



## Newsflash

# Index jump impact ends for employers

*To safeguard the competitiveness of Belgian companies, the government intervened several times in the automatic salary indexation mechanism. The effect from the last intervention – the 2015 index jump of 2% – already diminished during April 2016 because of the high inflation rate.*

*What is the impact on employers?*

### **Salary indexation regulated at industry level**

Although it is not a legally embedded mechanism, automatic salary indexation is implemented in nearly every industry in Belgium, as a result of industrial collective bargaining.

The basis for indexation is the health index, which is based on a representative 'basket' grouping various types of consumer goods. This basket's overall price is compared every month with its price in December of the previous year (x-1). The health index differs from the regular consumer price index, which also includes goods such as tobacco, alcohol, petrol and diesel.

If the average health index of the previous 4 months (flattened health index) increases or decreases, the salaries are adapted accordingly. Nonetheless, industry specific indexation modalities should be taken into account due to the lack of a general legal basis. In some industries for example, indexation occurs if a specific threshold index is exceeded, whereas in others, indexation occurs periodically.

### **Index jump and 2015 index freeze**

From time to time, the Belgian government intervenes in the automatic indexation mechanism to safeguard the competitiveness of Belgian companies. This happened in 2015 as well, with the promulgation of the Act of 23 April 2015 on the improvement of employment.

Through this act, the flattened health index was frozen as of April 2015 at the level of the month of March 2015 (that is at 100.66 points).

The act provides that this index freeze is maintained as long as the reference index (being the flattened health index multiplied by 0.98) does not exceed the frozen flattened health index of March 2015 (100.66 points). If the reference index does exceed the frozen flattened health index of March 2015, the reference index will start to apply as from that moment. The objective is an index jump of 2% (0.02) and a temporary freeze of salary costs.

### **End of the index jump**

Since the beginning of the abovementioned index freeze, the inflation rate increased constantly. Consequently, the price of the health index 'basket' increased month after month, resulting in a constant reference index increase.

In April 2016 and much sooner than expected, the reference index equalled 100.93, leading to the end of the index freeze. The index jump of 2%, although achieved, eventually had less impact than expected.

### **Impact on employers**

The end of the index freeze does not automatically result in salaries' increase. As pointed out above, the industry specific provisions on indexation determine whether, how and when salaries should be indexed.

The below overview shows that in none of the 10 largest Belgian joint labour committees indexation immediately occurs due to the index freeze's termination.

<b>INDUSTRY</b>	<b>INDEXATION MECHANISM</b>	<b>INDEXATION REQUIRED?</b>
JLC no. 200 (white-collar workers)	Effective salaries are indexed annually in January of year N, by dividing the average flattened health index of November and December of	No – indexation happens in January 2017 at the earliest

	year N-1 by the average flattened health index number of November and December N-2	
JLC no. 330 (health care + most sub-JLC's)	Increase of effective salaries with 2% in case the flattened health index exceeds the threshold index of 101.02 (current value)	No – the flattened health index for April 2016 is equal to 100.93, which is below the threshold index of 101.02.
JLC no. 322 (temporary agency workers)	Indexation depends on the industry in which the temporary agency worker is employed	To be verified – based on the specific industry in which the temporary agency worker is employed
JLC no. 124 (blue-collar workers construction)	Minimum salaries are indexed on a quarterly basis, by dividing the average flattened health index of the first 2 months of the last quarter by the average flattened health index of the first 2 months of the penultimate quarter	No – the termination of the blocking will only have effect on the indexation of the salaries as of the third quarter of this year (July – September 2016), and only for employees who are paid the industrial minimum salary
JLC no. 111 (blue-collar workers metal, mechanical and electric construction)	Effective salaries are indexed annually in July of year N, by dividing the flattened health index of June of year N by the flattened health index of June of year N-1	No – indexation happens in July 2016 at the earliest
JLC no. 302 (hotel industry)	Effective salaries are indexed annually in January of year N, by dividing the flattened health index of November of year N-1 by the flattened health index of November of year N-2	No – indexation happens in January 2017 at the earliest
JLC no. 201 (white-collar workers independent retail)	<p>The salaries are stabilised per tranche, whereby the thresholds are equal to</p> <ul style="list-style-type: none"> <li>• the threshold index multiplied by 1.02 (maximum threshold); and</li> <li>• the threshold index divided by 1.02 (minimum threshold)</li> </ul> <p>If the reference index (average of the flattened health indexes of the last 2 months) exceeds the maximum or minimum threshold, the minimum salaries are multiplied or divided by 1.02</p>	<p>No – neither the minimum nor maximum threshold (equal to <math>101.02 \times 1.02 = 103.224</math>) is exceeded by the reference index (which is currently equal to <math>(100.66 + 100.93)/2 = 100.795</math>)</p> <p>If this would be the case, only the sectoral minimum salaries should be indexed</p>
JLC no. 140 (blue-collar workers transport and logistics)	<p><i>Sub-JLC for road transport and logistics for third parties:</i></p> <p>Minimum salaries are indexed annually in January of year N, by dividing the flattened health index of December of year N-1 by the</p>	<p>No:</p> <p>in the sub-JLC for road transport and logistics for third parties: the indexation happens in January 2017 at the earliest;</p>

flattened health index of December of year N-2

*Sub-JLC for buses (occasional services - not VVM):*

Effective salaries are indexed annually in October of year N, by dividing the flattened health index of September of year N by the flattened health index of September of year N-1

in the sub-JLC for buses (occasional services – not VVM): the indexation happens in October 2016 at the earliest;

*Sub-JLC for buses (regular services – not VVM):*

Increase of the effective salaries by 2% in case the flattened health index exceeds the threshold index of 101.02 (at this moment)

in the sub-JLC for buses (regular services – not VVM): the flattened health index for April 2016 is equal to 100.93, which does not exceed the threshold index of 101.02

JLC no. 207 (white-collar workers chemical industry)

Increase of effective salaries by 2% in case the flattened health index increases by 2%, and in case the flattened health index exceeds the sector-specific threshold indexes  
The indexation is only applicable for specific white-collar workers whose function is categorised in the classification of functions.

No – the flattened health index has neither increased by 2%, nor has the flattened health index of 100.93 exceeded the sector-specific threshold index (of 102.23, 104.27, etc.)

JLC no. 209 (white-collar workers metal and technology)

Effective salaries are indexed annually in July of year N, by dividing the flattened health index of June of year N by the flattened health index of June of year N-1

No – indexation happens in July 2016 at the earliest

Laga remains available for any questions regarding the indexation of salaries following the end of the flattened health index freeze.

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