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Early Retirement in Belgium

1. Introduction

Overview

The public system:

- In Belgium, there is the option to go into publicly financed early retirement by obtaining actuarially reduced pensions, or in the case of invalidity or unemployment through the insurances accordingly.

The role of collective labor agreements (CLAs):

- In Belgium, there are basically three different ways of obtaining early retirement through collective agreements: early retirement for dismissed employees, early retirement with normal pension benefits, and progressive retirement. Both schemes are partly financed by the state and partly by the employer (see section 4).
 - A dismissed employee can complement the unemployment benefits with an additional early retirement benefit if specific requirements such as minimum age and seniority are met. In order to qualify for these benefits the employee must be covered by a corresponding collective labor agreement (Portal der Belgischen Sozialen Sicherheit 2010a: Introductory Text). There are some cases when a dismissed employee does not qualify for early retirement benefits but nevertheless receives a pseudo early retirement

benefit (V.o.G André Renard 2007: 29): This exceptional option is called *Canada Dry* and is described shortly in section 7.

- Another possibility of attaining early retirement is by getting normal pension benefits before reaching the official retirement age of 65. This is possible for employees who have worked for at least 35 years and who are at least 60 years old (Portal der Belgischen Sozialen Sicherheit 2010b: Einleitung). Please note that this early retirement option is not further explained in this report. But the reader finds more information on this in our report on pension in Belgium.
- Progressive retirement based on CLAs is possible either as a right for shorter working hours or as a pre-pension on part time hours.
- It is important to note that early retirement for dismissed employees as well as the progressive retirement schemes are not based on CLAs alone; these schemes are also regulated by a state framework called the Generation Pact (*Pacte de solidarité entre les generations*) of 2005.

Levels of Bargaining

- The framework and specific rules of early retirement for dismissed employees are negotiated at the national intersectoral level in the National Labor Council. Within this framework specific schemes are furthermore negotiated at the sectoral and/or company level within parity commissions (Van Gyes 2008).
- The framework of progressive retirement is also regulated in CLAs at national level by the National Labor Council. The specific conditions and rules, however, are bargained at sector level or company level (V.o.G André Renard 2007: 26-28).

Actors

The following actors are involved in collectively negotiated early retirement schemes at the intersectoral level (see agreement in Gyes 2007a). The names of the actors are taken from Perin (2009: 2-3).

- Trade Unions:
 - Confederation of Christian Trade Unions (*Confédération des Syndicats Chrétiens/Algemeen Christelijk Vakverbond, CSC/ACV*),
 - Belgian General Federation of Labour (*Fédération Générale du Travail de Belgique/Algemeen Belgisch Vakverbond, FGVB/ABVV*),
 - General Confederation of Liberal Trade Unions of Belgium (*Centrale Générale des Syndicats Libéraux de Belgique/Algemene Centrale der Liberale Vakbonden van België, CGSLB/ACLVB*).

- Employer Associations:
 - Federation of Enterprises in Belgium (*Fédération des Entreprises de Belgique/Verbond van Belgische Ondernemingen*, FEB/VBO),
 - French-speaking Union of Self-Employed (*Union des Classes Moyennes*, UCM),
 - Flemish Organization of the Self-Employed (*Unie van Zelfstandige Ondernemers*, UNIZO),
 - Federation of Belgian Farmers (*Fédération des Agriculteurs Belges/Belgische Boerenbond*, BB).

Critical Junctures

Definition: Critical junctures are time periods or years when important decisions on the development of the collectively negotiated early retirement scheme were made.

Based on our findings, we have identified two critical junctures: the introduction of early retirement for dismissed workers and the law on the generation pact.

- Early retirement for dismissed workers, *Conventioneel Brugpensioen*, was introduced by the intersectoral agreement No. 17 in 1974. The intention behind the introduction of this scheme was to create new job possibilities for young people (De Deken 2007: 48).
- The Generation Pact is a law passed in December 2005 making early retirement less attractive for employees and for employers – especially the schemes for dismissed workers. The aim of the law is to promote active ageing. It did, however, rather introduce modified incentives without stopping the various options. Therefore, it has been possible for the social partners to adapt the collectively negotiated early retirement schemes to the new rules (Van Gyes 2008).

2. Important Collective Agreements (Examples)

Early Retirement for dismissed employees:

- Intersectoral Agreement No. 17, *Conventioneel Brugpensioen* (early retirement for dismissed workers, CB): The national collective agreement, which was signed in 1974, introduced supplementary unemployment benefits as an early retirement option for older dismissed workers (De Deken 2007: 48).
- Intersectoral agreement for 2007/2008: This agreement contains an extensive range of recommendations and provisions concerning wages, working conditions and also concerning the implementation of the Generation Pact which reforms the framework of

early retirement options. Important parts of this agreement that deal with early retirement have been implemented in three further intersectoral agreements: No. 91-93 (Van Gyes 2007a, 2008).

- Intersectoral agreement No. 91: This agreement was approved by the National Labor Council in December 2007 and implements important parts of the intersectoral agreement 2007/2008 (Van Gyes 2008).
- Intersectoral agreement No. 92: This agreement was approved by the National Labor Council in December 2007 and implements important parts of the intersectoral agreement 2007/2008 (Van Gyes 2008).
- Intersectoral agreement No. 93: This agreement was approved by the National Labor Council in December 2007 and implements important parts of the intersectoral agreement 2007/2008 (Van Gyes 2008).
- Agreements in the metal sector: The CLAs on early retirement for dismissed workers (aged 55, 56, or 57) will be applied until 2015 if these agreements are concluded before 1987 or 1986 (even though the Generation Pact does not allow this kind of very early retirement any more) (V.o.G André Renard 2007: 8).

Progressive retirement:

- Intersectoral agreement No. 55: Pre-pension on part-time hours. Concluded on 13th of July 1993 in the National Labor Council. It became mandatory under the Royal Decree of the 17th of November 1993 (Delbar 2001). It is a framework agreement thus, an additional agreement has to be concluded within the sector or the enterprise (Delbar 2001).
- Intersectoral agreement No. 77: 14th of February 2001, by the National Labor Council. This agreement gives workers over the age of 50 the right to a reduced work schedule reviewable after periods of six months (Delbar 2001).

3. Important Sectors

In Belgium, all sectors are important because they are all covered by early retirement options. However, some sectors such as the construction sector or the metal sector have special agreements which allow for less strict rules on early retirement (Van Gyes 2008; V.o.G André Renard 2007: 8).

4. Structure, Organization and Mode of Administration

- In general, intersectoral agreements, which are important in the case of early retirement, are concluded by the National Labor Council. However, when it comes to the implementation of the early retirement schemes, this council is of less importance (National Labor Council 2010: Competences). The council has been founded by law in 1952 and is administrated in parity by trade unions and employers' associations (National Labor Council 2010: Introductory text and membership).
- Within the scheme of early retirement for dismissed employees, unemployment benefits are paid by the state. The additional early retirement benefits are paid directly by the employers or by a fund (Portal der Belgischen Sozialen Sicherheit 2010a: Betrag). When the additional early retirement benefits are paid by a fund and not directly by the employer, the fund is set up and managed in parity by the social partners (Portal der Belgischen Sozialen Sicherheit 2010a: Betrag).
- Within the intersectoral agreement No. 55 (pre-pension on half-time hours), unemployment benefits are also paid by the state, and the additional compensation is paid by the employer (or a fund chosen by the employer) (V.o.G André Renard 2007: 27). Concerning the additional compensation to the unemployment benefits, it is the employer who administrates it, but the employer may also delegate this task to a fund (V.o.G André Renard 2007: 27).

5. Role of the State: Financial Support, Legislation and Extension Procedures

- The Generation Pact, concluded in 2005, was originally supposed to be a tripartite pact, but in the end it was concluded by the state alone (Moulaert 2006). Eventually, it became a law (Moulaert 2007: 71).
- The act contains a general framework on how early retirement and progressive retirement can be implemented in Belgium. All new sectoral agreements have to follow the new rules (Van Gyes 2007b). The aim of the pact is to reduce early retirement without changing the legal retirement age or benefits already granted (Van Gyes 2008). However, concerning progressive retirement based on the intersectoral agreement No. 77, the pact actually made it easier for older workers to benefit from these options (V.o.G André Renard 2007: 27).

- The normal unemployment benefits are paid by the public unemployment insurance scheme, hence the national employment office (Portal der Belgischen Sozialen Sicherheit 2010a: Betrag).
- Tax rules: People that get early retirement benefits only pay reduced taxes. The reduction decreases when early retirement benefits increase or when a person has new sources of alternative income (V.o.G André Renard 2007: 41).
- The mandatory parts of a CLA can be extended made legally binding by Royal Decree. In fact, the extension of a CLA is quite common (EIRO 2009: Industrial Relations)

6. Financial Structure of the Collectively Negotiated Scheme

Early retirement for dismissed employees:

- As mentioned in section 5, the normal unemployment benefits are paid by the public unemployment insurance scheme, hence the national employment office (Portal der Belgischen Sozialen Sicherheit 2010a: Betrag).
- The additional early retirement benefit is paid by the employer or a fund (Portal der Belgischen Sozialen Sicherheit 2010a: Betrag). Every sector or sub-sector has its own rules of how the employers contribute to the schemes. But interestingly, the schemes are not financed by the employees (De Deken 2007: 56).

Intersectoral agreement No. 55 (Pre-pension on half-time hours):

- As mentioned above, unemployment benefits are paid by the public unemployment insurance scheme. The additional early retirement benefits are paid directly by the employers or by a fund. Again, there are no employees' contributions (V.o.G André Renard 2007: 27).

7. Benefits and Measures of the Collectively Negotiated Schemes

Early retirement for dismissed employees:

- General conditions:
 - The employee must have been dismissed by the employer and the employee must qualify for unemployment benefits (having been employed for at least 624 days in the last three years) (Portal der Belgischen Sozialen Sicherheit 2010a: Bedingungen).
 - Many dismissed employees who receive early retirement benefits must be ready to go back to work if there is a job available (V.o.G André Renard 2007: 22).

- Level of benefits:
 - The unemployment benefit is 60 per cent of the last gross wage with the maximum of 1,921.71 EUR. The additional early retirement benefit is calculated as follows: half of the difference of the reference net wage and the unemployment benefit. This calculation of the additional early retirement benefit is validated every year by the National Labor Council (Portal der Belgischen Sozialen Sicherheit 2010a: Betrag). The accumulated benefit for a person without family duties must not be lower than 1,169.54 EUR, and for a person with family duties there is a minimum of 1,408.73 EUR (V.o.G André Renard 2007: 21).
 - 6.5 per cent of the benefits are not paid out and used as social security contribution (V.o.G André Renard 2007: 21).
 - People who worked mainly part time during their career can also get these unemployed and early retirement benefits. Consequently, the level of the benefits is proportionally smaller. In exceptional cases, however, they may get the full unemployment benefits without any additional early retirement benefits (V.o.G André Renard 2007: 8).
- In order to adapt the schemes to the Generation Pact of 2005, the social partners agreed in the intersectoral Agreement 2007-2008 on the following benefit issues:
 - In order to take early retirement at 58 or 60 years of age, workers need to have worked full-time for at least 38 or 35 years. For people who have taken a career break, who work part time, or who have experienced periods of unemployment are able to benefit from a complex compensation. Essentially, this new system allows people to compensate for up to six years missing in the standard working career (Van Gyes 2007a).
 - Heavy occupations are defined: They can receive exemptions from the new rules (Van Gyes 2007a).
 - Early retirement arrangements for night workers and people with disabilities in the construction sector have been extended (Van Gyes 2007a).
 - Exceptions to the strict rules of the Generation Pact have been concluded in the three 2007 intersectoral agreements No. 91-93. These exceptions are described below in table 1 (Van Gyes 2008).
- The Canada Dry option:
 - The option is regulated by law but a sectoral or company based CLA is needed in order to implement it. The idea is that dismissed employees that are actually not entitled to get the additional early retirement benefits may receive them nevertheless. Concretely, employees that are older than 50 years and that have been dismissed in the private sector after 1st of October 2005 may be eligible to receive additional benefits to the unemployment benefits (V.o.G André Renard 2007: 29-33).

- Minimum age and seniority requirements: The following table shows the seniority requirements for early retirement in the years 2010 and 2011. Furthermore, the relevant CLA is mentioned in the third column:

Table 1 Minimum Age and Seniority Requirements

<i>Minimum age</i>	<i>Career/seniority requirement</i>	<i>Collective agreement</i>
60	Men: 30 years Women: 26 years	Intersectoral agreement No. 17 (covering all employees in the private sector)
58	Men: 37 years Women: 33 years	Company agreement or sectoral agreement (both are quite common in the industry according to van Gyes (2008))
58 and working in an occupation with difficult working conditions*	35 years	Company agreement or sectoral agreement
58 and having a medical problem (handicapped or psychic)	35 years	Intersectoral agreement No. 91 (covering all employees in the private sector)
2010: 55/56/57 2011: 56/57**	38 years	Company agreement or sectoral agreement. Mainly in the metal sector***
56	40 years	Intersectoral agreement No. 92 (covering all employees in the private sector and valid until end of 2010)
56, in construction sector, worker must have a medical certificate	33 years, whereof 20 years of night employment	Sectoral agreement in construction sector
52-55****, in case of company downsizing (only in companies that are in reorganization or difficulties)	20 years or 10 years in sector	Specific company agreement

* Either for five years during the last 10 years, or for seven years during the last 15 years.

** This system will disappear in 2015. CLAs with a minimum age of 55 are possible until end of 2010, CLAs with a minimum age of 56 are possible until end of 2012, and CLAs with a minimum age of 57 are possible until end of 2014.

***According to V.o.G André Renard (2007: 8).

**** In specific circumstances 50 years is also possible.

Source: Portal der Belgischen Sozialen Sicherheit 2010a: Bedingungen.

Progressive retirement:

- Intersectoral agreement No. 55 (Pre-pension on half-time hours):
 - Workers aged 55 and above can reduce their working hours to half-time and they can qualify for unemployment benefit and a supplementary compensation payment (Delbar 2001).
 - Conditions: an additional CLA at sector or company level is needed; being covered by the intersectoral agreement alone is not enough. Concerning seniority, employees must have a career of 25 years and having been employed full time for 12 months in the same company. The minimum age is 55 years but in many cases it is actually a bit higher (V.o.G André Renard 2007: 27-28).
 - 1 per cent of the unemployment benefits and 3.5 per cent of the additional compensation are not paid and used as social security contributions (V.o.G André Renard 2007: 28).
 - A change from this half-time early retirement to a full-time early retirement is always possible (V.o.G André Renard 2007: 28).
- Intersectoral agreement No. 77 (progressive retirement):
 - Reduction of working hours for workers over the age of 50, reviewable after a period of six month as follows (Delbar 2001):
 - Reduction of one whole day's work or two half-day's work, per week.
 - Reduction to half-time working in the form of a half-time working career break.
 - Conditions for eligibility:
 - Workers must have 20 years' service as employees (Delbar 2001).
 - Workers must have five years' service in the enterprise currently employing them (Delbar 2001).
 - Workers must either be employed full-time to 80 per cent, where there is a reduction of one full day (or two half-days) per week. Or the worker was employed 75 per cent during the year preceding the request for a reduction to half-time working (Delbar 2001).
 - The employer may defer the exercise of a worker's right to reduce working hours, The Working Council (*Conseil d'Entreprise/Ondernemingsgraden*) may set out the regulations conditions for such cases (Delbar 2001).

8. Coverage Rates of the Collectively Negotiated Schemes

- Early retirement for dismissed employees: All private sector employees are covered by the intersectoral agreements No. 17 and 91-93 (Van Gyes 2008).
- Progressive retirement (intersectoral agreements No. 55 and 77): All private sector employees are covered (Delbar 2001).
- Furthermore, the extension of Belgian CLAs by a Royal Decree plays an important role concerning coverage (see section 5).

9. The Politics around the Collectively Negotiated Schemes

Linkages to Public Reform Policies

The Generation Pact, which was passed in 2005 aimed at making early retirement less attractive. As mentioned in section 1 'Introduction' however, it modified the incentives and social partners soon adapted the CLA early retirement schemes to the new rules (Van Gyes 2008).

Linkages to Wage Agreements and Wage Policy (e.g. Wage Restraint, Tripartite Agreements) and Other Agreements

We have not found any evidence.

Actors' Strategies and Conflicts among and between Them (State, Political Parties, Employers, Trade Unions)

Generation Pact: While the employers were pleased with this reform of early retirement, the trade unions FGTB and CSC/ACF were against the new rules because early retirement was made more difficult (Moulaert 2006).

10. Recent Developments and Other Interesting Information

We have not found any evidence.

11. Contacted Experts

No expert was contacted.

12. List of Abbreviations

- BB: *Fédération des Agriculteurs Belges/Belgische Boerenbond* (Federation of Belgian Farmers)
- CB: *Conventioneel Bruggpensioen* (early retirement for dismissed workers)
- CGSLB/ACLVB: *Centrale Générale des Syndicats Libéraux de Belgique/Algemene Centrale der Liberale Vakbonden van België* (General Confederation of Liberal Trade Unions of Belgium)
- CLA: collective labor agreement
- CSC/ACV: *Confédération des Syndicats Chrétiens/Algemeen Christelijk Vakverbond* (Confederation of Christian Trade Unions)
- FEB/VBO: *Fédération des Entreprises de Belgique/Verbond van Belgische Ondernemingen* (Federation of Enterprises in Belgium)
- FGTB/ABVV: *Fédération Générale du Travail de Belgique/Algemeen Belgisch Vakverbond* (Belgian General Federation of Labour)
- UCM: *Union des Classes Moyennes* (French-speaking Union of Self-Employed)
- UNIZO: *Unie van Zelfstandige Ondernemers* (Flemish Organization of the Self-Employed)

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