, by paying out unemployment benefits the unions retained an intermediary role within the system (de Deken 2007: 15-25). From the distribution of unemployment benefit expenditure, it is obvious that it is the unions’ role in distributing unemployment benefit that has allowed them to maintain a dominant position (Januarius 2008; Vandaele 2006: 649-651). Although receiving unemployment benefit is not dependent on union membership, more than 85% of the jobless are trade union members, while a special state agency pays out benefits to the rest of the unemployed. Besides the historical identification of the trade unions with the payment of unemployment benefit, the unions’ supremacy could largely be explained by the dense network of payment offices, the unions’ ability to pay benefit slightly earlier than the state agency and perceptions of better service (information, advice and legal assistance) from the unions (see Faniel 2008: 53-54, 2007: 19-20).

Table 1: Average growth rates of payment offices, 1978-2007 (%)

Unemployment level	ABVV/FGTB	ACV/CSC	ACLVB/CGSLB	Total unions	HVW/CAPAC
Periods of falling unemployment	0.23	-0.16	0.18	0.04	-0.31
Periods of rising unemployment	0.38	-0.09	0.73	0.16	-0.93
Whole period	0.31	-0.12	0.47	0.11	-0.64

Note: Years of decline (N=14): 1980; 1985-90; 1996-97; 1999-2001; 2006-2007. Years of rise (N=16): 1978-79; 1981-84; 1991-95; 1998; 2002-2005.

Source: Unemployment level (harmonised): OECD. Stat. Expenditure on unemployment benefits: RVA/ONEM.

In fact, Table 1 demonstrates that the share of the special state agency – Hulpkas voor Werkloosheidsuitkeringen/Caisse auxiliaire de paiement des allocations de chômage (HVW/CAPAC, Auxiliary Branch Office for Unemployment Benefits) – diminished during the period 1977-2007, since the average annual growth rate is negative.⁸ The average of year-on-year percentage changes in the share of the payment offices run by the unions stands at 0.11% in the same period. As a result, while the share of the HVW/CAPAC amounted to 14.9% in 1977 and decreased to 12.2% in 2007, the overall share of the unions slightly increased, from 85.1% to 87.8%, in the same period. Variations in the average annual growth rate between different economic periods and the Catholic Algemeen Christelijk Vakverbond/Confédération des Syndicats Chrétiens (ACV/CSC, General Confederation of Christian Trade Unions), 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) are obvious, however.

Of particular importance here is the distinction between periods of rise and of decline in the employment level. In times of falling unemployment, the dwindling share of the HVW/CAPAC within the payment of unemployment benefits is less pronounced, while the unemployed are

even more likely to turn to the payment offices run by the unions during years of rising unemployment. Although the prior union status of the jobless is not known, one can assume that a significant percentage of them join a union only when they become unemployed. The different growth rates of payment offices in times of economic prosperity and of crisis thus provide indirect evidence of the assertion that workers in ‘Ghent countries’ are more inclined to join a union (or to remain a union member) in times of economic downturn. At the same time, one should add that the unions’ relationship with the jobless is rather uneasy, since unions are naturally more oriented to those in employment (Faniel 2009, 2006).

Different intensity, different inflows

The disaggregated data in Table 2 (below) show a different growth rate of payment offices related to intensity of unemployment increase. In years of steep – and sudden – rises in unemployment, the payment offices run by unions grew by only 0.13% compared to a growth rate of 0.20% when unemployment increases are more modest. But only the ACV/CSC experienced a decline in its share (standing at 41% in 2007). Although in terms of membership the ACV/CSC is the largest confederation in Belgium, and particularly dominant in Flanders, the socialist ABVV/FGTB slightly enlarged its share, from 37.3% in 1977 to 40.8% in 2007. This growth might be explained by the over-representation of the ABVV/FGTB among groups with a

⁸ Data on the distribution of unemployment benefit expenditure before 1977 are not publicly available.

higher risk of unemployment and in economic regions which have seen a strong, long-term rise in unemployment (Brussels and Wallonia), or both.

Table 2: Average growth rate of payment offices in times of rising unemployment, 1978-2007 (%)

Unemployment level*	ABVV/FGTB	ACV/CSC	ACLVB/CGSLB	Total unions	HVW/CAPAC
Weak rise	-0.21	0.50	0.50	0.20	-1.22
Sharp rise	0.98	-0.68	0.96	0.13	-0.64
All years	0.38	-0.09	0.73	0.16	-0.93

Note: Years of weak rise (N=8): 1978-79; 1984; 1991; 1995; 1998; 2004-2005. Years of strong rise (N=8): 1981-83; 1992-94; 2002-2003. * A weak (strong) rise in unemployment is considered to be an annual rise lower (higher) than the average annual growth rate in rising unemployment during 1978-2007 (9.5%).

Source: Unemployment level (harmonised): OECD. Stat. Expenditure on unemployment benefits: RVA/ONEM.

Looked at in another way, the fact remains that the decline of the HVW/CAPAC slows down by half in periods of rapid unemployment growth. One can only hypothesise why this is the case since no research has been conducted on the different growth rates of the paying offices. Even so, one can assume that periods of strong economic decline probably affect all groups of workers, even those who normally do not have a high unemployment risk (such as white-collar workers and highly qualified workers). Those workers might be more inclined to turn to the state agency in case of unemployment, due to weaker identification with unions.⁹ The new temporary unemployment arrangement for white-collar workers might produce similar effects, although it remains to be seen whether the arrangement will be applied more in sectors or companies in which unions are weak.

Conclusion: increased pressure

It is almost certain that the Belgian social security system will face a budget deficit in 2009, due to an expenditure increase (caused mainly by – temporary – unemployment benefits) and, especially, declining revenues. At the time of writing, it is still unclear what kind of austerity measures will be taken by central government in the near future in order to reduce the deficit. But the expected deficit has already provoked overt questioning by ‘Lijst Dedecker’, a Flemish populist party, with regard to the unions’ role in the unemployment insurance system. In fact, the unions’ continuing role in the payment of unemployment benefits has never been uncontested, partly as a result of the false assumption that Belgium is the only country in which unions are involved in the administration of the system.¹⁰ On a

⁹ This might also explain the growing share of the ACLVB/CGSLB: its share stood at 5.3% in 1977, rising to 6% in 2007.

¹⁰ See De Wolf (2009) ‘Overheid neemt beter administratie vakbonden en ziekenfondsen over’, *Tertio*, 22 April 2009, p. 10.

regular basis, (extreme) right-wing parties and conservative factions – mostly surreptitiously – question the unions' role, deeming the unemployment insurance system 'ambiguous', calling into question its 'transparency' and demanding 'administrative simplification'. Another danger lurking just around the corner for the unions (in Flanders) within the unemployment insurance system may be the further decentralisation of the Belgian state (cf. Faniel 2008: 61-63). Beneath this manifest, but often 'technical', debate is a latent but dominant tendency within almost all Flemish political parties to reinforce activation policies in a context of growing solidarism (that is, the development of more distinctive social policies in Flanders while excluding French-speaking Belgium). Further activation policies would make unemployment benefits more conditional, which would indirectly affect the trade unions' role in the system. Moreover, today, job search assistance and training and the evaluation of job search efforts are split between the regional and the federal levels, respectively. Bringing the two together again at the regional level by decentralisation would have an impact on the social security system, which still resides at the federal level. One thing is certain: the unions currently have their work cut out with the rise in unemployment. One might expect a further inflow to the unions of jobless when temporary unemployment turns into full unemployment in the coming months (although there are signs of economic recovery), an inflow which will almost certainly be at a faster rate than the state agency, but maybe at a slower rate than in periods of marginal unemployment increases.

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Three pillars of flexicurity: the case of the Czech Republic

Introduction

Flexicurity is a commonly used term, mostly in discussions on labour market efficiency. It is a key principle of EU labour market policies. In general terms, it is a strategy aimed at strengthening both security and flexibility for the two sides on the labour market – namely, employees and employers – and it is defined more precisely in the relevant Commission documents.¹ In research papers on this subject (see, for example, Nekolova 2008) the concept is explained in terms of employment policy practices developed in Denmark, where a high degree of deregulation is combined with a generous social protection system and extensive application of active labour

market programmes. In this article, we shall describe the three basic pillars of flexicurity – labour market flexibility, employment protection and income protection in the Czech Republic – in comparison with other EU countries.

Labour market flexibility in the Czech Republic

By international comparison, the Czech Republic has a high level of labour market flexibility. On the OECD flexibility scale, based on the so-called Employment Protection Legislation (EPL) Index, the Czech Republic is among the countries with very low labour market protection levels, essentially at the same level as in Denmark.

1 The Commission defined four components of flexicurity (European Commission 2007):

- flexible and reliable contractual arrangements;
- comprehensive lifelong learning;
- effective active labour market policies;
- modern social security systems that provide adequate income support, encourage employment and facilitate labour market mobility.