

Chapter 2

Management Perceptions of Social Dialogue at the Company Level in Belgium

Valeria Pulignano and Nadja Doerflinger

2.1 The Context: Industrial Relations in Belgium

2.1.1 *The Main Features of the Belgian System of Industrial Relations*

The Belgian system of industrial relations has three main features. Firstly collective bargaining arrangements are characterized by relatively high stability and centrality. This means that collective bargaining is highly structured with a central level at the top (inter-sector) covering the whole economy, an industrial level beneath, covering specific industrial sectors, and company level negotiations at the bottom. Belgian inter-sector bargaining is characterized by multi-industry agreements (Inter-Professional Agreements or IPAs) which are usually valid for 2 years. In addition to this, in Belgium there is the possibility to conclude inter-sectoral collective agreements covering all sectors nationally, concluded in the National Labor Council, comprised of the most representative inter-occupational employers and workers' organizations. In this respect an IPA sets the framework for pay increases and also deals with a wide range of employment-related topics, such as job creation measures and vocational training, bridging pensions, and the older unemployed. With this regard, inter-sector agreements are often known as "social planning" agreements because they provide the framework for social and employment policies over the subsequent 2 years (Vilroxx and Leemput 1998). Traditionally the construction of the welfare state in Belgium was largely carried out through these agreements. This is a characteristic which is distinctive of Belgium, and which contrasts particularly to those European countries with a dual system of interest representation.

V. Pulignano (✉) · N. Doerflinger
Centre for Sociological Research, University of Leuven, Leuven, Belgium
e-mail: Valeria.Pulignano@soc.kuleuven.be

N. Doerflinger
e-mail: Nadja.Doerflinger@soc.kuleuven.be

The second feature of the Belgian system is the highly institutionalized pyramid of negotiation. As above mentioned, the signing of an overall central agreement initiates a hierarchical sequence of negotiations at lower levels, resulting in inter-sectoral, sectoral and company level agreements. At inter-sectoral level, elements of the programmatic central agreements are developed further in economy-wide collective agreements (in the National Labor Council) or embodied in legislation. Other elements are the subject of bipartite negotiation at the sector level and subsequently of company-specific agreements in negotiations between management and the trade unions. For example, pay and working time are also covered by collective agreements negotiated within the sector-level joint committees (*Paritaire comités/Commissions paritaires*). Moreover, negotiations on pay take also place in some companies. In each case, however, the lower level (sector or company) can only agree to improve what has already been negotiated at the above level. This means that, specifically for the sector level, collective agreements can develop within the framework of the inter-sector agreement.

The third specificity of the Belgian system is the automatic linkage of wages to the price of goods and services (indexation mechanism). Under this system of 'indexation' an automatic rise in wages is triggered following the rise in the cost of living. This indexation system is considered a *modus vivendi* of the Belgian export-oriented economy (Vandaele and Bouché 2003). It is generated by the pragmatic consensus between capital and labor about the automatic adjustment of wages to prices, and therefore within this logic can be considered as an element of social stability. Because of this consensus, Belgium was the only country in Europe (apart from Luxembourg) where the automatic indexation mechanism became a sort of common practice (Luyten 1995; Scholliers 1991). However, this does not exclude that the wage indexation mechanism has been going through gradually enforced adaptations. Since the last years the modalities of the indexation system have changed. Most importantly, the adapted version of the *Law on Competitiveness* (1996) set a new framework for wage bargaining. In accordance, the wage margin approximates the average of the wage increases expected in Belgium's three main neighbor countries (Germany, France and the Netherlands) in order to safeguard national competitiveness. This means that wage increases should remain below those expected in these countries. In so doing the 1996 Law re-attributes to the social partners the full responsibility in the settlement of wage agreements, which should be based on a so-called "technical report" on wage developments and forecasts on optimal future evolutions provided by the Central Economic Council. The possibility by the government to intervene by imposing measures unilaterally it is not excluded in case the social parties fail to reach an agreement (Vanthournout and Humblet 2011).

Since the last decades, following increased international competition, a number of innovations have been made to the principles and practices of the centralized collective bargaining structure in Belgium to adjust to the above pressures. These adaptations mostly include the types of the agreement made as well as the content of the agreement, which slightly changed within a bargaining structure which still remains quite centralized and strongly institutionalized. In the following sections we will discuss these changes and assess the position of the Belgian system of inter-sector bargaining in a comparative perspective in Europe.

2.1.2 *Resisting Global and National Challenges?*

Despite the fact that decentralization of industrial relations is a feature of the Belgian system too, inter-sector and sector-level agreements have not disappeared in the country as a result of the increased number of company agreements, nor has its significance declined or being put under pressure during the last decades in Europe. This includes also the maintenance of the wage indexation. Among the employees currently covered by collective agreements (almost 96 % of the workforce), Belgium is one of the few countries in Europe where in 2007–2009 bargaining coordination—in terms of a mixture of inter-sector and sector bargaining—and bargaining centralization—in terms of a presence of inter-sector bargaining with derogation and additional sector or company bargaining—scored comparatively higher than other countries in Europe (European Commission 2010 p. 41).

The European Foundation for Working and Living Conditions (2010) reports that the Belgian collective bargaining system has been quite stable over the last decades with only limited variation in coverage levels and changes in bargaining practices. There is also no clear shift towards the decentralization of wage-settings, as the result of the introduction of ‘opening clauses’, as in other European countries, in particular Germany. This is probably because the Belgian labor legislation does not explicitly provide for the possibility of sector- and company level deviations from inter-sector (and sector) collective agreements that go below the standards set at inter-sector (and sector) level. However, there are a number of adjustment mechanisms available to companies in economic difficulties that do not concern wages. Here, as the current financial crisis clearly illustrated, the government sponsored programs allowing for the temporary reduction of working time or temporary unemployment (*tijdelijke werkloosheid/chômage économique*) play a key role.

Nevertheless, international pressures (e.g. in terms of competition) have pushed Belgium to change and adapt the system as in other national European economies. As a result, although the collective bargaining system retains its stability and centralized institutionalization, the content of the agreements have been gradually adapting over time. For example, since the mid-1990s wage costs in Belgium have increased moderately in order to protect competitiveness (Ververcke et al. 2008). Keune (2008) reports that between 1997 and 2006 hourly productivity in Belgium in the private sector increased by 14.9% while real hourly wages grew by only 8.8%. This disproportion indicates that wage moderation occurred in a context where inter-sector negotiations deliver the wage norms agreed by the social partners in accordance to the *Law of Competitiveness*.

Aside a centralized (‘top-down’) and institutionalized collective bargaining system, a ‘bottom-up’ approach has been also an historical characteristic of the Belgian system of industrial relations. In particular, Belgian trade unions retain the language and culture of a grassroots (class) movement (Van Ruysseveldt and Visser 1996) while at the same time they are involved in consultation bodies on social and economic matters at the inter-sector and sector levels. As a consequence, the presence of a latent radicalism survived in the trade union movement in Belgium. However, agreements are still reached in Belgium between the social partners despite the climate of difficulty.

2.1.3 Social Partners and the Crisis

Since 2008, Belgium has been confronted with a major economic crisis like the rest of Europe. Trade unions were concerned by the decrease in workers' purchasing power while employers were worried about a probable uncontrolled increase in wages. Meanwhile, the country has experienced severe political tensions since 2007, with the government in a situation of great volatility—leading to its collapse again in December 2008 over the state bail-out of Fortis Bank. In this period of intense internal and external crisis, in December 2008 the Belgian government under Yves Leterme announced a stimulus plan aiming to revive the economy in the light of the current global economic crisis. The development of the plan coincided with the social partners' negotiation of their biannual inter-sector agreement.

Against the background of economic crisis, looming recession and internal political instability, with regard to the 2009–2010 agreement, the social partners focused their demands on workers' purchasing power and company competitiveness. The government's plan thus includes provisions for the inter-sector agreement and the means to finance the proposed measures. The agreement aimed to restore the confidence of workers and employers in the economy by finding a balance between competitiveness, purchasing power and employment levels. Despite the employers' organizations willing to introduce some adjustments to the mechanism of automatic indexation of gross income, the mechanism remained unchanged. The Belgian employers' organizations perceive the automatic indexation as preventing Belgian companies from being competitive compared to their European counterparts, and therefore, having negative effects for the Belgian economy overall. Yet, the trade unions believe the system prevents major losses in workers' purchasing power, which is essential to maintain the economy in good shape.

Another key aspect is the higher benefits given to workers who are temporarily unemployed and the increase in benefit from tax reductions on labor costs and financial incentives in order to recruit long-term unemployed people offered to the employers. Internal political instability and external economic crisis made the negotiations between the social partners at that time difficult. Nonetheless, the government was able to act as a mediator by introducing measures of special taxation and fiscal easing which stimulated both sides to agree on a proposal for an inter-sector agreement. Despite the government's mediation role, negotiations for an inter-professional agreement in 2011/2012 conversely failed. The negotiations on the formation of a new federal government inhibited its role. Specific measures were introduced to prevent redundancies and to support unemployed people in getting back to work. A key measure was the amendment of (temporary) short-time working measures, in order to protect workers from unemployment and excessive income loss. Moreover, the social partners (representatives of employers and trade unions) presented a proposal of inter-sectoral agreement. The main engagements were: a postponement of the discussion on whether or not maintaining the automatic wage indexation system; a very limited wage rise above the inflation rate; the unification of the blue collar and white collar statutes into one uniform statute. The latter was achieved and completed in summer 2013. It is without doubt that the lack

of an inter-professional accord in 2011–2012 potentially contributed to decrease the bipartite character of the industrial relations in Belgium and moves the bargaining in tripartite direction (Van Gyes 2013). In some way, the social partners missed the opportunity to develop new forms of social dialogue in order to work out an own regulation implementing the new European requirements. The clearly more centralized character of the last negotiations is a turning point compared to the pre-crisis trend of creating extra margin for sectoral bargaining.

2.2 What Do Human Resources Managers Say? Conclusions Drawn from the Interviews.

2.2.1 *Overall Evaluation of Company Level Social Dialogue*

Against the background of the specific Belgian system of industrial relations, this section principally deals with the opinion of human resources (HR) managers on company level employee representation. An overview of the interviews carried out in the context of the project between April 2013 and July 2013 can be found in Table 2.1. Each semi-structured interview took about 1 h, covering topics related to social dialogue and the relationship between the social partners. In total, ten interviews were carried out in five different sectors. The relatively small number of interviews certainly causes limitations and therefore, we do not aim at generalizing our findings to the wider Belgian context. In contrast, the reported results are rather specific to the particular cases chosen in the context of the research project.

Overall, most of the interviewed HR managers across all the sectors investigated are satisfied with company level social dialogue in their companies. Belgian HR managers do not put social dialogue into question, but appreciate its function. However, we observe a difference between companies that are doing well and those facing crisis. Specifically, Manufacturing 1 and Food 1 were severely affected by the global financial and economic crisis. Although they underwent restructuring, they are still exposed to crisis effects. The difficult economic situation of these companies impacts on social relations, decreasing the level of trust between the parties at the bargaining table. HR managers in both companies point out that the climate had been much better previously and therefore, strive for getting ‘back to normal’, as stated by the HR manager of Manufacturing 1:

The industrial relations climate in our company is certainly not bad as there is respect for each other, but there is also a feeling of distrust at the moment. (Manufacturing 1)

Food 1—the other selected company in economic trouble—also points out that a series of restructuring projects, which were developed in order to adapt to the difficult external environment, resulted in low trust between the parties involved in social dialogue.

Table 2.1 Evaluation of company level social dialogue, per company

Company	Overall evaluation of company level social dialogue
Bank 1	Very constructive, highly appreciated emphasis on dialogue, good climate
Bank 2	Quality of social dialogue very good, this is highly appreciated
University 1	Very good and constructive social dialogue, trustworthy relationships between the parties
University 2	Very good, constructive and easy social dialogue
University 3	Good and constructive social dialogue
Manufacturing 1	Highly dependent on business unit, ranges from very innovative to challenging (company is in crisis)
Manufacturing 2	Open and constructive dialogue with good outcomes
Food 1	Difficult social climate at the moment due to various restructuring projects; climate at the very moment a bit turbulent and agitated
Food 2	Positive, good and trustworthy social relations; social dialogue is taken seriously by both parties involved
Energy 1	Tensions between the parties, social relations have been challenged due to various restructuring projects, social dialogue is difficult at the moment

Overall, none of the interviewed managers had a negative view on the Belgian system of industrial relations and social dialogue itself—in contrast, every respondent stressed the added value of company level social dialogue for employers and employees.

In the other investigated companies, social dialogue works in a positive and constructive way, leading to the fact that it is appreciated by both parties involved. The HR manager in Bank 1 states in this respect:

We recognize the importance of trade unions. [...] We have to keep trade unions on board by involving them permanently. [...] Social dialogue is of course very expensive, however, it is worth investing in it. [...] The unions are key in reflecting what is going on in the company. It's not a waste of money. In big companies, trade unions play an essential role representing the workplace and identifying weaknesses, risks and challenges in the workplace. (Bank 1)

Bank 1 emphasizes the importance of integrating unions in decision-making, particularly due to their good view on the workplace. Moreover, possible factors of success leading to a good industrial relations climate and a constructive social dialogue are identified by the HR managers of University 1 and 2.

We have always been very transparent. This kind of openness is highly appreciated by the unions. This—together with trust and respect—creates a constructive atmosphere to work together. (University 1)

Social dialogue is very effective here. Our employee representatives are very competent, they have the appropriate education. This arguably facilitates dialogue. (University 2)

Transparency, trust and respect are emphasized by University 1's HR manager, while competences are highlighted as success factor by University 2. Generally, the level of trust between the social partners was high in most of the investigated organizations and

trust is widely seen as a precondition for a constructive social dialogue. Competencies were evaluated positively by most HR managers, too. This again stresses the overall satisfaction of HR managers with company level social dialogue.

Beyond, it is interesting to observe that social dialogue differs depending on the sector of investigation based on our data. The sector with its specificities like distinct technology, the nature of the workforce and the presence of sectoral collective agreements is likely to impact on organization level social dialogue. Within the ten investigated organizations of five sectors, social dialogue seems to be more conflict-driven in manufacturing, the energy and the food sector, whereas it is rather consensus-driven in banking and higher education. In the former, resulting compromises mostly mean that each party has to give in to come up with a compromising solution, whereas in higher education, there are hardly any negotiations as there is general agreement and consensus on most topics. It is remarkable that in our sample, companies with production-activity seem to be more conflict-oriented than organizations in the service sector. This can probably be explained by two aspects: Firstly, the nature of the workforce differs between the two clusters of companies. The higher education and the banking sector feature a highly-skilled white-collar workforce, whereas companies with production activity have a more diverse workforce, comprising both blue- and white-collar staff. Secondly, the two clusters have developed differently in the past decades. Higher education has been thriving, and banks flourished before the crisis and are getting back to normal. In contrast, production activity has steadily decreased in Belgium in the past years, leading to plant closures and job losses. As a result, especially in manufacturing, company level social dialogue had a different focus than in banking, where the main concern was safeguarding jobs and if that proved to be impossible, to negotiate social plans. In contrast, this has never been done in the investigated companies in higher education, where closure and the consequent loss of jobs had never been as issue. Therefore, both the nature of the workforce and the particular 'history' of the sector might to a certain extent explain the conflict- or consensus-oriented nature of company level social dialogue. Thus, the specific context of the sector a company belongs can provide valuable explanations when studying company level social dialogue.

2.2.2 Changes Desired by Employers

In the light of the general satisfaction regarding company level social dialogue, the HR managers highlighted three aspects that they would like to change in the long-run in order to make social dialogue more efficient and create space to find innovative solutions together with employee representatives. Firstly, employers express an interest to simplify employee representation structures in order to reduce complexity. Secondly, several HR managers evaluate the attitudes of employee representatives as problematic, due to a lacking openness towards change. Finally, about half of the respondents point out that the relationship among the different trade unions can cause problems, especially if trade unions themselves do not speak with one voice.

2.2.3 *Structures of Employee Representation*

Some of the interviewed HR managers perceive the structures of employee representation as inadequate. In about half of the companies that were studied, there is more than one works council, more than one committee for health and safety and various union delegations (for workers, employees and sometimes also for executives). Most of these structures are historically grown (i.e. via mergers or acquisitions). Furthermore, in most cases, they reflect also the regional division of the country (i.e. Brussels, Flanders and Wallonia). HR managers desire to change and simplify these structures in order to gain in flexibility when there is a need to provide rapidly an answer to the changing market. The HR manager of Food 1 emphasizes:

Some employee representatives see that the growth of the company and its international expansion led to changes. Especially the small sites loose power as national interests have become more important than local interests. (Food 1)

According to Food 1's HR manager, changes in company structures should also be reflected in the structure of employee representation. In practice and due to various acquisitions in the past decades, Food 1 has currently seven different works councils in Belgium (one per site) and is interested in reducing the number to maximum two, in order to decrease complexity and improve coordination. Each site also has its own committee for health and safety, and different union delegations for workers. Furthermore, there are several working groups and a European Works Council. Similar structures exist in Energy 1—a former public sector company that has been privatized—as stated by the HR manager:

We have historically grown structures that are not easy to understand and to deal with. The structures are too heavy and overloaded. We need to reduce complexity by implementing a new structure that is more comprehensive and clear in order to stimulate better collaboration. (Energy 1)

Although Energy 1 has only one works council in Belgium, there are three committees for health and safety, three local committees for Brussels, Flanders and Wallonia, one national delegation, several social committees, local joint committees, ad-hoc working groups and a European Works Council. The company has sought to simplify the structure in order to improve clarity, reduce complexity and advance social dialogue. According to the HR manager, this would make social dialogue less costly and more efficient, especially due to the fact that the time needed to make decisions could be reduced. However and similar to Food 1, employee representatives are reported to stick to structures present at the company level to ensure that the interests of the workforce are represented in the best way, but following the HR management, also because they are afraid of losing power.

In Bank 2, it is not primarily the presence of a number of different employee representation bodies creating problems, but rather the large size of the works council that seems to inhibit efficient decision-making. However, the size of the works council depends on the number of staff according to Belgian law (the more staff, the more works council members). Being one of the largest private employers in Belgium explains the size of Bank 2's works council. The HR manager states:

Our works council is too big with about 30 members. Therefore, we created various smaller social committees. Within this more innovative and flexible structure, in-depth discussions can take place. (Bank 2)

The solution presented by Bank 2's HR manager—setting up working groups—is done in most of the investigated companies. According to management, there are two crucial advantages of this strategy: Firstly, working groups mostly consist of a small number of employee and employer representatives who have expertise in the general topic. Both the size of the group and the knowledge on the topic facilitate discussions. Secondly, working groups are utilized in order to talk and solve potential problems before officially starting to negotiate. The HR manager of Food 2 reports that according to him this creates good solutions for both employers and employees:

Talking about sensitive topics—especially in working groups—before officially starting to negotiate and trying to find solutions for conflicting issues helps to create good outcomes for both sides at the table. (Food 2)

Furthermore, according to HR managers, informal communication may be a way to increase predictability of outcomes in company level social dialogue. As stated by Bank 1's HR manager:

Informal communication and meetings are key to avoid negative surprises. (Bank 1)

Yet, informal communication requires trust between the social partners in order to keep possible agreements confidential until the beginning of the official negotiations. Following Bank 2's HR manager, this works pretty well:

There has never been a problem of violation of our 'moral agreement' of confidentiality when information is exchanged informally. (Bank 2)

2.2.4 Openness Towards Change

As mentioned before, HR managers are generally satisfied with the competences of employee representatives. However, in terms of attitudes, they desire more openness towards change. The majority of the interviewed HR managers link this with the long tenures involved in employee representation functions. However, this cannot be generalized as for instance Manufacturing 2's HR managers views long tenures as a success factor for company level social dialogue. Accordingly, long tenures contribute to create stability and continuity and therefore, the company seeks 'lifelong' appointments of employee representatives. In general, most employee representatives have long tenures within the organization (more than 15 years) and mostly also in their function. This creates the potential of comparing the organization's current situation with the past, as stated by the HR managers of Manufacturing 1, Food 1 and Energy 1:

We should have launched some change management initiatives. Many employee representatives still feel like working for [company name] 20 years before when we had our golden time. They do not want to face the fact that especially the external environment has changed. (Manufacturing 1)

The attitudes of employee representatives are certainly more problematic than their competences. They like to look in the 'glorious' past and do not perceive that nowadays, certain things are just different than before. They mostly have a 'previously, everything used to be better'-attitude. There is a lack of openness towards change as change is always conceived as something negative. Moreover, attitudes are rather reactive than proactive. I would like them to come up with own propositions more often. (Food 1)

If I could change something, it would be the employee representatives' openness towards change and innovative solutions. Don't get me wrong—change is still possible, but it takes an enormous amount of time. For instance, it took us 4 years to change some work regulations and about 2 years to introduce flexible working times.' (Energy 1)

These three previous quotes stress the potential problems related to the lacking openness for change, but in a different sense. Manufacturing 1 demands employee representatives to keep changes in the company-external environment in mind when coming together to negotiate. Food 1 desires employee representatives to be more proactive in the sense of putting more own proposals on the bargaining table. In contrast, Energy 1 rather stresses the time-consuming character of contemporary social dialogue. Here, change refers more to increasing the efficiency of processes. However and in the context of the sometimes high complexity of change and related proposals, several HR managers advocate for giving enough time to employee representatives and for regularly providing explanations on the need of change as stated by the HR manager of Bank 1:

You cannot expect unions to understand the strategic movements of the company and economy if you don't, slowly, get them into the story line. (Bank 1)

Another issue that was pointed out in three interviews was the principled attitudes of employee representatives, as stated by Bank 2's HR manager:

It would be easier if they were not that principled in their opinions, and more open to find creative and innovative solutions. (Bank 2)

A lack of openness towards change and linked to this, innovative solutions, can prove to be disadvantageous for employer. This happened during the global financial and economic crisis in Food 2, as stated by the HR manager:

In 2012, we had 12 weeks without production activity here. Normally, we could have sent our staff home on temporary unemployment. However, instead of doing that, we spent 150,000 € to train our workforce about 9000 h long. Unfortunately, trade unions did not perceive this as an investment and therefore, did not engage in promoting the training actions. For them, training was obviously not perceived as a benefit, but as an extra duty. This is a pity. (Food 2)

This exemplifies that being open to innovative and creative solutions can also benefit the workforce. However, the fact that training was not perceived as an investment but rather as a duty is not something that solely the employee representatives can be considered responsible for.

It may be remarkable to note that attitudes are not everywhere seen as problematic by management. They are positively evaluated in the three universities, but also in Manufacturing 2, as stated by the HR manager:

Promoting Social Dialogue in European Organizations
Human Resources Management and Constructive
Conflict Management

Euwema, M.C.; Munduate, L.; Elgoibar, P.; Pender, E.;
García, A.B. (Eds.)

2015, XXI, 199 p. 21 illus. in color., Hardcover

ISBN: 978-3-319-08604-0