BanqueNationaleBank DE BELGIQUE VAN BELGIË

RESEARCH DEPARTMENT

21 September 2015

Wage Dynamics Network Survey

Country Report – Belgium

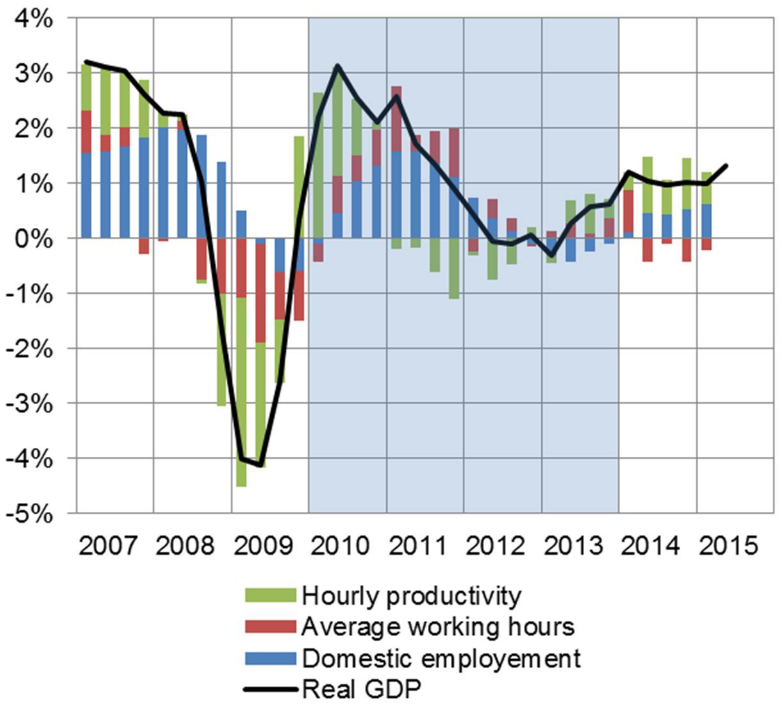
Abstract

This report presents the main basic descriptive results for Belgium of the 2014 survey on firms' wage- and price-setting practices in the period 2010-2013, within the framework of the Wage Dynamics Network (WDN), an ESCB research project network. The results are generally in line with known characteristics of the labour market in Belgium and provide interesting insight into firms' perception of that market and on their reactions during the crisis. Firms indicated that customers' ability to pay and the level of demand had the strongest negative effect on their activity in the 2010-2013 period. Although credit constraint was not mentioned as a preponderant source of negative effects, it remains a non-negligible factor, especially for smaller firms. Even though the survey reveals a relatively large autonomy in price-setting, it is in practice limited by the strong effect of competition. Firms therefore have to use various adjustment channels. The survey confirms that the use of temporary lay-offs was also an important tool that explained the relative resilience of employment in Belgium. Moreover, firms highlight high taxes and high wages as major obstacles to hiring, together with uncertainties about economic conditions. A large proportion of firms – though not the majority - seem to share the perception that the labour market has become less flexible, which is intriguing as it cannot be directly related to labour market reform or institutional changes. In contrast to most other European countries, a specific feature of wage formation in Belgium is that, notwithstanding the wage moderation policy, there have been almost no wage cuts, and this is confirmed by the survey.

1. Introduction

In 2014 and 2015, twenty-six EU countries took part in a survey on European firms' wage-and price-setting practices in the framework of the Wage Dynamics Network (WDN), an ESCB research project network. The survey focuses on the period 2010-2013 and includes questions on firms' perception of the nature of the changes in the economic environment (during the European sovereign debt crisis), their response to these changes, their adjustment behaviour and the role of financial constraints. Two previous surveys were carried out in 2007 and 2009[1]. This report presents the main basic descriptive results of the 2014 survey for Belgium[2].

Chart 1 – Employment, working time and productivity
(contribution to annual growth of GDP, percentage points, data adjusted for calendar effects)



Sources: NAI, NBB.

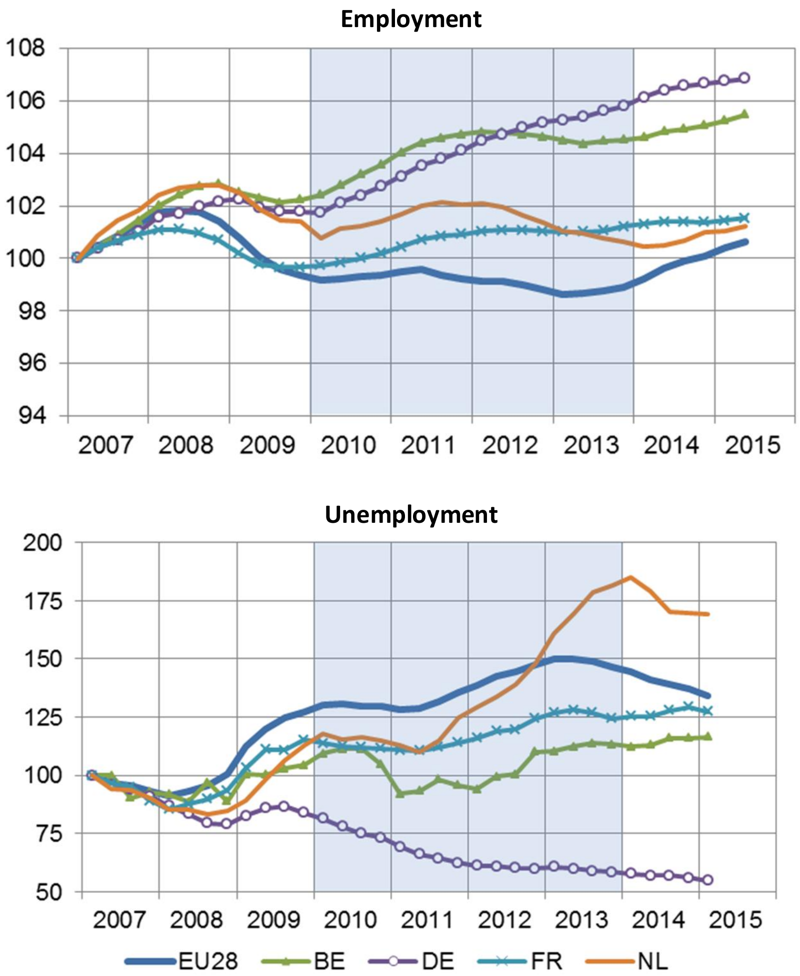
The economic environment and labour market developments in the period 2010-2013 were still partly characterised by the repercussions of the financial and economic crisis that started in 2008. In Belgium, it resulted in a drop in domestic employment – and an increase in unemployment – which was initially of relatively limited scope compared to neighbouring countries as France, the Netherlands and the EU on average. This limited drop in employment was combined with a sharp decline in hourly productivity and average working hours. The preservation of Belgian employment can be explained by various mechanisms enhancing labour market flexibility. The

1 In 2007, the survey covered 17 countries and aimed at a better understanding of how firms set and adjust wages and their labour input as well as the interactions with price-setting behaviour. In 2009, a subset of 10 countries carried out a smaller complementary survey in order to understand the reactions of firms to the deep economic downturn, in terms of their wage and labour input adjustments.

2 An analysis of the results of the previous surveys can be found in Druant, Du Caju and Delhez (2008), "Results of the Bank's survey of wage-setting in Belgian firms", NBB Economic Review, September 2008, or de Walque, Druant, Du Caju and Fuss (2010), "Lessons of the Wage Dynamics Network", NBB Economic Review, June 2010. For additional information, please refer to the following web page: http://www.nbb.be/wdn.

system of temporary lay-offs played an important role, all the more so that it was extended at the beginning of the crisis to allow employers to adapt their workforces more easily to the fall in their activity, and avoid large-scale lay-offs. This option has been widely used, especially in the manufacturing industry, partly because at that time the crisis was seen as temporary and the financial situation of Belgian firms before the crisis was quite sound. At the same time, domestic employment was also supported by intensive creation of subsidised jobs (notably in the service voucher system). The persistence of the crisis in 2012 and 2013 led to a strong decline in employment in 2013, except in the business services sector. The decline was largest in industry, even though in that sector the effect was smaller than in 2009. The deterioration in employment can be explained by different factors. First, after having intensively used temporary lay-off during the first phase of the crisis, companies, facing deteriorating prospects and financial positions due to persistently stagnating economic activity, have eventually had to reduce their workforces. Furthermore, the temporary lay-off system was corrected to prevent excessive use of it. Finally, subsidised job creation was more moderate than in 2008. In 2014, the labour market benefited from the fragile recovery that had started in 2013. Heightened economic activity led first to improved productivity, as is often the case in such a situation. Productivity per hour worked increased from the start of the upswing and this improvement was sustained throughout 2014. Labour volumes have quickly followed and this was reflected in a rise in domestic employment.

Chart 2 - Employment and unemployment
(data adjusted for seasonal effects, indices 2007 q1 = 100)



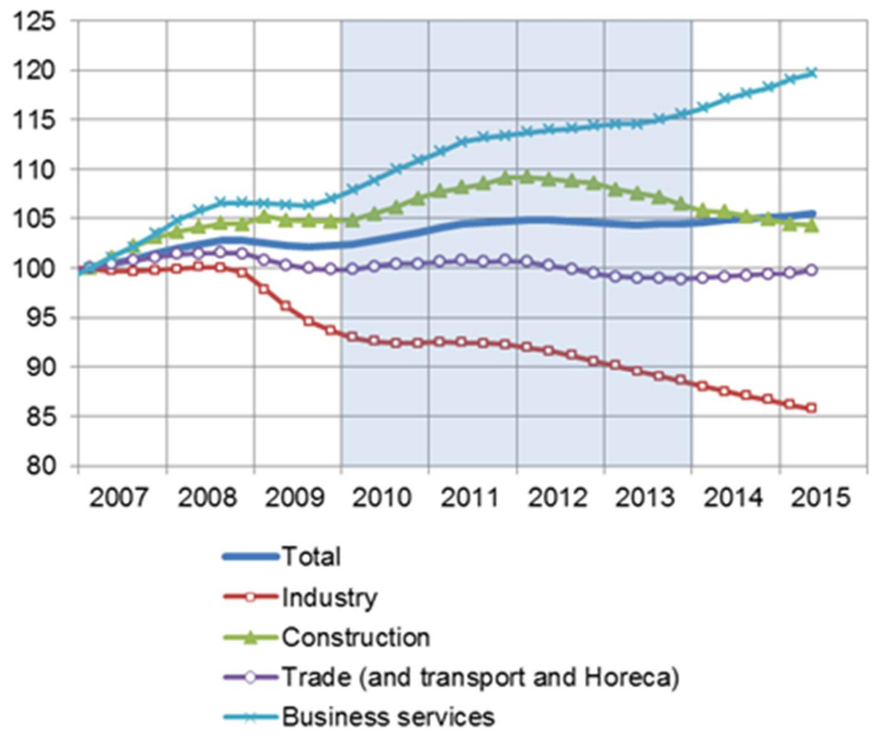
Source: EC.

The wage moderation policy – in the form of constraints on conventional wage increases – that started in 2009 also contributed to enhancing the resilience of the economy during the crisis. It helped firms to preserve – at least in part – their competitiveness by limiting cost increases, and ultimately contributed to the subsequent recovery. At the national level, the wage bargaining system in Belgium has wide coverage, but has recently been undermined by the difficulty in reaching agreements (see Box on wage formation). Its hierarchical structure also limits the adjustment capacity of firms in terms of wage policy, a feature that is well mirrored in the answers to the survey.

Except for the wage moderation policy, no major permanent labour market reforms took place during the period under review, as most measures were of temporary nature. However, progress has been recorded in many areas, such as improved degressivity of unemployment benefits, the limitation of early exit from the labour market, increase in the retirement age and, albeit implemented in 2014, the unification of blue- and white-collar status.

The macroeconomic environment in the period 2010-2013 is largely reflected in the WDN survey answers. All in all, compared with other countries, Belgium has been characterised by relative stability, even though firms have been affected by the crisis to different extents depending on their characteristics. The WDN survey constitutes a unique opportunity to better understand how firms were affected and how they reacted.

Chart 3 - Employment according to the sector of activity
(data adjusted for seasonal effects, indices 2007 q1 = 100)



Source: EC.

Box - Wage formation in the private sector in Belgium

Private sector wage increases result from negotiations held successively at three levels: national, sector and firm level. These negotiations take place every two years within a characteristic institutional framework with an overall guaranteed minimum wage, with automatic indexation of employees' gross wages to a so-called 'health index'[3] of consumer prices and with a wage norm (indicative or maximum, depending on the period) set at national level, according to *the Law of July 1996 on the promotion of employment and the preventive safeguarding of firms' competitiveness*.

At the national level, the wage norm constitutes a margin for the growth of nominal hourly labour costs in Belgian enterprises, taking into account expected nominal labour cost trends in Belgium's three main neighbouring countries (Germany, France and the Netherlands). In the absence of agreement between social partners, the government can set the wage norm unilaterally, as has been the case since 2011.

In response to the crisis, no nominal wage norm has been decided upon for the two-year period 2009-2010. Pay increases, other than indexation and scale adjustments, were set as one-off fixed amounts, which could not exceed 125 euro in 2009 and 250 euro in 2010. For 2011-2012, the wage agreement (which was enforced by government) again allowed for a percentage hourly wage increase (0.3 % in 2012) on top of indexation and pay-scale adjustments, but the term "wage norm" was no longer used[4]. For 2013-2014 and more recently for 2015-2016, the wage agreement was again enforced by the government. For 2013-2014, it did not allow for any increase in hourly employee compensation except for indexation and pay-scale agreements, while for 2015-2016, a maximum increase of 0.7 % will be allowed in 2016 only, and indexation mechanisms are suspended from April 2015 probably until 2017 (corresponding to a 2 % loss for wage earners in order to help close the wage handicap with respect to the three main neighbouring countries).

At the sector level, real wage increases are negotiated in the joint committees[5] organised per sector of economic activity (the number of joint committees exceeding 100), at the beginning of odd years, and with an agreement concluded in principle in the first half of the year. The outcome of these sector negotiations cannot undershoot the legally determined guaranteed minimum wage. However, it can possibly be supplemented within agreements concluded at the firm level, which are bound by the sector agreements. As a rule, the wage norm, on the contrary, cannot be overshot by sectoral or firm-level agreements.

Although firm-level agreements have gained in importance, Belgium is traditionally regarded as a country where wages are predominantly determined at the intermediate (sector) level, as opposed to countries with more centralised or decentralised wage formation. Nevertheless, the implementation of the wage moderation policy has in practice strongly limited the negotiation margin at other levels.

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3 National consumer price index, excluding products considered to be a health hazard (hence the name): alcohol, tobacco, petrol and diesel.

4 This implies that the all-in clauses became irrelevant because they are based on the surpassing of the nominal wage norm.

5 They are called joint committees ('comités paritaires'), because employers and employees share an equal representation in them.

2. The survey

The Belgian survey covers firms in manufacturing industry, the construction sector, trade, business services and financial institutions employing at least five workers. The sectors covered by the survey together represent 52 % of employment in Belgian firms (excluding self-employed). The survey was conducted by the National Bank of Belgium in June and September 2014. The questionnaire was sent by surface mail, with the option of using an electronic format version (a copy of the questionnaire is provided in Annex 1). It comprises 5 sections with a total of 35 questions, including all “core questions” (i.e. harmonised questions included in the questionnaires of all participating countries) and a selection of 12 “non-core questions” (harmonised questions that could optionally be included in national surveys).

The final questionnaire was sent out to a total of 4,641 companies. The sample was partly based on the group of companies that answered to the previous WDN survey in 2007, which are to a large extent also companies included in the sample used for the Bank’s monthly business survey of manufacturing industry, construction, trade and business services. The sample was then extended outside the usual business survey sample to include the energy sector and financial institutions, and to widen representativeness for the other sectors. Firms with fewer than five employees were omitted.

In total, 991 firms participated in the survey, giving a response rate of 21 %. Given the length of the questionnaire, this can be considered as satisfactory, even though it is lower than in the previous waves (which had a shorter questionnaire). In return for their cooperation, the participants will be sent a summary of the results based on the responses for their sector. The sample was composed in such a way that large firms were over-represented. While the participating firms represent 1.7 % of the total numbers in the population, they account for 5.4 % in terms of employment. While the response rate for the energy sector was zero, it was relatively high for the financial sector. However, interpretations of the results for the financial sector have to take into account the low number of participating firms. A detailed table describing the sample is provided below.

In terms of response behaviour by questions, the response rate is on average higher than 95 % and varies between 99.7 % (questions 2.1, 2.5 and 3.1) and 82 % for question 4.3b on the coverage of collective pay agreements. All in all, the quality of the data is rather good.

The answers are in general consistent with information from other sources. There is however an exception for the questions on the collective wage bargaining process (4.3 4.3b and 4.4). – which are also among the questions with the lowest response rates. For example, only about 50 % of the firms indicated that a collective agreement signed outside the firm was in effect, whereas the expected figure should be above 90 % given the centralised component of the wage bargaining system in Belgium. One explanation for this inconsistency could be that in the periods 2011-2012 and 2013-2014 (as well as 2015-2016) the draft interprofessional agreements, which have not been approved by all social partners, have been enforced by the federal government. Respondents might have considered this as a sign that there was no formal “agreement” even though a wage policy with all the features of an agreement was in force.

Unless otherwise stated, all the results presented in this report are weighted according to the number of firms in the population, and missing answers are excluded.

TABLE 1 - SAMPLE

(4641 firms contacted, 991 participated(1) : response rate 21 %)

	Population (more than 5 employees)		Participants (more than 5 employees)		Representativeness (percentages)		Sample	
	Number of firms (2)	Employ-ment (3)	Number of firms	Employ-ment	Number of firms	Employ-ment	Number of firms	Response rate (percentages)
Total	**58 448**	**1977590**	**991**	**106 920**	**1.7**	**5.4**	**4 641**	**21.4**
Manufacturing industry	9 159	472 626	416	47 318	4.5	10.0	1 929	21.6
Energy	47	17 798	0	0	0.0	0.0	25	0.0
Construction	8 556	171 905	206	11 853	2.4	6.9	765	26.9
Trade	16 344	422 127	113	9 831	0.7	2.3	668	16.9
Business services	22 777	784 198	243	36 121	1.1	4.6	1 210	20.1
Financial institutions	1 565	108 936	13	1 797	0.8	1.6	44	29.5
From 5 to 19 employees	42 630	360 787	250	2 724	0.6	0.8		
From 20 to 49 employees	10 322	298 098	243	7 941	2.4	2.7		
From 50 to 199 employees	4 262	361 610	407	38 517	9.5	10.7		
200 employees or more	1 234	957 095	91	57 738	7.4	6.0		

Sources: DGS, NBB.

(1) Excluding firms with less than 5 employees, and firms with missing NACE code.

(2) Firms active in Belgium in 2012, source: DGS.

(3) Firms submitting declarations to the NSSO and belonging to the sectors covered by the survey (in 2013Q1).

3. Main results on adjustments and wage-setting changes

3.a. Sources and size of shocks

This section sets out how firms qualify the sources and size of shocks that affected them during the period 2010-2013. That period has been chosen so as to include the sovereign debt crisis, even though it is not explicitly mentioned in the survey. In Belgium, this period was not characterised by very large employment effects, except in the manufacturing sector[6].

When asked how five different factors linked to prevailing economic conditions affected their activity, firms indicated that "customers' ability to pay" and "level of demand" had the strongest negative effect on their activity in the period 2010-2013 (see table 2). This was especially the case for firms from the manufacturing sector. "Volatility/uncertainty of demand" was also mentioned as a negative factor, but a larger share of firms indicated no effects or positive effects. This was also the case for "Access to external financing" and "Availability of supplies", even though the share of firms experiencing a positive effect was much lower, with the vast majority reporting no effects. Interestingly, the larger the company's size (in terms of number of employees), the smaller the perceived negative effect of "Access to external financing", confirming the assumption that smaller firms are more sensible to credit constraints.

Table 2 - Economic conditions and effects on firm activity in the period 2010-2013
(percentages)

	Type of effects, share of firms reporting			Degree of persistence, share of firms reporting		
	Negative effects	No effects	Positive effects	Transitory effects	Only partly persistent effects	Long-lasting effects
Level of demand	51	20	28	19	39	41
Volatility/uncertainty of demand	35	42	23	22	42	35
Access to external financing	24	67	10	36	38	27
Customers' ability to pay	51	41	8	23	41	36
Availability of supplies	22	74	4	36	37	27

Negative effects: sum of strong decrease and moderate decrease. Positive effect: sum of moderate increase and strong increase.
Weighted statistics based on the number of firms (Wb) questions C.2.1 and C.2.2

As to the temporary or persistent character of the shocks affecting the five different factors linked to prevailing economic conditions, most answers pointed in the direction of transitory or only partially persistent shocks. However, the factors with the most negative effects were also those where the effects seemed the most long-lasting, namely "customers' ability to pay" and "level of demand", and again this was more marked in the manufacturing sector. Moreover, complementary analysis shows that negative effects are considered as less transitory, and more persistent, and that this is even more so in the manufacturing sector.

Not surprisingly, companies that most needed to adapt their labour costs were also more likely to experience more negative effects, especially in terms of level of demand, volatility and access to

6 And in non-market activities, not covered by this survey.

external financing. Intuitively, this could indicate that the association among the different types of economic obstacles, and more especially vis-à-vis external financing constraints, deserves attention in future research. The perceived degree of persistence was also higher for companies that most needed to adapt their labour costs, except in terms of access to external financing, which on average seemed more transitory.

Firms were also asked to assess price and demand trends for their main product in the period 2010-2013, and that assessment tended to differ according to the market considered. On the domestic market, a large share of firms experienced a decrease in demand, but a large proportion also recorded price increases. On their foreign markets, however, demand and prices remained more often unchanged (for 6 out of 10 firms). When considering only firms that needed to adapt their labour costs during the crisis, a majority experienced a drop in demand, irrespective of the market, and less unchanged prices (more price reductions on both markets, but also more price increases in the foreign market).

Table 3 - Evolution of price and demand in the period 2010-2013
(percentages)

	Share of firms reporting		
	Decrease	Unchanged	Increase
Demand for main product			
Domestic demand	43	28	29
Foreign demand	29	55	16
Prices of main product			
Domestic markets	23	32	45
Foreign markets	18	55	28

Weighted statistics based on the number of firms (Wb) question C.2.6

3.b. Methods of adjustment, costs/wages versus labour force size/composition.

In this section, we first focus on the evolution of firms' costs in the period 2010-2013. Most firms report an increase in costs which is generally explained by higher labour costs (see table 4). This is true for all firm sizes, but the larger the firm, the larger the share of firms indicating rising labour costs. By order of importance, other costs and the cost of supplies also played a role. Rising financing costs is mentioned by 30 % of firms, but interestingly more than 20 % indicate a fall in these costs. The answers to this question do not vary much between sectors, except that firms from the manufacturing sector more often reported increased "cost of supplies" and "other costs".

Table 4 - Evolution of total costs and its components in the period 2010-2013
(percentages)

	Share of firms reporting		
	Decreasing	Unchanged	Increasing
Total Costs	**11**	**14**	**75**
Labour costs	8	14	78
Financing costs	21	50	30
Cost of supplies	6	53	41
Other costs	5	52	43

Weighted statistics based on the number of firms (Wb) question C.2.4

To understand the determinants of labour costs, it is necessary to have a view of the quantity of the labour input on the one hand (the number of employees, number of hours worked, etc.) and on the remuneration of labour on the other. From the survey, it appears that (almost) no Belgian firms reported that wages fell in the period 2010-2013 (see table 5). However, in terms of the quantity of the labour input, some variation appears, with more than a quarter of the firms surveyed reporting respectively an increase or a decrease in the number of their permanent employees. The rest – more than 40 % – reported no change in their staff. This is consistent with the absence of massive employment effects at the macroeconomic level, as outlined in the introduction. This pattern of diverging answers among firms is also visible, albeit to a lesser extent for the number of temporary employees, the number of agency workers and working hours per employee. The share of firms indicating a decrease is (slightly) larger than the share indicating an increase for the more "permanent" labour inputs (permanent employees, working a definite number of hours) whereas the reverse is true for the more flexible labour input (temporary employees or agency workers). To be able to conclude that this could indicate a long-lasting shift from more fixed input towards more flexible labour input, a deeper and more detailed analysis is required.

Table 5 - Evolution of labour cost components in the period 2010-2013
(percentages)

	Share of firms reporting			*p.m. share increasing minus share decreasing*
	Decreasing	Unchanged	Increasing	
Base wages	1	22	78	*77*
Flexible wage components (bonuses, fringe benefits, etc.)	2	50	49	*47*
Number of permanent employees	29	42	29	*-1*
Number of temporary/fixed-term employees	10	76	14	*3*
Number of agency workers and others (freelance work, etc.)	14	66	20	*6*
Working hours per employee	17	71	12	*-5*
Other components of labour costs	1	81	18	*17*

Weighted statistics based on the number of firms (Wb) – question C.2.5

However, as illustrated in the introduction, a strong sector effect can be expected in terms of employment. Indeed, the manufacturing and the construction sectors (as well as trade) are characterised by a larger share of "decreasing" answers for "Number of permanent employees" and "Working hours per employee", and to a lesser extend also for "Number of temporary employees" and "Number of agency workers". This is in line with the macroeconomic developments presented above.

Although about 22 % of firms answered that they kept base wages broadly unchanged in the period 2010-2013, the share of firms that explicitly mentioned having frozen wages in one of those four years is lower, at around 10 %. It was 5 % in 2010 and 2011, and increased to 9 % in 2013, about the same as during the 2009 crisis (when it was 9 %, according to the 2009 survey). The construction sector was slightly less likely to freeze or cut wages, whereas the opposite is true for the trade sector. Wage cuts were exceptional in our sample of firms. This was also true in the first WDN survey in 2007, in which 5 % of the firms indicated that they froze wages at least once during the 5 previous years (1 % did cut wages). Indeed, most firms avoid base wage cuts because of the belief that this would result in a reduction in morale or effort and the danger that the most productive workers would leave as a consequence. Another important factor, particularly relevant for Belgium, is the role of labour regulations and of collective bargaining institutions that limit the use of this option.

Table 6- Firms reporting wages cuts or wage freezes
(percentages)

	Wage freezes	Wage cuts
At least once in the period 2010-2013	10	0.3
of which:		
in 2010	5	0.2
in 2011	5	0
in 2012	7	0
in 2013	9	0.3
pm:		
*During the period 2004-2008**	5	1.0
*During the 2009 crisis ***	9	0.5

Weighted statistics based on the number of firms (Wb)– questions c.4.7a and c.4.7b
* WDN1 survey of 2008
** WDN2 survey of 2009

Almost a third of the participants indicated that they needed to significantly reduce or alter the composition of their labour input during the period 2010-2013. The most widely used measures to do so were the freezing or reduction of new hires, followed by the use of temporary lay-offs especially in the manufacturing and the construction sectors. This last measure is generally identified as a key feature of the relative resilience of employment in Belgium during the first phase of the crisis (see also the Introduction). Individual lay-offs and cuts in agency workers were also important tools for firms that needed to adapt their labour input. Non-renewal of temporary contracts at expiry, reduction of working hours[7], and early retirement schemes were also used, albeit to a lesser extent. Collective redundancies were used only marginally in our sample.

[7] In Belgium, reductions in working hours generally refer to so-called time-credit schemes (that can be subsidised or not) or voluntary part-time work. It is not related to temporary lay-off measures. However, a specific "crisis time-credit" scheme (working time reduction of ½ or 1/5th) was temporarily introduced during the period 2009-2010 but concerned only 3000 people.

Table 7- Measures used to reduce labour input in the period 2010-2013 by firms answering that they needed to significantly reduce or alter the composition of their labour input (i.e. 32 % of the total number of firms) during the period 2010-2013
(percentages, ranked by last column)

	Share of firms reporting		
	Not at all	Marginally	Moderately or strongly
Freeze or reduction of new hires	35	13	52
Temporary lay-offs	47	12	41
Individual lay-offs	15	45	40
Reduction of agency workers and others	47	17	36
Non-renewal of temporary contracts at expiration	74	8	18
Early retirement schemes	75	14	11
Non-subsidised reduction of working hours	82	9	9
Subsidised reduction of working hours	89	9	2
Collective lay-offs	95	3	2

Weighted statistics based on the number of firms (Wb) – question C.3.3b

By combining answers on whether firms cut or froze wages and answers on their need to reduce their labour input or alter its composition, it is possible to illustrate which combination was mostly used to reduce labour costs (see table 8). About 40 % of firms used one of the two strategies, or the two together. The most widely used option was the reduction in labour input (31 %), while only 11 % applied a wage freeze for at least one year within the 2010-2013 period. The centralised nature of the wage-setting system in Belgium is probably a factor explaining the relatively low use of wages as adjustment variables. In only a limited proportion of cases were the two strategies used together (3 %).

Table 8- Reduction of labour costs: relative importance wages and labour input
(percentages)

	Reduction of labour input	No reduction of labour input	Total
Wages were frozen or cut	3	8	11
Wages were neither frozen nor cut	31	58	89
Total	34	66	100

Weighted statistics based on the number of firms (Wb) – questions c4-7 and c3-3a

3.c. Changes in wage-setting.

Concerning the way collective wage bargaining agreements affect wages, a majority of firms answered “Never/Not applicable“, and excluding these, 18 % of firms indicated that wage agreements change less frequently than once every two years (see table 9). However, as mentioned in section 2, this seems in contradiction with the institutional framework, which implies a very large coverage (about 90 %) of workers for the national agreements which are revised every two years. Moreover, in the first WDN survey in 2007, 98 % of firms mentioned that they were covered by a joint committee (in which wage agreements are generally concluded on the same two-year basis), and more than a quarter had a collective agreement at the level of the company. One explanation for this inconsistency could be that in the periods 2011-2012 and 2013-2014 (as well as 2015-2016) the national draft agreements, which have not been approved by all social partners, have nevertheless been enforced by the federal government. Respondents might have considered this as a sign that there was no formal “agreement” even though a wage policy with all the features of an agreement was in force. Finally, some respondent might have used the option “Never/Not applicable” to indicate “Don’t know”.

Table 9- Collective wage agreement change
(percentages, excluding never/not applicable)

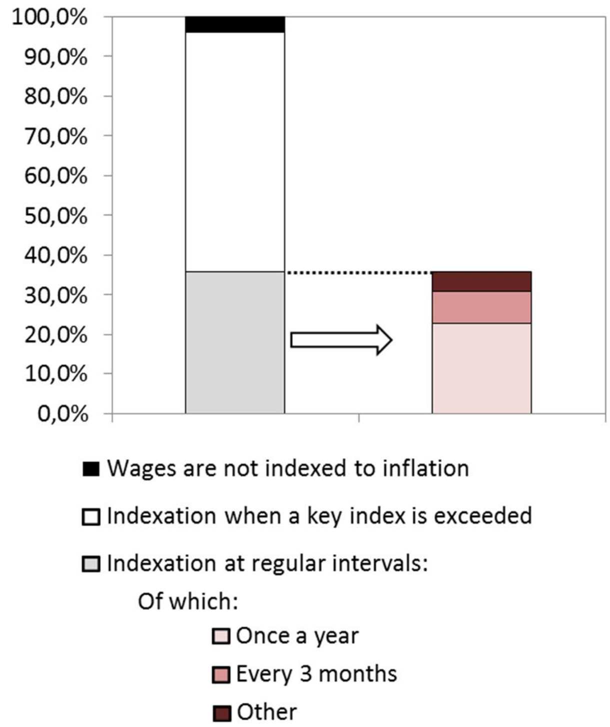
More than once a year	9
Once a year	31
Between one and two years	15
Every two year	28
Less frequently than once every two years	18

p.m. Never/Not applicable represents 56% of total answers
Weighted statistics based on the number of firms (Wb) – question C.4.4

Among the firms that mentioned a higher frequency for collective wage agreement changes, there is some variation depending on the sector: industrial firms tend to change more on a yearly basis, while those from the construction sector change more often than once a year.

A specific feature of wage-setting in Belgium is the indexation of wages to a so-called 'health index' of consumer prices. How the indexation is actually applied depends on the mechanism chosen by the joint committee relevant for each firm/worker.

Chart 4 - Wage indexation systems
(percentages)



Weighted statistics based on the number of firms (Wb) – questions be4_5c and be4_5d

There are two large groups of systems: in the first one, wages are index-linked at the moment the health index moving average exceeds a reference index. This system is used in the civil service based on increments of 2 %, with a two-month time lag. In the private sector, many variants coexist in terms of increments and reference index, so wage indexations are not necessarily synchronised. Systems of this type are popular in industry, but are also found in other sectors.

In the other group, index-linking takes place at fixed intervals, either monthly, every two months, quarterly, every four months, half-yearly or, the most common frequency, on an annual basis.

The first system (indexation when a key index is exceeded) is in force in about two-thirds of the firms in our sample, compared to one-third for the second system (indexation at regular intervals), a finding that is totally in line with results from the first WDN survey in 2007. However, data from administrative sources indicate the opposite proportion. This is not necessarily incompatible with the surveys as administrative sources refer to the private sector as a whole (also including sectors not covered by the survey) and are expressed in terms of employees rather than number of firms (when weighted in terms of employees, the survey results tend to show similar proportions to the administrative data). The most common form of indexation at regular intervals is once a year, which is also what other sources reveal. This is particularly the case in business services. It is also popular in the construction sector, albeit with a preference for index-linking every three months.

As expected given the presence of indexation mechanisms, base wage changes are more frequent than collective wage agreement changes. However, there are still about 20% of firms replying that base wage changes every two years or less frequently, which seems very infrequent (see table 10). Moreover, that proportion increased somewhat (excluding the answers Never/Not applicable) in 2010-2013 compared to the period before but at the same time the share of firms indicating high frequency wage change (more than once a year) also increased. A similar question was included in the first WDN survey in 2007, which indicated a significantly higher frequency of base wage changes. The question formulation was quite different and stressed factors like indexation or tenure, which were not explicitly mentioned in the new survey. It is for instance not clear whether, in the new survey, firms interpreted changes resulting from the implementation of the indexation mechanism as a change in the base wage, which biases results towards less frequent changes. Further analysis will be needed to understand how this is linked to other adjustment mechanisms used by firms, but this is beyond the scope of this descriptive report.

Table 10 - Frequency of base wage changes
(percentages)

	Before 2010	During 2010-2013
More than once a year	13	16
Once a year	35	33
Between one and two years	15	13
Every two year	5	7
Less frequently than once every two years	15	15
Never/Not applicable	17	16

Weighted statistics based on the number of firms (Wb) – question C.4.6

In terms of sector specificities, the frequency of base wage changes in the business sector is concentrated on the answer “once a year”, and this is also partly the case in the construction sector for which “more than once a year” is even more important. This correlates partly with the indexation frequency for these sectors. It is, however, not clear why the industry is characterised by a higher share of firms responding “Never /Not applicable”.

Intriguingly, when asked to evaluate whether 10 different suggested human resources (HR) policies had become more or less difficult to apply compared to 2010, a sizeable share of firms – between 20 and 50 % – indicated that these became more difficult to implement (see table 11). However, there are no obvious direct explanatory factors for this increased difficulty in terms of institutional or labour market reform in Belgium. One possible reason might be that the wage moderation policy left less room for flexibility at the firm level, especially to differentiate wages between workers. This probably explains in part why adjusting wages of incumbent employees is the policy that a larger proportion of firms considered more difficult than before, especially in business services and trade. Other factors might relate to the reforms of early exit from the labour market schemes as well as the unification of blue- and white-collar status (although implemented in 2014) that could be perceived by firms as indirectly affecting their flexibility. Concerning temporary lay-offs for economic reasons, two opposing trends are at play – and this seems to be reflected in the firms’ answers – : on the one hand, the system has been extended to employees (first temporarily and since 2012 permanently) but, on the other hand, it was corrected in 2013 to prevent excessive use. Improved and automated worker declaration procedures might also have been perceived as limiting the perceived flexibility of the mechanism.

Remarkably, across sectors, a large consensus emerged as to the policies that did not become more difficult to implement: temporary lay-offs for economic reasons, moving employees across different job positions, or moving employees to positions in other locations. At the top of the list, there is not a lot of divergence either, even though in the industry and construction sectors dismissals and lay-offs were also among the HR policies that were considered as more difficult to implement, as well as lowering the wages for new hires.

Table 11 - Have specific HR policies become more or less difficult, compared to the situation in 2010?
(percentages)

	Less difficult	Un-changed	More difficult
Adjusting wages of incumbent employees	3	50	47
Hiring (cost of recruitment, including administrative costs)	4	50	46
Lower wages for newly hired employees	5	51	45
Dismissal for disciplinary reasons	2	57	42
Lay-off for economic reasons (individually)	5	56	38
Lay-off for economic reasons (collectively)	3	62	36
Adjusting working hours	4	63	34
Moving employees across different job positions	5	74	21
Temporary lay-off for economic reasons	11	68	21
Moving employees to positions in other locations	3	78	19

Weighted statistics based on the number of firms (Wb) – question C.3.4

3.d. Main obstacles to hiring

Hiring and setting lower wages for newly hired employees are among the policies that many firms claim have become more difficult than in 2010, although a small majority considered that it has not changed significantly (see table 11). For firms needing to expand their workforce, as well as firms needing to alter the composition of their existing workforce, this can be an important impediment to the development of their activity. The main obstacles to hiring new permanent workers are indeed high payroll taxes and high wages (see table 12), as well as firing costs. For these three aspects, Belgium is indeed a country featuring among the more expensive: in 2013, it was one of the countries with the highest wage level, and a heavy tax burden on labour. According to a survey[8] conducted by Laga, a private consulting firm, Belgium is amongst those countries with the highest firing costs. Moreover, the cost of newly hired workers (see table 13) is more often cited as being higher than the cost of incumbents, compared to 2010, and is also less often lower than before – a pattern observed in the different sectors – indicating that the relative average cost of new hires compared to incumbents is rising[9] (this is especially the case in the construction sector). Relating this with the large share of firms considering insufficient availability of labour with the required skills as a relevant or very relevant obstacle to hiring (table 12) might indicate a growing degree of labour mismatch. As a result, one of the alternative policies favoured by firms to reduce labour costs according to the first WDN survey, namely the policy consisting in replacing incumbent employees that left voluntarily by newly hired employees, has probably become less effective.

8 http://www.laga.be/newsroom/whats-new-about-laga/International-Dismissal-Survey-2015.

9 The harmonisation of the legislation between blue-collar and white-collar workers might also increase the perceived cost of new hires (abolition of the trial period for open ended contracts, etc.), but even though it was negotiated in 2013, it was only brought into force in January 2014.

Table 12- Obstacles in hiring workers with a permanent, open-ended contract in the period 2010-2013
(percentages)

	Not relevant	Of little relevance	Relevant or very relevant
High payroll taxes	5	11	84
Uncertainty about economic conditions	7	13	80
High wages	6	15	79
Insufficient availability of labour with the required skills	8	18	74
Firing costs	12	16	72
Risks that labour laws are changed	11	30	60
Costs of other inputs complementary to labour	21	34	45
Hiring costs	16	40	44
Other	54	15	31
Access to finance	35	39	27

Weighted statistics based on the number of firms (Wb) – question C.3.5

The other most relevant obstacles to hiring mentioned by respondents are uncertainty about economic conditions – this comes first for firms in industry and for firms that needed to adjust their labour costs – and risks of labour laws changing. Interestingly, access to finance is one of the less relevant factors for many firms, notwithstanding that more than a quarter still consider it as a relevant or very relevant obstacle.

Table 13- Cost of newly hired workers
(percentages)

	Before 2010	During 2010-2013
Higher than incumbents	12	26
Similar to incumbents	72	62
Lower than incumbents	15	12

Weighted statistics based on the number of firms (Wb) – question nc.4.8

4. Main findings on price-setting changes

This section describes the survey results related to the (optional) questions on price-setting.

When asked how they set the price of their main products, more than a third of the firms answered that they could set prices fully according to costs and a completely self-determined profit margin, indicating a certain degree of pricing power (see table 14). Between a quarter and a third of the firms mentioned that prices were negotiated with customers, and a fifth said prices were set following the main competitors (this is especially the case in the trade and the construction sectors). All in all, the vast majority of firms exhibited a certain degree of autonomy in pricing, and only slightly more than 10 % could not follow an independent policy, mainly because the price is regulated (especially for the business services sector or for non-exporting firms), or because the price is set by the main customers, less often because the price is set by a parent company. There is no significant difference in ranking between domestic and foreign markets, except for the construction and business services sectors which rely more on price negotiation with individual customers on the foreign markets.

Table 14 - Price-setting policy
(percentages)

	Domestic market	Foreign markets
The price is set fully according to costs and a completely self-determined profit margin	37	37
Negotiated with individual customers	25	29
The price is set following the main competitors	22	20
There is no autonomous price-setting policy	13	12
Other	2	2

Weighted statistics based on the number of firms (Wb) – questions nc5-1

In terms of frequency of price changes, a majority of firms from the business services sector tend to change their prices once a year or less than once a year, whereas in the manufacturing sector, the construction sector and the trade sector, most change their prices more than once a year or once a year (see table 15). At the global level, the most common price change frequency is once a year followed by more than once a year. This confirms the results from the first WDN survey in 2007, taking into account that the formulation was different: there was no “Don’t know” option which probably explains the higher proportion of “Never” recorded at that time.

Table 15 - Frequency of price change in 2010-2013 by sector (Excluding “Don't know”) (percentages)

	Manu-facturing	Construc-tion	Trade	Business services	Financial interme-diation	Total
More than once a year	39	55	47	14	58	35
more than once a month	*8*	*14*	*7*	*2*	*8*	*6*
once a month	*8*	*13*	*24*	*2*	*8*	*11*
less than once a month	*24*	*28*	*17*	*9*	*42*	*17*
Once a year	37	26	43	52	8	42
Less than once a year	17	12	8	24	17	16
Never	7	7	2	11	17	7

Weighted statistics based on the number of firms (Wb) – questions nc5-6

Compared to the pre-2008 period, more than a fourth of the firms tend to change their prices more often in 2010-2013. However, this is less the case in the business services sector than in the other sectors (see table 16). This suggests that the price-setting mechanism in the business services sector might present specificities, in terms of competition or market organisation for instance, that differ from the average.

Table 16 - Change in price adjustment frequency
(share of firms indicating a change in 2010-2013 compared to the pre-2008 period, percentages)

	No	Yes, more frequently	Yes, less frequently
Manufacturing	68	28	3
Construction	67	31	2
Trade	67	30	4
Business services	75	22	3
Financial intermediation	62	38	0
Total	70	27	3

Weighted statistics based on the number of firms (Wb) – questions nc5-3, nc5-3a and nc5-3b

The motivations for change in the price adjustment frequency are mainly related to changes in prices charged by main competitors and to competition on the market, in a context where more than three-quarters of the firms indicate an increase in competitive pressure on their main market (question nc5-5). Changes in costs and demand volatility are also considered as important or very important factors by many firms but to a lesser extent.

Table 17 - Motivations for change in the price adjustment frequency
Share of firms considering the factor as important or very important

Higher price adjustment frequency		Lower price adjustment frequency	
More frequent price changes by main competitors	77	Less frequent price changes by main competitors	61
Stronger competition in the main product market	79	Weaker competition in the main product market	49
More frequent changes in other input costs	58	Less frequent changes in other input costs	44
More volatile demand	52	Less volatile demand	37
More frequent changes in labour costs	46	Less frequent changes in labour costs	31

Weighted statistics based on the number of firms (Wb) – questions nc5-3a & nc5-3b

Contact person: David Cornille, e-mail: david.cornille@nbb.be

BanqueNationaleBank
DE BELGIQUE VAN BELGIË
Eurosystem

Contact for the
questionnaire: +32(0)2 221 21 55

Please return your completed questionnaire
by 19 June 2014 at the latest

SURVEY ON WAGE FORMATION

You can use the enclosed self-addressed envelope, our e-mail address enquete.wdn@nbb.be, or our free fax line on **0800 95 969** (within Belgium only) or dial the standard fax number +32(0)2 221 31 07 (from abroad) to send back your answers. The questionnaire can also be downloaded in English, Dutch or French from the following web site: www.nbb.be/wdn.

This survey is conducted under the supervision and the authority of the National Bank of Belgium. The information collected will be used exclusively for the purpose of scientific research carried out or recognised by the central banks of the European System of Central Banks. Researchers not on the staff of those central banks are only permitted access to anonymised data. The research findings will only be published in aggregate form, in strictest compliance with the confidentiality of the individual responses. Participants will receive a summary of the main findings of the survey.

The personal data collected at the end of the questionnaire are used only to communicate with the firm participating in this survey.

Below you'll find some **instructions** to fill in the questionnaire.

1. **Firm**: The questionnaire refers to the firm and not the establishment (which is a single physical location at which business is conducted).
2. **Reference period**: the reference time period covered is stated in each question. Since the aim, however, is to investigate changes in practices following the financial crisis, most questions, however, refer to practices applied in the period between 2010-2013.
3. **Figures:** If exact figures are difficult for you to find please use **approximate** answers. Most of the questions are qualitative and only a few require figures.
4. **Who should fill in the questionnaire**? The head of human resources or the CEO is the appropriate person to fill in the questionnaire. The information required with respect to your firm's turnover and cost structure can be taken from your annual accounts.

1. Information about the firm

1.1 What is your main sector of activity?

1101

NACE BEL code if known (optional): 1102

1.2 Please fill in your VAT number:

BE 1201

1.3 What was the first year of operation of your firm?

1301

RÉFÉRENCE:

1.4 What was the structure of your firm at the end of 2013? 1401

Choose one option:

Single establishment firm	☐	1
Multi-establishment firm	☐	2

1.5 What was the ownership status of your firm at the end of 2013? 1501

Choose one option:

Mainly Belgian	☐	1
Mainly foreign	☐	2

1.6 What was the autonomy of your firm at the end of 2013? 1601

Choose one option:

Parent company	☐	1
Subsidiary/affiliate	☐	2
Other	☐	3

2. Changes in the economic environment in the period 2010-2013

*This section aims at assessing the main changes in economic environment your firm suffered during **2010-2013**. When answering the questions please refer to **"the most significant changes"** taking place over this period.*

2.1 How did the following factors affect your firm's activity during 2010-2013?

*Please choose **one option for each line.***

	Strong decrease	Moderate decrease	Unchanged	Moderate increase	Strong increase	
The level of demand for your products/services	☐	☐	☐	☐	☐	2101
Volatility/uncertainty of demand for your products/services	☐	☐	☐	☐	☐	2102
Access to external financing through the usual financial channels	☐	☐	☐	☐	☐	2103
Customers' ability to pay and meet contractual terms	☐	☐	☐	☐	☐	2104
Availability of supplies from your usual suppliers	☐	☐	☐	☐	☐	2105
	1	2	3	4	5	

2.2 For those factors which affected your firm strongly, were the effects transitory, partly persistent or long-lasting for 2010-2013?

*Please choose **one option for each line.***

	Transitory	Only partly persistent	Long-lasting	
The level of demand for your products/services	☐	☐	☐	2201
Volatility/uncertainty of demand for your products/services	☐	☐	☐	2202
Access to external financing through the usual financial channels	☐	☐	☐	2203
Customers' ability to pay and meet contractual terms	☐	☐	☐	2204
Availability of supplies from your firm's usual suppliers	☐	☐	☐	2205
	1	2	3	

2.3 With regard to finance, please indicate for 2010-2013 how relevant were for your firm each one the following happenings?

*The term **credit** here refers to any kind of credit, not only bank credit.*

*Please choose **one option for each line.***

	Not relevant	Of little relevance	Relevant	Very relevant	
Credit was not available to finance working capital	☐	☐	☐	☐	2301
Credit was not available to finance new investment	☐	☐	☐	☐	2302
Credit was not available to refinance debt	☐	☐	☐	☐	2303
Credit was available to finance working capital, but conditions (interest rate and other contractual terms) were too onerous	☐	☐	☐	☐	2304
Credit was available to finance new investment, but conditions (interest rate and other contractual terms) were too onerous	☐	☐	☐	☐	2305
Credit was available to refinance debt, but conditions (interest rate and other contractual terms) were too onerous	☐	☐	☐	☐	2306
	1	2	3	4	

2.4 How did these components of total costs evolve during 2010-2013?

***Total costs**: this means all operating expenses; they include labour costs (wages, salaries, bonuses, social security contributions, training, taxes, pension fund contributions, etc.), financing costs, costs of obtaining supplies from suppliers, and other costs (e.g. telecommunications, insurance and maintenance of buildings and equipment, utility expenses, travelling and other miscellaneous expenses).*

*Please choose **one option for each line.***

	Strong decrease	Moderate decrease	Unchanged	Moderate increase	Strong increase	
Total costs	☐	☐	☐	☐	☐	2401
Labour costs	☐	☐	☐	☐	☐	2402
Financing costs	☐	☐	☐	☐	☐	2403
Costs of supplies	☐	☐	☐	☐	☐	2404
Other costs, please specify: _	☐	☐	☐	☐	☐	2405
	1	2	3	4	5	

2.5 Please indicate how each one of the components of labour costs listed below has changed during 2010-2013.

Labour costs: *wages, salaries, bonuses, social contributions, training, tax contributions, contributions to pension funds. From the employers point of view these are often grouped as: direct remuneration (direct pay for time worked and bonuses); other direct costs (payments in kind, payment in capital and remuneration for non-working days); indirect costs (social security contributions, vocational training and miscellaneous taxes).*

Base wage: *direct remuneration excluding bonuses (regular wage and salary, commissions, piecework payments).*

Bonuses/benefits *(flexible wage components): part of compensation different from the base wage and usually linked to individual's performance or firm's performance.*

Hourly, piece-rate and monthly base wage: *base wage per hour worked, per month worked, or per pieces produced.*

Please choose ***one option for each line.***

	Strong decrease	Moderate decrease	Unchanged	Moderate increase	Strong increase	
Base wages or piece work rates	☐	☐	☐	☐	☐	2501
Flexible wage components (bonuses, fringe benefits, etc.)	☐	☐	☐	☐	☐	2502
Number of permanent employees	☐	☐	☐	☐	☐	2503
Number of temporary/fixed-term employees	☐	☐	☐	☐	☐	2504
Number of agency workers and others (free-lance work, etc., not hired under employment contracts)	☐	☐	☐	☐	☐	2505
Working hours per employee	☐	☐	☐	☐	☐	2506
Other components of labour costs, please specify: _____________________________	☐	☐	☐	☐	☐	2507
	1	2	3	4	5	

2.6 How did prices and demand for your main product / service / activity evolve during 2010-2013?

Please choose ***one option for each line.***

	Strong decrease	Moderate decrease	Unchanged	Moderate increase	Strong increase	
Domestic demand for your main product / service / activity	☐	☐	☐	☐	☐	2601
Foreign demand for your main product / service / activity	☐	☐	☐	☐	☐	2602
Prices of your main product / service / activity in domestic markets	☐	☐	☐	☐	☐	2603
Prices of your main product / service / activity in foreign markets	☐	☐	☐	☐	☐	2604
	1	2	3	4	5	

2.7 Has your firm offshored or outsourced part of its activity during the period 2010-2013?

Please choose ***one option for each line.***

	Yes	No, but it was considered	No and we did not consider it	
Your firm has <u>offshored</u> part of its activities	☐	☐	☐	2701
Your firm has <u>outsourced</u> part of its activities	☐	☐	☐	2702
	1	2	3	

3. Labour force adjustments

3.1 How many employees did your firm have on the payroll at the end of 2013? How many agency workers and other workers did your firm have at the end of 2013?

Employees: *include all type of employees, i.e. those with employment contracts. Agency workers and freelance workers are excluded*

Permanent full-time: *those with employment contracts that do not set a termination date, and whose regular working hours are the same as the collectively agreed or customarily worked.*

Permanent part-time: *those with employment contracts that do not set a termination date, and whose regular working hours are less than those specified for permanent full-time.*

Temporary or Fixed-Term: *those with employment contracts that set a termination date or a specific period of employment, including apprenticeships.*

Agency workers and others: *theses are workers and employees* ***not*** *on the payroll of the firm, such as consultants, employees being officially registered with a different company, etc.*

1. Total Number of employees:……………………………........		3110
Of which:		
Permanent full-time……………………………………………		3111
Permanent part-time……………………………………………		3112
Temporary or fixed-term………………………………………		3113
2. Total number of agency workers and others:……………		3200

3.2 At the end of 2013, how were your firm's employees approximately distributed by occupational group?

Occupational categories – Major Groups (ISCO-08 Structure, Group Titles and codes)
1 Managers
2 Professionals
3 Technicians and associate professionals
4 Clerical support workers
5 Service and sales workers
7 Craft and related trades workers
8 Plant and machine operators, and assemblers
9 Elementary occupations

Higher skilled non-manual (ISCO: 1, 2, 3)………………………..	%	3201
Lower skilled non-manual (ISCO: 4 and 5)……………………..	%	3202
Higher skilled manual (ISCO: 7 and 8)……..…………………..	%	3203
Lower skilled manual (ISCO: 9)……………..…………………..	%	3204
	TOTAL (=100%)	

RÉFÉRENCE:

3.3 At the end of 2013, how were your firm's employees approximately distributed by job tenure?

Job Tenure: *Job tenure (OECD definition) is typically measured by the length of time workers have been in their current job or with their current employer, and so refers to continuing spells of employment.*

Job Tenure:	Below 1 year...	%	3301
	Between 1 and 5 years...........................	%	3302
	More than 5 years................................	%	3303
		TOTAL (=100%)	

3.4 During 2010-2013 did you need to significantly reduce your labour input or to alter its composition?

Need to reduce labour input or alter its composition	**Yes** ☐	**No** ☐	3401
	Question 3.5	Question 3.6	

3.5 If yes, which of the following measures did you use to reduce your labour input or alter its composition when it was most urgent?

*Regulations on **dismissals/lay-offs** (collective of individual) are those that impose legal restrictions on dismissals and set compensation to be paid to former employees being laid-off.*

Temporary lay-offs (for economic reasons) concern both blue-collar and white-collar workers.

*By subsidized **short-time work** we mean measures that subsidize hours reductions encouraging employers to reduce working time rather than laying off workers.*

***Early retirement schemes** is to be understood as measures allowing persons being made redundant to receive a monthly pension and / or lump sum payment before reaching the statutory retirement age.*

Please choose __one option for each line.__

	Not at all	Marginally	Moderately	Strongly	
Collective lay-offs	☐	☐	☐	☐	3501
Individual lay-offs	☐	☐	☐	☐	3502
Temporary lay-offs (for economic reasons)	☐	☐	☐	☐	3503
Subsidised reduction of working hours	☐	☐	☐	☐	3504
Non-subsidised reduction of working hours (including reduction of overtime)	☐	☐	☐	☐	3505
Non-renewal of temporary contracts at expiration	☐	☐	☐	☐	3506
Early retirement schemes	☐	☐	☐	☐	3507
Freeze or reduction of new hires	☐	☐	☐	☐	3508
Reduction of agency workers and others	☐	☐	☐	☐	3509
	1	2	3	4	

3.6 Have any of the following actions become more or less difficult, compared to the situation in 2010?

Please choose ***one option for each line.***

	Much less difficult	Less difficult	Unchanged	More difficult	Much more difficult	
To lay off employees for economic reasons (collectively)	☐	☐	☐	☐	☐	3601
To lay off employees for economic reasons (individually)	☐	☐	☐	☐	☐	3602
To dismiss employees for disciplinary reasons (serious misconduct)	☐	☐	☐	☐	☐	3603
To lay off employees temporarily for economic reasons	☐	☐	☐	☐	☐	3604
To hire employees (cost of recruitment, including administrative costs)	☐	☐	☐	☐	☐	3605
To adjust working hours	☐	☐	☐	☐	☐	3606
To move employees to positions in other locations	☐	☐	☐	☐	☐	3607
To move employees across different job positions	☐	☐	☐	☐	☐	3608
To adjust wages of incumbents employees	☐	☐	☐	☐	☐	3609
To lower wages at which you hire new employees	☐	☐	☐	☐	☐	3610
	1	2	3	4	5	

3.7 How relevant is each of the following factors as obstacles in hiring workers with a permanent, open-ended contract?

Please choose ***one option for each line.***

	Not relevant	Of little relevant	Relevant	Very relevant	
Uncertainty about economic conditions	☐	☐	☐	☐	3701
Insufficient availability of labourwith the required skills	☐	☐	☐	☐	3702
Access to finance	☐	☐	☐	☐	3703
Firing costs	☐	☐	☐	☐	3704
Hiring costs	☐	☐	☐	☐	3705
High payroll taxes	☐	☐	☐	☐	3706
High wages	☐	☐	☐	☐	3707
Risks that labour laws are changed	☐	☐	☐	☐	3708
Costs of other inputs complementary to labour	☐	☐	☐	☐	3709
Other, please specify: ______________________________	☐	☐	☐	☐	3710
	1	2	3	4	

3.8 Compared to 2010, worker flows (entries plus exits) in your firm in 2013:

Please choose ***one option.***

Decreased strongly	Decreased moderately	Unchanged	Increased moderately	Increased strongly	
☐	☐	☐	☐	☐	3801
↳Question 3.9		↳ Question 4.1		↳ Question 3.9	
1	2	3	4	5	

RÉFÉRENCE:

3.9 If you answered that worker flows changed strongly (increased or decreased), this was mostly due to:

*Please choose **one option.***

Changes in entries (increase or decrease)	Changes in exits (increase or decrease)	Changes in both entries and exits	
☐	☐	☐	3901
1	2	3	

4. Wage adjustments

This section collects information on wage setting and the frequency of wage changes. Most of the questions refer to 2013, but some questions aim at assessing differences between 2008 and 2010-2013

4.1 In 2013: what percentage of your firm's total costs (all operating expenses) was due to labour costs (wages, salaries, bonuses, social security contributions, training, tax contributions, contributions to pension funds, etc.)?

Labour costs: *wages, salaries, bonuses, social contributions, training, tax contributions, contributions to pension funds. From the employers point of view these are often grouped as: direct remuneration (direct pay for time worked and bonuses); other direct cost (payments in kind, payment in capital and remuneration for non-working days); indirect cost (social security contributions, vocational training and miscellaneous taxes).*

Total costs*: this means all operating expenses; they include labour costs, financing costs, costs of obtaining supplies from suppliers, and other costs (e.g. telecommunications, insurance and maintenance of buildings and equipment, utility expenses, travelling and other miscellaneous expenses).*

Labour cost / Total cost = ____ % 4101

4.2 What percentage of your total wage bill in 2013 was related to individual or company performance related bonuses and benefits?

____ % 4201

4.3 In 2013, did your firm apply a collective pay agreement bargained and signed inside of the firm (at the firm level) and signed outside of the firm (at the national, regional, sectoral or occupational level)?

*Please choose **one option for each column.***

	At the firm level	Outside the firm	
No, such an agreement does not exist	☐	☐	1
No, the agreement exists but the firm opted-out	☐	☐	2
Yes, such an agreement is in effect	☐	☐	3
	4301	4302	
If **yes**: Proportion of employees covered by such an agreement (approximation)	___ %	___ %	
	4303	4304	

4.4 What is the proportion of your employees covered in 2013 by <u>any</u> collective pay agreement?

Proportion of employees covered by any collective pay agreement (approximation) ____ % 4401

4.5 How often does the collective pay agreement applied at your firm typically change?

*Please choose **one option.***

More than once a year	Once a year	Between one and two years	Every two year	Less frequently than once every two years	Never/Not applicable	
☐	☐	☐	☐	☐	☐	4501
1	2	3	4	5	6	

4.6 Which indexation system applies?

*Please choose **one option only***

Indexation when a key index is exceeded ☐ 1

Indexation at regular intervals ☐ 2 → How many times a year? ____ 4602

Wages are not indexed to inflation ☐ 3

4601

4.7 How frequently was the base wage of an employee belonging to the main occupational group in your firm (largest group in Question 3.2) typically changed in your firm?

*Please choose **one option for each line.***

	More than once a year	Once a year	Between one and two years	Every two year	Less frequently than once every two years	Never/Not applicable	
During 2010-2013	☐	☐	☐	☐	☐	☐	4701
Before 2010	☐	☐	☐	☐	☐	☐	4702
	1	2	3	4	5	6	

4.8 Over 2010-2013, did you freeze or cut base wages in a given year?

*Please indicate **in which years.***

	Wages were frozen		Wages were cut			Wages were neither frozen nor cut
	YES	% workers affected	YES	% workers affected	(estimated average wage cut)	
2010	☐	___ %	☐	___ %	___ %	☐
2011	☐	___ %	☐	___ %	___ %	☐
2012	☐	___ %	☐	___ %	___ %	☐
2013	☐	___ %	☐	___ %	___ %	☐
	4801	4802	4803	4804	4805	4806

4.9 How did the labour cost of a newly hired worker compare with that of similar (in terms of experience and task assignment) workers at your firm?

	Much lower	Lower	Similar	Higher	Much higher	
During 2010-2013	☐	☐	☐	☐	☐	4901
Before 2010	☐	☐	☐	☐	☐	4902
	1	2	3	4	5	

5. Price setting and price changes

This section collects information on price setting and the frequency of price changes. Some questions aim at assessing differences in 2010-2013 with respect to the period before 2008.
If your firm produces (or sells) more than a single good or service, the answers should refer to the ***"main product ("activity" or "service")****, defined as the one that generated the highest fraction of your firm's revenue in the "reference year". For instance, if your firm produces (or sells) several types of hats and shoes, by "product" we mean "hats" and "shoes" (irrespective of the specific type), whereas by "main product" we mean the one that generated the highest revenue in the "reference year".*

5.1 In 2013, how was typically set the selling price of your main product, activity or service in its main market (both domestically and internationally)?

Please choose ***one option for each column.***

	Domestic market	Foreign markets	
• There is no autonomous price setting policy because:			
- the price is regulated	☐	☐	1
- the price is by a parent company / group	☐	☐	2
- the price is set by the main customer(s).......................................	☐	☐	3
• The price is set following the main competitors	☐	☐	4
• The price is set fully according to costs and a completely self-determined profit margin	☐	☐	5
• Negotiated with individual customers	☐	☐	6
• Other, please specify: _	☐	☐	7
	5101	5102	

5.2 In 2013 what share of the revenues from your firm's main products, activity or service was due to sales in domestic markets and what share in foreign markets?

Sales in the domestic market	%	5201
Sales in the foreign markets	%	5202

TOTAL (=100%)

RÉFÉRENCE:

5.3. Over 2010-2013, did you change the frequency of price changes with respect to the period before 2008?

Yes ☐ ↳ Question 5.4 or 5.5	No ☐ ↳ Question 5.6	5301
1	2	

5.4 If recently you changed prices more frequently than before 2008, higher frequency because of:

Please attach a ***ranking in order of importance to the factors listed below***

	Not important	Moderately important	Important	Very important	
More volatile demand	☐	☐	☐	☐	5401
More frequent changes in labour costs	☐	☐	☐	☐	5402
More frequent changes in other input costs	☐	☐	☐	☐	5403
Stronger competition in the main product market	☐	☐	☐	☐	5404
More frequent price changes by main competitors	☐	☐	☐	☐	5405
Don't know ☐					5406
	1	2	3	4	

5.5 If recently you changed prices less frequently than before 2008, lower frequency because of:

Please attach a ***ranking in order of importance to the factors listed below***

	Not important	Moderately important	Important	Very important	
Less volatile demand	☐	☐	☐	☐	5501
Less frequent changes in labour costs	☐	☐	☐	☐	5502
Less frequent changes in other input costs	☐	☐	☐	☐	5503
Weaker competition in the main product market	☐	☐	☐	☐	5504
Less frequent price changes by main competitors	☐	☐	☐	☐	5505
Don't know ☐					5506
	1	2	3	4	

5.6 How would you describe the degree of competition on the main markets for your main product (or main activity or service)?

Please choose ***one option for each line.***

	Weak	Moderate	Severe	Very severe	Not applicable	
Domestic markets	☐	☐	☐	☐	☐	5601
Foreign markets	☐	☐	☐	☐	☐	5602
	1	2	3	4	5	

5.7 Compared to the situation before 2008, how has the competitive pressure on the main market for your main product (or main activity or service) changed in the period 2010-2013?

Please choose ***<u>one option for each line.</u>***

	Strong decrease	Moderate decrease	Unchanged	Moderate increase	Strong increase	Does not applies	
Domestic markets	☐	☐	☐	☐	☐	☐	5701
Foreign markets	☐	☐	☐	☐	☐	☐	5702
	1	2	3	4	5	6	

5.8 In 2013, how and how often did you typically change the price of your main product (or main activity or service)?

Please choose ***<u>one option, the one that best describes the situation in your firm.</u>***

	On a regular time pattern	Whenever costs and/or demand conditions changed (please select in this case the most typical frequency change)	
• More frequently than a year:			
- Daily…………………………………..	☐	☐	1
- Weekly………………………….……	☐	☐	2
- Monthly……………………….………	☐	☐	3
- Quarterly……………………………..	☐	☐	4
- Half-yearly…………………….……	☐	☐	5
• Once a year…………………………..…	☐	☐	6
• Between one and two years……………..	☐	☐	7
• Less frequently than once every two years.	☐	☐	8
• Never…………………………………….	☐	☐	9
• Don't know……………………………...	☐	☐	0
	5801	5802	

INFORMATION ABOUT THE PERSON WHO HAS COMPLETED THE SURVEY

- Name………………………………….…		6001
- Function………………………………..		6002
- Telephone………………………….….		6003
- E-mail address………………………..		6004

(the results of the survey will be shared at this address)

THANK YOU FOR YOUR COOPERATION

RÉFÉRENCE: