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PRESS RELEASE

Results of the third wave of the survey on wage-setting in Belgium
(Article for the December 2015 Economic Review)

In the years 2014 and 2015, twenty-five countries of the European Union took part in a harmonised survey of firms' wage- (and price-) setting practices, within the framework of the Wage Dynamics Network (WDN), a European System of Central Banks (ESCB) research network that studies the characteristics of wage dynamics.

The article sets out the main findings of the survey carried out in Belgium. The survey covers the period 2010-2013 and includes questions on firms' perception of the nature of the changes in the economic environment that have resulted from the sovereign debt crisis, their reactions to these changes and the role of financial constraints.

Generally speaking, the lessons drawn from this analysis tend to confirm the already known features of the Belgian labour market and its institutional set-up. They also provide unique insight into the way in which firms perceive the labour market and how they react to the crisis. For instance, they reveal that the most negative impact on their business activity over the period from 2010 to 2013 came from the level of demand and the inability of customers to pay and meet contractual terms. While companies point out that there has not been any widespread rationing of credit, this factor is still a focal point, especially for some small firms.

Companies are adapting via different channels. As far as the price channel is concerned, their strategies show quite a high degree of autonomy, which is nevertheless limited in practice by ever-increasing competitive pressure. This can probably partly explain the accelerating frequency of price adjustments observed among a small minority of companies. Costing policies are another channel that firms can use. They s ay they generally tend to be confronted with increasing costs, in particular wage costs. The two main components of these costs are the volume and remuneration of labour.

When it comes to adjusting the volume of labour, the proportion of companies recording respectively increases and decreases in permanent employment is the same at aggregate level. This is consistent with the lack of any massive impact on employment at the macroeconomic level. However, firms whose business activity has been adversely affected on average tend to show almost systematically more decreases than increases for the various components of the volume of labour, while this is hardly ever the case for the others. The survey also confirms that the use of temporary lay-offs was an important factor in explaining the resilience of employment in Belgium.

As for the remuneration of labour, the survey confirms that, in the context of wage moderation, there have been almost no wage cuts at all. This feature, linked to the wage-setting process in Belgium, is observed to a much smaller extent in the other European countries. Companies also emphasise the fact that tax and wage levels are major obstacles to recruitment, just like the uncertainty that is tainting the economic situation. Measures designed to reduce these barriers, such as the labour-cost-cutting measures taken by the federal government as part of the tax shift, will help to alleviate this constraint. Strategies seeking to reduce uncertainty would also appear to be adequate, especially since a large proportion of firms share the perception that the labour market may have become less flexible, a sentiment that nevertheless does not seem to be explained by regulatory changes or reforms to the institutional framework in Belgium over the period surveyed.

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