Social dialogue and socio-economic transformation in Belgium from 1944 to the present

Isabelle Cassiers* and Luc Denayer**

To be published (2010) in E. Arcq and others (eds.), Les relations collectives du travail en Belgique., Brussels, CRISP

Summary

The socioeconomic development of most European countries has been largely shaped by the social dialogue, by negotiations between employer and worker representatives. In this regard, Belgium has played a pivotal role. The Belgian post-WW2 institutions, aimed at fostering social dialogue, are often seen as a reference. In sixty years, these institutions have changed in line with a changing economic, social and political context. In this paper, we shall study the dynamics of a movement that has simultaneously transformed, on the one hand, the social dialogue and, on the other hand, the historical context in which it is anchored. We shall compare two thirty-year periods: the golden age, followed by an age of upheaval. The former was characterised by the setting up and the extension of a coherent model while the latter appears more as a defensive withdrawal in a context of crisis and of socioeconomic upheaval. In the midst of the turmoil, the social partners have uneasily attempted to find meaningful responses.

* Professor at UCL, FNRS researcher and member of the Central Economic Council
** Secretary-General of the Central Economic Council and visiting lecturer at UCL.

Introduction

The social dialogue, which was established in Belgium after the Second World War, has to be seen in the context of a long history of industrial disputes, a changing balance of power, periods alternating between dispute and compromise. It has helped to shape the country’s economic and social development. In exchange, the rate and conditions of economic growth have influenced the transformations that it has undergone.

The draft social solidarity agreement of 1944 was the founding text of a comprehensive system of social security and social dialogue. The latter determined the rules of collective bargaining on wages and working conditions. The “social pact” of 1944 was a key moment in Belgian social history since, after more than a century of industrial unrest, it reflected the wish for social peace on the basis of the following principles, accepted by both employer representatives and the trade unions:

- the mutual recognition of employer organisations and trade unions is the basis of social peace and equitable collaboration;
- this collaboration has a common goal: to improve the living conditions of the population as a whole through economic prosperity;
- the need to ensure the profitability of companies as the key to economic prosperity;
- the equitable distribution of the income generated by increased productivity must be guaranteed by the institutionalisation of collective (or joint) bargaining and social security;
- the sharing of productivity gains between wages and profits should be determined at branch (or production sector) level.

These principles were promptly institutionalised, just after the Second World War, in a context of restructuring and major material needs in all areas. The social security and social dialogue system was gradually supplemented and developed over the years in line with needs, to culminate, in the 1960s, in what seemed to be a smoothly working, efficient system. At that time, the “Belgian social dialogue model” was often used as an example and even exported. However, its hour of glory lasted only a short time. The economic crisis, which coincided with the first oil shocks (1973 and 1979), and the lasting slowdown in productivity gains undermined the cornerstones of the social dialogue. Simultaneously, the social context was transformed: demographic, cultural and ideological changes, new technologies, the development and transformation of the financial markets significantly weakened the institutional edifice put in place after the Second World War. However, they did not destroy it. Depending on the points of view, this adaptation of the social dialogue and its procedures in line with a changing context can be perceived as a very health renewal, or as a capitulation, an abandonment of the initial principles.

We shall attempt to highlight the causes and challenges of these historical transformations, using the following methodology. The decades which have elapsed since the draft social solidarity agreement will be divided into two periods of an equivalent duration: the “golden age” (1944-1974), as that period is frequently described, and the “age of upheaval” (1975 to the present), the expression used to emphasise the numerous upheavals which shook the world at the end of the 20th century and the beginning of the 21st century. For each of these periods we shall highlight, first of all, what we perceive as the most significant characteristics or upheavals of these decades; we shall then focus on the social dialogue, by attempting to underscore the constraints imposed upon it, its strengths and

---

1 The text of the draft agreement was published in the Revue du Travail : see H. FUSS, P. GOLDSCHMIDT-CLERMONT and L. WATILLON, (1958)
2 Terminology due to J. FOURASTIE (1979, new edition in 2006)
3 M. BEAUD (1981, new edition in 2000) describes this period as a “global changeover”. The 2008 financial crisis reinforced the feeling that a major transformation of the socio-economic system or at least its governance, was taking place.
weaknesses, it progress or its setbacks, without forgetting its impact in turn on the socio-economic context.

1. The “golden age”

1.1. The context: institutionalised cooperation and vigorous economic growth

The generation which constructed the institutional framework of the golden age was profoundly marked by the great depression of the thirties, the rise of extremism and a devastating world war. Previous economic doctrines, which advocated a laissez-faire approach, were swept aside by the Keynesian revolution. This model integrated the role of the trade unions and recommended State intervention in regulating the economy, even if, contrary to the Marxist doctrine which was taking shape in Eastern Europe, the market economy values were not at all called into question. At every level - local, national and international; social, political and economic – cooperation or consultation became institutionalised in the “free world”, not only to avoid a return to the “every man for himself” approach of the thirties, but also to stand in the way of the march of communism. In every country, a system of national accounts was put in place. This enabled countries to measure the progress of the market economy (economic growth) and the total income to be distributed between labour and capital. The rules of this distribution could be established at national level thanks to the operating rules of the international monetary system.

At world level, the signatories to the Bretton Woods Agreements (1944) put in place an international monetary system which established a system of stable exchange rates and encouraged the use of controls to curb undesirable movements of capital. These agreements also set up the International Monetary Fund (IMF) and the World Bank (initially BIRD), which were intended to satisfy the borrowing and financial regulatory needs of the Western Bloc countries. The United States, the major victors of the war, granted aid under the Marshall Plan to a Europe, destroyed by war, and which set up, to receive this aid, the Organisation for European Economic Cooperation (OEEC, 1948), the forerunner of the current OECD. The American aid for European reconstruction provided the opportunity to distribute the technologies used by the world industrial leader and soon led to the establishment in Europe of the era of the automobile, chemicals and household electrical appliances, which provided the basis for strong productivity growth. It took approximately twenty-five years to catch up with American productivity levels. This gradual catching-up process was accompanied by a transformation of the organisation of labour in industry.

In Europe, the creation of the ECSC (1951) and the common market (1958) also reflected a trend towards closer cooperation, which transcended previous rivalries and wartime rifts.

The institutionalisation of different forms of cooperation was also apparent at national level, in most industrialised countries. The social pacts, the Welfare State and Keynesian-inspired economic and social policies marked a strong break with previous historical trends, dominated more by a trade union movement based on the class struggle and a liberal economic doctrine. The “pax Americana” was also the opportunity – in particular via the Marshall Plan – to harness support among Western European nations for market economy principles, as opposed to the communist model which was predominant in Eastern Europe. The “American way of life” and the mass consumption associated with that way of life gradually gained hold in Western Europe.

Belgium’s macroeconomic situation was obviously influenced by this context as a whole. Immediately after the war, the Belgian economy was in a very favourable situation which enabled it, for several years, to thrive in a way that was envied by other nations. The safeguarding of its production facilities, which had been relatively spared during the war and its specialisation in basic, standardised products, gave it a competitive edge faced with the huge needs of European reconstruction. Several major events
punctuated and favoured this brief “Belgian miracle”: the social pact to which we will revert in the following point, monetary reform and substantial wage increases⁴.

However, from the beginning of the 1950s, Belgian growth seemed more fragile than that of its neighbours, which benefited more from the Marshall Plan and a change in demand towards more elaborate, higher-value products. The devaluation of the pound in 1949 threatened the competitiveness of Belgian industry, which was structurally similar to British industry. Consequently, productivity gains stagnated and unemployment became a cause for concern. The social partners, political parties and governments focused on the means of an economic growth policy. This was reflected in the emergency programme of the Confédération des syndicats chrétiens (CSC) in 1953 and the extraordinary congress of the Fédération générale des travailleurs de Belgique (FGTB) in 1954, which resulted, by way of response, in the white paper of the Fédération des industries belges (FIB) in 1955.

These reflections were the basis of the economic expansion legislation adopted at the end of the decade and various adaptations which helped Belgium to benefit fully from the creation of the common market and to attract, in the sixties, a flood of foreign investment. American companies, in particular, found in Belgium, an ideal location for their operations: its location at the heart of Europe, low competition for “made in USA” products because of the local specialisation in semi-finished products, the accessibility of the port of Antwerp and the availability of labour following the decline in agricultural jobs in Flanders. The assimilation of American production techniques enabled Belgium to catch up gradually with production levels across the Atlantic. From the sixties, Belgian economic growth exceeded the European average; this oiled the wheels of the social dialogue and generated income which boosted the State’s coffers, thereby facilitating simultaneously the distribution of income and the expansion of the public sector.

The social dialogue model which developed in Belgium during the “golden age” can also be explained by demographic, sociological and political elements. The active population barely increased during the quarter of a century after the end of the war. The slow increase in the population of working age was in fact offset by a reduction in the activity rate for men, because people were studying longer. For its part, the activity rate for women remained low (less than 40% in 1970). The single-income family structure – based on stable, full-time work for men – was the implicit norm. The trade unions wanted to obtain for the average worker a social status and increased well-being which had hitherto been reserved solely for holders of capital: the diversification of consumer goods as a result of higher wages, access to leisure activities and education via the overall reduction in working hours, social protection in the event of sickness, unemployment and old age were major components of the social progress achieved.

These demands were taken up at political level within the parties of the majority. This period was marked by the presence within coalitions of the socialist and/or Christian-social parties, both of which wanted to develop ties with the social stakeholders.

1.2. The social dialogue: institutionalisation and development

The social dialogue was therefore one of the elements of a wider-ranging system of institutionalised cooperation which characterised the “golden age”. In Belgium, it was established in stages, the key dates of which are indicated in table 1.

<table>
<thead>
<tr>
<th>Year</th>
<th>Key dates of the social dialogue in Belgium, 1944-1970</th>
</tr>
</thead>
<tbody>
<tr>
<td>1944</td>
<td>Draft social solidarity agreement (Social Pact)</td>
</tr>
</tbody>
</table>

⁴ For a more in-depth analysis, see I. CASSIERS and P. SCHOLLIERS (1995) and I. CASSIERS (1995).
The draft social solidarity agreement (or Social Pact) of 1944 was prepared during the war. Its current text reflected a bilateral wish for good industrial relations, on the basis of the following principles: mutual recognition of the social partners, institutionalisation of collective bargaining and social security, the improvement of living conditions for all thanks to economic prosperity and therefore the sharing of productivity gains. The social pact was not, strictly speaking, a signed document, but in concrete terms it led immediately to decisive measures being taken. A national labour conference (CNT) was held on 16 September 1944, just a few days after the liberation, and organised a substantial increase in wages. The National Office of Social Security (ONSS) was set up on 28 December 1944. On 9 June 1945, legal status was granted to sectoral joint committees. These already existed, but official status reinforced their powers. Henceforward, at the request of a committee or one of the representative organisations, jointly taken decisions could be made legally binding by way of a royal decree. A succession of tripartite national labour conferences then organised wage policy, tax reforms, and the extension of social security. The institutional edifice of the social dialogue was reinforced by the law of 20 September 1948 on the organisation of the economy, which put in place a series of joint consultative bodies at three levels (table 2): at company level (Works Councils and Committees for Safety, Health and Well-Being in the Workplace), at sectoral or branch level (Sectoral Committees) and at national level or multi-industry level (the Central Economic Council). The finishing touches were added to this general framework with the creation of the National Labour Council on 29 May 1952.

<table>
<thead>
<tr>
<th>Economic level</th>
<th>Stakeholders</th>
<th>Institutions, bodies</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>The economy as a whole (synonyms: national or intersectoral or multi-industry)</td>
<td>Employer confederations (FEB, UCM, UNIZO, BF), trade union confederations (FGTB, CSC, CGSLB) and government</td>
<td>Group of ten</td>
<td>Multi-industry agreements (since 1961)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>National Labour Council</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Central Economic Council</td>
</tr>
<tr>
<td>Sector (synonyms: industry or industrial sector)</td>
<td>Groups of affiliated trade unions and employer organisations</td>
<td>Joint Committees</td>
<td>Sectoral collective labour agreements</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Special Consultative Committees</td>
</tr>
<tr>
<td>Company</td>
<td>Trade union delegates and officials</td>
<td>Works Councils</td>
<td>Company level collective labour agreements</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Committees for Safety, Health and Well-Being in the Workplace</td>
</tr>
</tbody>
</table>

The first decade of the post-war period was marked by the State’s permanent intervention in the social dialogue, which was de facto organised on a tripartite basis. This was the result of not only the legacy

---

of the war, during which the State was omnipresent (fixing prices and wages in particular), but also a social climate which remained relatively conflictual, despite the willingness to cooperate. Most decisions were therefore taken at multi-industry level. The system put in place as a result of the legal status granted to joint committees (sectoral level) was not yet fully operational: it remained dependent on higher-level agreements.

In a context of concerns about the causes of relatively slow growth, the 1954 Joint Declaration on Productivity can be seen as the basis of a joint strategy intended to ensure overall macroeconomic consistency as regards decisions taken at each level of the social dialogue. The objective of the declaration was to enable employers to obtain the cooperation of workers in achieving productivity gains and to ensure that workers obtained a fair share of the fruits of the growth achieved. This agreement therefore provided a “winning” solution to the potential conflict between wage increases and foreign competition. It was the starting point for a series of discussions on the conditions needed to ensure economic growth in Belgium. Moreover, in 1959, at the request of the trade unions, the declaration was redrafted to introduce a reference to economic growth policies and to record more explicitly that the aim was to “reinforce the competitiveness of the economy and the purchasing power of consumers”. In this way, they hoped to overcome the tendency of employers to try and improve competitiveness by putting pressure on wages. The demand for productivity gains to be converted into wage increases was consistent with the Belgian democratic and social context of the time: a stagnant active population, a stable, but low activity rate for women and therefore a high number of single-income families.

Form the 1960s, the vigorous growth recorded in Belgium facilitated the development of the institutions gradually put in place in the post-war years and during the 1950s. This was achieved in two stages, which we shall examine in turn: social planning in 1960 and the laws on collective labour agreements in 1968.

The social planning agreement concluded between the social partners on 11 May 1960 provided for joint bargaining rounds to be organised every two years in order to fix wages, working conditions and various social benefits. The aim therefore was literally to implement a medium-term social progress plan. This was organised immediately at two levels. Negotiations regarding the legal limit on working hours and the extension of social security were established at national (or multi-industry) level, while wages were negotiated at sectoral level, within joint committees. The implementation of a social planning process included advantages for each party and for the economy as a whole:

- It offered workers the prospect of continuing social progress. Social progress was no longer contingent upon the eruption of important social movements.
- For employers it was an opportunity to combine social planning and economic planning. The development of wage costs became foreseeable and was in principle in line with the economy’s capacities. Via the social peace clause, trade union organisations undertook not to present new demands during the two years covered by the agreement, even if the balance of power was in their favour.
- The State no longer needed to manage industrial disputes, which are an integral part of labour relations, because employer organisations and trade unions assumed responsibility for these relations.

The negotiations became bipartite instead of tripartite. The social partners were now left face to face. The scope of autonomy acquired by them assumed a form of mutual arbitration, with any demands potentially requiring a quid pro quo, without any interference from the State. Moreover, the fact that agreements were reached at multi-industry level made it possible to extend to the weakest sectors the

---

6 See in particular PASTURE (1993)
7 For more details, see L. DENAYER (2006)
8 Office belge pour l’accroissement de la productivité (1962)
social benefits acquired by the most powerful groups of trade unions, while limiting the dynamics of the latter.

The sectoral level federations nevertheless had certain reservations about the idea of part of their bargaining power being taken away from them; they endeavoured therefore to limit the issues dealt with at multi-industry level and to limit the State’s role to the field of social security.

The last stage in the institutionalisation of the social dialogue was the law of 5 December 1968 on the general status of collective labour agreements. It recognised the capacity of the trade unions and employer representatives to create rights and obligations by way of peremptory norms, at three levels of the social dialogue. Thus, a pyramid of social rights was established: at its base, the law imposed a minimum series of rights applicable to all, which could however be successively increased by multi-industry, sectoral or company level collective labour agreements. Finally, individual contracts could add more favourable clauses. Exemptions from the successive stages of this pyramid of rights were only authorised if they represented an improvement.

The practical details of this pyramid structure had several consequences:

- the trade unions were reinforced in their role as the representatives of workers in employment matters, leaving the interests of unemployed people not at all or only marginally represented in wage negotiation process. In fact, the details of claims at joint committee level were determined by workers (in employment) of trade union branches of companies. Unemployed people were represented at sectoral level;
- the collation of sectoral claims with a view to determining multi-industry demands (at national level) created a spirit of emulation between sectors, with the trade union federations representing low-productivity sectors attempting to obtain wage increases in line with those obtained more readily in high-productivity sectors. It was therefore the strong sectors (protected from international competition or very capital-intensive) which drove, by successive gains, wage increases, working time reduction and social progress in various areas.

During the 1960s, the Belgian economy was therefore structured in such a way that continuing productivity gains were indispensable. These were obtained in three ways: within companies, by the constant improvement of production techniques and the organisation of work; at sectoral level, by the disappearance of companies which failed to integrate these developments; finally, at multi-industry level, by a transition from low productivity sectors to high-productivity sectors, that is to say to capital-intensive sectors.

A posteriori, the results of the social dialogue system put in place in the “golden age” were mixed. On the one hand, it undeniably contributed to social peace and significantly increased the standard of living of workers. In Belgium, from 1950 to 1973, real wages and labour productivity increased together, at an average rate of 4.5% a year. Consequently, unit wage costs and the sharing of the added value between wages and profits were stable. The continuing rise in income financed without difficulty the extension of social security and the public sector (infrastructures, education, etc.). Work became a source of subsistence protection, as only capital had been previously. Collective bargaining, together with a redistribution of wealth via taxation, reduced inequalities and resulting in the growth of the middle classes. But with hindsight, the model was a giant with feet of clay: its development was based on the assumption of constant economic growth and it became, over the years, totally dependent on such growth. The organisation of collective bargaining was consistent with the objective of catching up with American productivity and income levels, in a context of the quasi-stagnation of the active population and low unemployment. However, precisely as a result of steady growth, the social and economic structures gradually changed.

9 P. VAN DER VORST (1978) pages 11-85
2. The “age of upheaval”

At the beginning of the 1970s even before the West was shaken by the oil shocks, the smoothly working system of the previous decades was facing a challenge on various fronts: technological, sociological, demographic and financial. The brutal increase in energy prices and the severe economic crisis triggered by those increases accelerated the latent socio-economic transformations. New political responses were explored. In a difficult and very strained climate, the social partners had to invent new consultation procedures, without always succeeding. In addition, they were increasingly faced with the constraints of globalisation which were outside their control and affected them differently.

In the following sections, we shall examine first of all the principal transformations of the macroeconomic and social context before focusing on the development of the social dialogue.

2.1. The context: structural transformations, crisis, deregulation

It is not easy to summarise the changes to the historical context in which the social dialogue was rooted; they occurred at different levels and, although they varied in nature, they were closely interconnected. Without claiming to produce an exhaustive analysis, we shall distinguish here four types of changes which, in our opinion, are essential for understanding the dynamics of the period.

A first fundamental transformation was the reaching of maturity of the technological wave which had boosted growth in the post-war period, marked by standardised products and processes, namely the first era of mass consumption, symbolised by cars and household electrical appliances. From the end of the sixties, productivity gains started to slow and profit rates declined, first of all in the United States, then in Europe where the catching-up process was completed. Consequently, overall real income growth weakened, resulting in increasing tensions regarding its distribution. To overcome the decline in rates of return on capital, which was perceptible in the United States as early as 1967 and in Europe from 197010 and faced with the relative saturation of Western markets in standardised consumer goods, companies focused their strategy on product and service diversification. When all households have a car, market growth depends on the rapidity with which new models replace old ones. Product differentiation, whether in terms of quality or the addition of innovative components, becomes a decisive sales argument. However, this new order was not compatible with the old production systems. Product diversification, combined with ongoing profitability requirements which forced companies to achieve economies of scale, led to the implementation of a flexible production system. The new technological wave facilitated the fragmentation of the production chain: the flexible production of a diversified range of final goods relied on the standardised production of the basic components, where it was possible to achieve economies of scale. Faced with a shrinking market for standardised products, the production of standardised components was transferred to countries with low-skilled, cheaper labour, leaving in Belgium only a flexible production capacity, requiring either increasingly specific qualifications or multi-skilled workers capable of adapting continually their skills, working autonomously and assuming increased responsibilities. In this context, the level of training indispensable for finding work increased and changed constantly, with competencies acquired depreciating rapidly.

The increasing globalisation of production, trade and financial flows represented a second fundamental and parallel transformation of the Western socio-economic system. This trend began in the sixties, but at that time it was rigorously controlled by the Bretton Woods Agreements. Gradually, however, the momentum of the common market and American investments in Europe, the multiplication of multinational companies which transcended borders, the related increased mobility of capital, the surplus of dollars issued by the United States, in particular to finance the war in Vietnam, the

10 EUROSTAT data
development of financial markets and the invention of new financial products, put increasing strains on the international monetary system. The United States suspended the dollar’s convertibility into gold in 1971: the systems of fixed foreign exchange rates broke up, creating increasing instability as regards international transactions. It was in this context that the oil shocks occurred in 1973 and 1979, revealing two weak points in the previous system on which growth was based: on the one hand, the imbalance between industrialised countries and commodity producing countries and, on the other hand, the unbridled exploitation of natural resources. The sudden tenfold increase in energy prices caused inflation to spiral, at different rates, from one country to the next, and created price and income imbalances between and within countries. Cooperation between nations and between social groups became increasingly difficult. Increased competition and competitiveness became the watchwords. The capacity of national economies to integrate the technological changes described above depended on their ability to develop processes for the creation and destruction of companies, thereby facilitating the introduction of new products and new forms of management and organisation. This led to far greater instability on the work market where, despite a net increase in new jobs, a substantial number of jobs were lost. This increased volatility was far more pronounced as regards capital flows, which transcended frontiers more readily. Gradually, and above all from the 1990s, globalisation extended to the financial sector: the complete liberalisation of capital flows (which the Bretton Woods system limited), the financing of public debt by the financial markets and an exponential increase of the share of financial transactions in international transactions as a whole. These trends were facilitated by the development of new information and communication technologies. At the turn of the century, numerous observers were concerned about the growing influence of an approach based on purely financial considerations: shareholders demanded immediate and increasingly higher returns on their investment in companies. Although the share of profits in the added value continually increased, thereby reducing the share of wages, numerous Western companies felt constantly under pressure, because they were caught in a pincer movement between, on the one hand, competition from emerging economies and, on the other hand, unprecedented profitability demands.

The two abovementioned transformations were also driven by demographic and sociological changes which they in turn shaped. Thus, the ageing Western population contributed to the development of pension funds in the countries where they were an integral part of the social security system. In turn, these funds exacerbated the pursuit of financial income and the stock market boom. This ageing population was the result of a combination of factors: the post-war baby-boom, contraception which reduced the birth rate and increased material well-being and medical progress which extended life expectancy. This phenomenon weighed upon the social security system which was designed at a time when there were fewer pensioners than active workers. The social security deficit was one of the factors which led to the “securitisation” of the public debt, that is to say its financing by the financial markets. A similar problem appeared with the increase in unemployment, which destabilised the relationship between workers in employment (contributors) and unemployed people (recipients of benefits). In Belgium, the emergence of unemployment preceded the crisis: from the end of the sixties, the arrival on the labour market of the baby-boom generation and the increase in activity rates for women increased the supply of labour beyond the capacity of demand, in a system which was more geared to achieving productivity gains than creating jobs. The increasing number of women on the labour market was symptomatic of a sociological transformation – albeit slower in Belgium than in neighbouring countries. Cracks started to appear in the implicit single-income family model. Simultaneously, the reduction of time available for domestic work increased the demand for market services (laundrettes, nurseries, retirement homes). In these sectors, the job profile was different from that which prevailed in industry (part-time work versus full-time work, jobs filled more by women than men) and productivity gains were limited. The trade union tradition – constructed on full-time male employment in industry – was called into question as a result and wage growth was more difficult.

A fourth major development which, gradually, transformed the basis of the social dialogue concerned the aspirations, mentalities, implicit standards and, finally, the doctrines on which social and political practices were based. The family model, ties with tradition, the role of work in the structuring of life and time changed. While, the doubling, even tripling of purchasing power within one generation led to
a saturation of standardised consumer goods, the changing expectations of the population, constantly encouraged to consume increasingly differentiated goods, accelerated the ongoing transformation of productions norms and the related demand for greater labour market flexibility, since diversification required a system of production that was more flexible and capable of reacting more immediately to changes in demand. Simultaneously, the extraordinary development of social security during the “golden age” had paradoxically weakened the traditional non-State basis of solidarity (families, neighbours and local communities). Rights and duties had become individualised. This explained the type of response to the social security deficit caused by the crisis and the ageing population. First, measures were taken to encourage the private financing of future self-funded pensions, which stimulated the “financialisation” of the economy. Secondly, individuals – whether by choice or by need – assumed greater responsibility, for their work, their savings and their capacity to participate in a changing system. For their part, companies faced new workforce challenges posed by workers that had developed the necessary skills to respond to market demand. In order to be able to attract the most dynamic workers, companies needed to be in a position to satisfy their professional demands and projects. This led to increasing pressure on contractual demands and a trend towards the individualisation of contracts of employment (working time, wages, etc.), which undermined the power of trade unions, because it became very difficult to find common ground as regards the claims of different groups of workers. These transformations were in synch with political and doctrinal changes. The difficulty of redefining a consensual project in line with the changes in progress paved the way for the development of the ideological change initiated in the United States and the United Kingdom by the Reagan and Thatcher governments. Over and above the growing importance attached to monetary policy and limits on public sector expenditure, in a context of widening public deficits, this doctrinal development affected the whole interpretation of the relationship between the individual and society. The concept of a State authorised to intervene in economic and social decisions in the same way as the individual participants gradually gave way to a concept whereby the former’s role was limited to fixing the rules of a game left essentially to the latter. In the Anglo-Saxon countries, these doctrinal changes were used to reduce the State’s role in the economic field and to increase the weight of individual responsibilities as regards social matters.

These four groundswells – technological, international, socio-demographic and conceptual – which affected the world economy, explain a large part of the changes to the Belgian macroeconomic context since the beginning of the 1970s. Broadly speaking, these transformations can be described in three phases.

From 1973 to 1981, our small, open economy felt the full brunt of the oil shocks and an international crisis. Industrial profits collapsed, unemployment, trade and public sector deficits rocketed. It took time, however, to realise that this crisis was structural in nature and that the traditional means of economic stimulus would not overcome the problems. As regards labour relations and economic policies, it was a period of trial and error which resulted in an impasse.

At the end of 1981, the formation of a centre-right government, with special powers, marked a radical turning-point in economic and social policy in order to achieve a macroeconomic recovery. For most of the variables - excluding unemployment and the public debt – the recovery was achieved in the mid-1980s or towards the end of that decade.

From the 1990s, it became clearer that the recovery was not a return to the previous equilibrium and that the Belgian economy, like all Western economies, was now breaking new ground. In fifteen years, the groundswells described above had produced their effects, including: the loss of a quarter of industrial jobs; the development, on a more flexible basis, of part-time working in the service sector; the decline of the share of wages in the added value; the increase in the share of property income in household income; the attempts to achieve savings in the public sector, including as regards social

11 C. DUBAR (2000)
12 See on this subject P. VIELLE, Ph. POCHET and I. CASSIERS, dir. (2005).
security: the widespread constraints imposed by competitiveness. That was the backdrop which required the modus operandi of the social dialogue to be adapted.

2.2. The social dialogue: between a break with the past and continuity

The changes which the social dialogue underwent from the beginning of the 1970s can be sub-divided into three distinct phases. A first phase (roughly 1973-1980) was characterised by a destabilisation of the participants and negotiations as a result of the first structural shocks. The second phase was a period of acute crisis (roughly 1981-1986), which revealed a deadlock in the social dialogue as it had existed since it was first established. The third phase, which is ongoing, was that of a gradual redefinition of the game rules.

Table 3
Key dates in the social dialogue in Belgium, 1970-2008

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-81</td>
<td>Tripartite CNT, frequent State intervention</td>
</tr>
<tr>
<td>1981-85</td>
<td>Suspension of the social dialogue, wage freezes, non-application of index-linking</td>
</tr>
<tr>
<td>1983</td>
<td>Competitiveness standard (revised in 1985)</td>
</tr>
<tr>
<td>1986</td>
<td>Resumption of bipartite consultation</td>
</tr>
<tr>
<td>1989</td>
<td>Law to protect competitiveness</td>
</tr>
<tr>
<td>1993</td>
<td>Failure of attempts to conclude a “new social pact”</td>
</tr>
<tr>
<td>1995-96</td>
<td>Comprehensive Plan, Introduction of the health index</td>
</tr>
<tr>
<td>1996</td>
<td>Wage freeze decided by the Comprehensive Plan</td>
</tr>
<tr>
<td>2004-05</td>
<td>Law on the promotion of employment and preventative measures to protect competitiveness</td>
</tr>
<tr>
<td>2004-05</td>
<td>Solidarity between generations</td>
</tr>
</tbody>
</table>

At the beginning of the 1970s, before the upheaval caused by the increase in oil prices, more minor shocks had already affected the social dialogue. Unemployment had increased in Belgium, as a result of the twofold impact of demographic pressures (arrival on the labour market of the baby-boom generation and an increase in the activity rate of women) and the collapse of traditional industrial sectors (coal, textile). A national employment conference was convened in April 1973. The employer representatives denounced increases in hourly wage costs as being the cause of rises in unemployment (earlier strong wage increases, accompanied by a reduction in working time). On the other hand, the trade unions refused to accept responsibility for the creation of jobs, which they considered should be the responsibility of companies. The compromise finally reached transferred part of the burden to the public authorities: jobs were freed up for young people by measures to promote early retirement and the principle of severance payments was introduced on a wide scale in the event of collective redundancy plans.

New constraints were imposed on the social partners following the deterioration in the trade balance as a result of the floating of the dollar (1971) and higher oil prices (1973, 1979). The indexation of wages to the cost of living – which was surging – was then called into question by the employer representatives. The latter’s position was weakened by the automatic index-linking of wages, which fixed a lower limit for the negotiations. As long as workers considered that the stabilisation of their purchasing power was an inalienable established right, the trade unions felt that it was their duty to their members to deliver real wage increases. For their part, companies preferred to avoid expensive strikes if all that was involved was a few percentage points in real wages. The deteriorating profitability of companies, during the period 1973-1981, therefore encouraged employer organisations

---

13 CRISP weekly newsletter n° 592, 1973
to call for the suspension of index-linking and the emphasis to be placed on wage moderation and the reduction of employer charges in order to restore profits.

However, during the first years of the crisis, the trade unions were still in a strong bargaining position, in particular because various economic and social policy measures adopted cushioned the risk of unemployment (early retirement, longer studies, creation of public sector non-profit sector jobs, indirect subsidies to the financial sector as a result of public sector debt) and the resultant loss in income (increase in unemployment benefits). The inability of the social partners to redefine a compromise adapted to the circumstances consequently provoked strong social tensions. The State, which had withdrawn, when the social planning process was fully operational (1960-1970), resumed its role as the third party in the consultation process. Numerous tripartite national labour conferences were organised (1970, 1973, 1976 and 1980). Although negotiations continued within joint committees, the multi-industry negotiations failed from 1976 to 1986, except for the short-lived 1981 agreement concluded under pressure from the State.

Another delicate issue during this first phase of the crisis concerned working hours. The trade unions wanted an across-the-board reduction in working hours in order to distribute available jobs more equitably. But they refused any reduction in wages in exchange; this was unacceptable for employers. The latter preferred to encourage part-time working. This position found de facto support albeit by default – in the growing number of women wanting to work but who could not find full-time work because of the shortage of suitable child-minding facilities. The negotiations resulted in a joint opinion of the National Labour Council (29 May 1980, n°655) and the law of 23 June 1981 on part-time working.

A posteriori these years may be seen as a period of trial and error, a socio-political laboratory, where governments and the other stakeholders tried, without great conviction, to find a way out of the crisis. However, this apparent determination to forge ahead regardless, relying systematically on State intervention, merely increased deficits and debt in an alarming way. In 1981, the scope of the macroeconomic imbalances – not only the government deficit, but also the trade deficit, unemployment, low corporate profits, downward pressures on the Belgian franc – resulted in a new government being formed, with special powers, which facilitated the implementation of new measures: a devaluation of the Belgian franc (8% in February 1982), a wage freeze and a change to the indexation system. The social dialogue was suspended. From this point on, one thing became clear: it could not be resumed without taking account of macroeconomic conditions. In 1983, the legislator drew up the first instrument: a first competitiveness standard (amended in 1985) stipulated that Belgian labour costs could not grow faster than those of its seven main trading partners.

The winds of prosperity following the repercussions of the oil crisis enabled the social partners to rediscover their bargaining autonomy from 1986. The bipartite social dialogue was resumed, but with a clearly established need to take account of macroeconomic constraints, that is to say the obligation for employers and trade unions alike to take into consideration, in their wage negotiations, changes in market shares and various data relative to Belgian competitiveness. These controls were reinforced by the law of 6 January 1989 to protect competitiveness, combined with the decision to link the Belgian franc to the Deutsche mark.

However, the effectiveness of this law proved to be limited: the boom period of 1989-1992 was accompanied by wage growth in excess of that of neighbouring countries. In practice, the law of 1989 did not make any in-depth changes to the wage formation mechanisms, but simply added a safeguard: it provided for only an a posteriori adjustment of wage excesses, by authorising the Belgian government to freeze wages when it noted a deterioration in national competitiveness.

How could the risks of a decline in competitiveness be anticipated? That question influenced the subsequent development of the social dialogue, in a context increasingly subject to the pressures of international competition and financial globalisation. At the beginning of the 1990s, the increased mobility of capital gave financial operators new powers, which meant that it was necessary to gain
their confidence. They required a strong signal of the government’s determination to pursue its macroeconomic reforms and ensure foreign exchange stability.

In 1993, after the Central Economic Council had noted a further deterioration in competitiveness, the government organised a debate on employment, competitiveness and the financing of the social security system, with the aim of concluding a “new social pact”, similar to the one concluded in 1944. The positions of the social partners were too divergent to reach an agreement. The government therefore took over the negotiations and implemented a “comprehensive plan”\(^\text{14}\). A new wage freeze was imposed in 1995 and 1996. To limit the growth of wage costs, without abolishing the principle of index-linking wages to the cost of living, a new index was created: “the health index”, obtained after eliminating certain prices (tobacco, alcohol and fuel).

The failure of the attempts to negotiate a new social pact highlighted the difficulty for the social partners to establish a common perspective, in a socio-economic context which was very different from that which had brought them together in 1944. The law of July 1996 on the promotion of employment and preventative measures to protect competitiveness was a new attempt to forge a common project. It facilitated the resumption of collective negotiations in a framework intended to integrate the economic and social transformations of the end of the 20th century\(^\text{15}\). This was reflected in the new themes that were integrated into the negotiations in addition to the traditional subject of wage formation. For example, the theme of lifelong learning was included in the multi-industry agreement of 1999-2000, followed by that of innovation in the agreements of 2005-2006. Both these themes have since become recurring themes. Some provisions of the law of 1996 were intended to force the social partners to construct a common vision of the future. An enhanced coordination role has been given to cross-sector organisations by the threat, in the event of a breakdown in negotiations, of State intervention in the negotiations at sectoral and company levels. An implicit reference to the socio-economic consensuses in force outside Belgium was introduced via a wage norm which imposed a comparison of Belgian wages with those of neighbouring countries (Germany, France and the Netherlands). Finally, a “technical report” was introduced as a new economic and social monitoring tool\(^\text{16}\), with the aim of enabling the social partners to extend the dialogue to major topical issues.

During the 2000s, the problem of the ageing population and the financing of pensions was added to this context and led to the Solidarity Pact between Generations (2004-2005). However the future challenges remain important. The tensions between Communities and the differences of opinion and perception of the economic and social challenges between the North and South of the country constantly threaten the very bases of the social dialogue in Belgium. The urgency of the environmental problems, which have as yet played only a limited role in the social debate, will eventually force the stakeholders to reconsider the very foundations of a social peace initially based on a common, undisputed objective of economic growth.

**Conclusions**

The history of the social dialogue is that of stakeholders, and of institutions set up by the social partners in order to implement their comprises, in a specific historical context, which is also, by definition, a changing context, which shapes the actions of the stakeholders but which is also sometimes transformed by the latter.

\(^{14}\) For more details, see E. ARCQ (1993).

\(^{15}\) On this subject, please also see in this research, the chapter of M. CAPRON on the negotiation of multi-industry agreements.

\(^{16}\) According to the law of 1996, the Technical Reports are drawn up annually by the Secretariat of the Central Economic Council. They cover the development of wage costs, employment and structural competitiveness. They are intended to provide the social partners with the necessary information to guide them in the negotiation of multi-industry agreements.
The development of the Belgian social dialogue since the Second World War has been characterised by two clearly distinctive periods: a constructive period during which a consistent model was put in place and developed, followed by a defensive period in a context of crisis and major socio-economic changes. We have tried to demonstrate how the transformations of the social dialogue, on the one hand, and those of the socio-economic context, on the other hand, have influenced each other, resulting in a situation, at the current time, which is particularly complex.

At the end of the war, the mutual recognition of employer representatives and trade union organisations, the validation of their role by the State and their common focus on a clearly defined form of economic and social prosperity enabled the stakeholders to fix precise economic and social policy objectives. The efforts made to catch up with American levels of productivity and income facilitated the development of mass consumption via higher wages, the protection provided by the social security system, social recognition thanks to labour laws and a leisure society as a result of the reduction in working time. The gradual accomplishment of these objectives, boosted by the exceptional economic growth recorded in the West over a thirty year period, shaped the legal structure of the social dialogue which we have inherited today (role of the multi-industry level, joint committees, internal stakeholders, etc.). The whole institutional edifice was constructed on the basis of the dominant characteristics of an epoch: the consolidation of a technological wave (cars, chemicals, electricity); preponderance of industry; prevalence of male, long-term and full-time employment; a stable family model; individuals defined by reference to a collective structure. The practical details of the social dialogue influenced in turn the Belgian socio-economic structure in several ways: by way of example, the drive to achieve productivity gains and the upward pressure on wages accelerated the capital intensification of production processes and the elimination of companies and industrial sectors that were incapable of following the movement; the extension of social security and the various benefits payable by the State increased the ratio of State revenues and expenditure to GDP.

Shortly after the Belgian social dialogue had become fully operational, its edifice was undermined by external macroeconomic shocks (rocketing oil prices and fluctuating foreign exchange rates). The inability of the social partners to reach a common agreement on how to emerge from the crisis was undoubtedly due to the fact that the brutal change in the international context was accompanied by other changes – whose impact was slower and less perceptible – affecting the social partners and their strategies: the development of a new technological wave including other types of productive requirements (information and communication technologies, bio-chemicals), demographic and sociological changes (increased activity of women, growing demand for services, global ageing), changing mentalities (from a solidarity-based collective mentality to an approach based on individual responsibility). It was the State’s recurring intervention which enabled the social dialogue, which was suspended during a certain time, to weather the storm and attempt to reinvent itself by adapting to a new, transformed context. That was the spirit which guided the laws of 1989 and 1996 which were intended to organise new compromises on the basis of the assimilation of new constraints: the need to boost competitiveness in a globalised world, long-term unemployment of workers needing retraining and constant budget deficits. The need to deal with new problems – financing the pensions of an ageing population, Community dissentions, climate change, the consequences of the 2008 financial crisis – means that the social dialogue is now facing huge challenges.

As a result of all these changes, the social partners are faced with an ultimate difficulty. It is though, insidiously, an additional party (the rest of the world? financial operators?) has wormed its way into the consultation process, without revealing its identity. Or, more precisely, as if an invisible hand (that of the market? that of individualism?) is constantly clouding the collective procedure. The roles of the social partners, which were very clear at the end of the war, are no longer quite so clear-cut. Each stakeholder may be torn between contradictory individual interests (wage increases versus the profitability of pension funds; the defence of a local company versus promotion in a multinational group, etc.). The frequent references to what is erroneously called “the market” betray the difficulty of identifying the stakeholders and competent parties. And when new stakeholders emerge in connection with new, but specific issues (for example NGOs for the protection of the environment), this poses the problem of how to integrate them adequately in the traditional institutions.
The sustainability of the Belgian social consultation model depends on the ability of the stakeholders to adapt to the changes in progress, to integrate new issues and new groups of stakeholders, and to redefine actively a common vision of economic and social progress. The major risk that the system faces is that it unravels slowly, in line with successive reforms or as a result of a loss of representativeness on the part of the organisations that structure the social dialogue. In that case, there is no guarantee that alternative institutions capable of pursuing the defence of the values of solidarity and socio-economic democracy will emerge.

17 We agree on this point with the analysis of M JADOT (2008)
References