

# On the regionalization of employment policy

## A response to the joint statement by Ministers Marcourt and Vandenbroucke

Benoît Cerexhe, Employment Minister for the Region of Brussels-Capital

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The regionalisation of employment is one of many topics that were discussed in the framework of institutional negotiations.

I have been asked to respond to the joint statement issued at the end of 2008 by Mr Frank Vandenbroucke and Mr Jean-Claude Marcourt concerning this theme.

I am making the present contribution to the debate in my position as the Regional Minister for Employment, outside of any negotiating context, on the basis of my experience of spending five years at the head of this department.

I feel it necessary to start by mentioning that I have the impression that sometimes people forget that employment has already been regionalised to a large extent in this country.

While the federal authorities are responsible for unemployment insurance and the employment law, and the Communities are responsible for training (this role has been transferred by the French Community to the Walloon Region and to COCOF as regards Brussels), the Regions bear the major responsibility as regards recruitment, return to work programmes for job-seekers who are not engaged in any activity, and the enforcement of standards regarding employment of foreign workers. I would like to emphasise that these are by no means minor matters. We are helping more than 96,000 *Bruxellois* to find work with Actiris, our *Missions Locales* and our local *Werkwinkels*, and our partners and the multiple instruments and tools we have put into place. The Regions therefore have considerable room for manoeuvre.

When we speak of 'regionalisation', we are therefore speaking of the transfer of new responsibilities, which are at this moment dealt with at the federal level, to the Regions.

When considering any transfer, whether total or partial, one needs to remember that employment is a sensitive subject, which needs to be handled with a certain degree of caution in my view. In fact, this competence, to the extent that it is linked to work and to social security, includes on the one hand a fundamental element of national and interpersonal solidarity, and is on the other closely linked to a federal model of social consultation. Employment therefore concerns the very foundations of our federal state.

Within a historical context where there has often been a tendency to have multiple institutional reforms without necessarily causing those institutions to function better on every occasion, or to run our politics better, I do not believe that it is possible to transfer new

competences to the Regions unless this actually generates an 'added value'. This would be the case if the transfer were to fulfil the following five criteria:

- not to put at risk interpersonal solidarity, and to allow an acceptable degree of differentiation of policies in the Belgian state;
- do everything first to make our existing tools work better;
- ensure improved effectiveness of the service provided to our population;
- there should be no alternative that more accurately reflects the specific nature of the Regions;
- attach financial or human resources to this transfer, thus allowing the recipients to exercise this competence properly.

### ***1. Not to put at risk interpersonal solidarity, and to allow an acceptable degree of differentiation of policies in the Belgian state***

It appears essential to me that individual and collective employment laws should remain a federal matter. If there is going to be a reform, then it must not undermine interpersonal solidarity and in particular our social security system, or the federal model of social consultation. Apart from that, I leave it to the reader to imagine what the consequences would be of different policies in this area, above and beyond the inevitable complexity they would create! In the first place, such a situation would lead to competition between the Regions. Such a situation would also create complications for businesses that have set up in our country. Finally, this would go against any kind of logic, insofar as the numerous regulations originate from the Directives of the European Union. This means then that there cannot be any question of regionalising family benefits, unemployment benefits, the minimum wage or the reimbursement of medical treatment.

### ***2. Make our existing tools work better***

I am of the view that we are not making full use of the existing cooperation mechanisms. I am going to take two examples of this situation, one of which concerns relations between the Federal government and the Regions at the level of policies for reactivating job-seekers, and the other with regard to relations between the Regions at the level of mobility of job-seekers. Within these two examples, the Regions could benefit from greater autonomy or use their autonomy better, and more effectively, without necessarily transferring new competences to the Regions.

As regards the first example, the Federal government and the Regions settled the arrangements for their collaboration in a cooperation agreement on 30 April 2004 as far as assisting job applicants. The Regions are responsible for assisting and placing job applicants, while the NEO (National Employment Office), a federal organisation, is in particular responsible for checking on the availability of job applicants. The unemployed receive benefits, but they have to be available to the labour market. This means that they cannot refuse a suitable position and that they have to actively look for work. The interpretation of 'suitable employment' has been determined according to a number of criteria that are determined at federal level.

The current regulations mean that the regional employment service (Forem, VDAB, Actiris, Arbeitsamt) takes job-seekers' availability into account when considering whether to send information. This can result, for example, in the NEO being notified if a job-seeker decides not to attend an interview with an employer. It is not up to the regional services to pass judgment on such an action. It is in fact the NEO (the federal agency) that interprets federal legislation with regard to availability, and it is therefore up to the NEO to decide whether an unemployed person is available and whether he or she is actively looking for work. Only NEO can impose a penalty for not being available, which usually happens after it has

notified the regional agency, on administrative grounds. It is also up to the NEO to exempt an unemployed person from having to be available, for example to undertake training or for social or family reasons. There are also (federal) criteria in this regard.

The fact that a federal agency monitors and penalises unemployed persons if they are unavailable is a guarantee that every job-seeker will receive equal treatment as regards their search for work. While labour markets and stratification of unemployment may vary, it is still necessary that monitoring and penalties should be handled at federal level, in the same way as labour legislation.

This is also all the more true given that regionalisation of monitoring and penalties, under the pretext that the labour market within the three regions is not homogeneous, is not likely to solve many problems. Employment catchment areas are not homogeneous within a single region. One cannot compare the area of Vilvoorde with the area of Antwerp in terms of unemployment, in the way that one can compare the Brussel-Halle-Vilvoorde area with Brabant Wallon.

Employment catchment areas draw on potential workers well outside their regional boundaries. Brussels attracts some 360,000 workers from the other regions, while some 61,000 of its inhabitants commute to jobs outside the city. How can one integrate this type of data in a regionalised approach, without then creating a protectionist response from the regions when there is heightened unemployment, which is the case at the moment?

On the other hand, it would be entirely desirable to **reinforce the 2004 agreement regarding policies for activating the unemployed** as suggested by the Federal Ministry for Employment, while leaving greater autonomy for the Regions. A new activation process that grants the Regions greater autonomy (the job-seeker makes a contract with the regional adviser; the adviser is free to define the availability expected from the job-seeker; the NEO performs an evaluation using the database sent by the regional adviser, etc.) could contribute to solving the problem of differing labour markets, without resulting in differences in the treatment of job-seekers. We can make our activities more effective by making our *Contrat de Projet Professionnel* (Professional Project Contract) stricter, while ensuring that the job-seeker is involved to the greatest degree in his or her support project, and shortening time limits for taking action by simplifying the procedures and formalities, but only on condition that additional financial resources are granted to the Region. It is important that the NEO should continue to monitor the uniform application of the regulations throughout Belgium.

It is also important that - within the framework of this new agreement - the Regions should be able to define a suitable path that is either longer or more intensive for job-seekers who are further away from the labour market.

As regards the second example, the Regions have the possibility of arranging how they work together in terms of a cooperation agreement. This hardly even happened until a few years ago. An agreement on the interregional mobility of job-seekers was concluded in 2005. This provides for an exchange of information between regional employment agencies concerning job vacancies relating to key positions and vacant positions that have not been filled for a certain period of time. The Brussels Capital Region recently concluded a specific agreement with the Flemish Region, starting from the principle that the unemployment rate is far lower on the outskirts of Brussels, where there are vacancies that cannot be filled. On the basis of this agreement, we have organised an exchange of vacancies between the two Regions within a certain area and achieved very good results in terms of filling positions. The number of *Bruxellois* who leave our Region to work in the outskirts of the capital has grown by 15% in four years! This is not that complex an initiative, and yet facilitating and encouraging mobility among job-seekers gets more people back into work.

The fact that existing agreements or those to be concluded allow for greater effectiveness without transferring new competences should not stop us from considering whether we should reinforce those agreements or make these forms of cooperation more flexible.

Better coordination of competences has another aspect, namely refraining from pointless competition between Regions, which benefits nobody. It is also within this perspective that I would reject the regionalisation of corporation tax, which could even be damaging to our objectives.

### *3. Improved effectiveness of the service provided*

I am one of those who believe that a policy has no purpose unless it increases the effectiveness of the service provided to the population and more particularly to our job-seekers. It seems to me that this should be our main concern as regards our actions.

If we consider the entire body of competences for which we are responsible, we can see certain aspects here and there where we could achieve the 'added value' that could result from expanded regional competences.

Let me give an example.

At the level of **outplacement**, the Federal state must remain competent for employment law regulations as regards the right to professional reclassification (provisions contained in the collective employment agreement 82bis, rights and obligations of employees and employers, minimum conditions for granting outplacement and actual terms of outplacement, and penalties in the event of failure to comply). Then again, why is it not possible to consider making the Regions responsible for deciding on the **actual terms of outplacement beyond the provisions** set out in collective employment agreement 82bis, so they correspond more to the requirements and needs of our labour market, for issuing a compulsory recommendation with regard to support measures for workers who have been made redundant in the context of restructuring, so that the employer can be recognised as being in a process of restructuring (and so that workers can benefit from a pre-pension at an earlier age), as well as for **allocating funds generated by fines imposed** by the Federal state?

I am keen to emphasise that this 'added value' deriving from greater regional responsibilities is not limited to the elements that would be transferred from the Federal level to the Regions, but also from the Communities to the Regions. Let me cite an example that is specific to Brussels as regards responsibility for **Training**. I am in favour of transferring the competence of the COCOF and the Flemish Community to the Brussels Capital Region. Let me repeat that 65% of job-seekers in Brussels have no more than a lower-secondary qualification and 90% of them are unilingual francophones. Assigning responsibility for training and recruitment to the same institutional authority would make it possible to offer shorter and better targeted training courses. This would be more effective in my view.

### *4. There should be no alternative that more accurately reflects the specific nature of the Regions*

A certain number of measures were passed in the 1980s with a view to reducing the level of employer contributions to reduce employers' wage costs. This led to the creation of different systems, each of which provides for its own particular calculation methods and its own target group. Starting from 2004 a certain number of separate reductions in employer contributions were **harmonised and reorganised into a single reduction in contributions** made up of two types of reductions: a structural reduction and a reduction for 'target groups'. The first reduction applies to all employers. The second only allows for reductions in contributions for employers and/or employees who satisfy certain criteria. This reduction

therefore encourages employers to take on new employees, in particular young persons with few qualifications, first-time job-seekers, etc.

The most recent *Accord InterProfessionnel (AIP)* aims to convert a large part of the financial resources - namely over 70% of the reductions in contributions - for 'target groups' into so-called structural reductions in contributions. By doing so, the category of targeted measures will shrink more and more. It is the case that this category of 'target group' contributions was designed for the unemployment situation in the Brussels Capital Region: i.e. numerous young unemployed (with an unemployment rate exceeding 30% or even 50% in certain districts) with few qualifications. This reform will therefore deprive our Region of important tools that are tailored to its needs.

Naturally, I am not disputing the aims of this reform. The main priority must be to simplify procedures for hiring staff in a generalised and drastic fashion. The objective of this simplification must be to simplify the system for employers, to try to remove the traps that the unemployed fall into, and to strengthen regional employment policies. It is advisable to simplify what are known as 'target group measures' and to provide more custom-made employment in the fight to remove the barriers to employment. Despite the simplification operation of 2004, the numerous employment plans remain a confused tangle of federal and regional measures (federal activation of benefits and reduced social security contributions, and regional grants for recruiting the unemployed). What is more, grants are paid in a piecemeal fashion, which sometimes constitutes a problem on the ground, to the point that in certain situations there is a reverse effect which could actually create an unemployment trap.

Again I wish to emphasise the lack of awareness of specific regional features in this field. Certain people use this example to argue that this matter should be regionalised. I am not one of those people, because here we are talking about reductions in social security contributions, which will have implications for the financing of the social security system. I am in any case convinced that it is possible to be effective and take more account of the specific features of the Regions by involving them in the definition, modification or elimination of target groups, while putting in place compensatory measures using employment activation policy.

##### **5. Providing additional financial resources**

I would argue that the Brussels Capital Region should have financial means available to it in proportion to the heavy burdens that it takes on for the country as a whole. Our Region contributes 20% of Belgium's gross GDP, represents 10% of the Belgian population, but only receives back 9% of personal income taxes. This is obviously not sufficient to meet the requirements and burdens of a Belgian and international capital city. Is it necessary to repeat that 500,000 people enter and leave our Region every day? It therefore seems to me to be imperative that if we are talking of stimuli and making the Regions more responsible, then we should first concentrate on correcting the structural under-financing of the Region and take into account criteria of distribution of resources that are suited to the specific conditions in Brussels. How can one imagine, for example, giving the Regions a more important role in terms of activation, something that requires a lot of additional staff, without transferring additional financial resources?

**What should our view be of the stance taken by two regional politicians, who are Ministers and participants in their role as negotiators in the institutional dialogue?**

This poses a challenge on several grounds.

As regards the form of their statement, in the first place, their stance only takes very limited account of the Belgian reality since it does not incorporate the Brussels Capital Region,

which is an entirely distinct third Region and, most of all, the main employment catchment area in this country. Do we really need to repeat the highly paradoxical special nature of our Region: an economy that creates riches that represent more than 20% of GDP, a pool of 690,000 official jobs, of which 357,000 are taken up by non-residents, and an unemployment rate approaching 20%... Perhaps this is because the authors have based their position on a deliberately ideological approach, given that they are two socialist leaders, who for that matter refer to the actions of the European Socialist Party.

In addition, this declaration, which has not been the subject of consultation, has arisen within the context of difficult institutional negotiations with identifiable strategies, and has opened the way towards increased regionalisation of employment policies, even if the authors affirm that a number of matters should be retained at the federal level, while at the same time there are those who are fighting to retain the federal nature of this competence. It also opens up a breach in the principle of a financial mechanism that links 'stimulus' and 'responsibility' to a positive financial return for both the Regions and the Federal government on the investments that are made. The whole point is certainly how one defines what one means exactly by such a mechanism, the criteria that are likely to be taken into consideration, the degree of compulsion, and the precise nature of the penalties.

Finally, this declaration, which claims to be one of principles, does not deal with details or special features, as the authors themselves admit, which could create risks within such a complex debate. The nuances are important. I am suspicious of slogans.

At a basic level one has to say that this declaration does not look at all the elements which I have identified.

Even if this declaration tends to support maintaining interpersonal solidarity while confirming that employment law, wages policies and social security (with all its pillars and financial mechanisms) must remain the responsibility of the federal government, it nonetheless opens up new possibilities without really showing how the existing tools could be made to work better, or how a fresh transfer of competences could generate greater efficiency.

The same applies to general rules in the area of suitable employment and granting exemption from availability, which should, according to the two Ministers, remain federal matters, while they would have to be applied concretely at the regional level, with certain undertakings being made towards the federal government.

This also applies in the areas of re-entry and employment measures, such as the *ALEs/PWAs*, outplacement, helping workers who are victims of restructuring, and rules for granting permits for temporary work, where the authors think it would be worth considering the advantages of regionalisation.

The same applies to the rest, even more so when the authors argue in favour of regionalising what is 'necessary' for the Regions to perform their main mission in the employment field, without fixing any kind of reference points or limits.

As regards financing, the authors have opened the way to giving the Regions more responsibility but without making a clear call for resources linked to competences to be transferred.

**In conclusion**, as you will have understood, I am very keen to preserve a strong social security system as the cement that holds our country together, and not to envisage greater autonomy for the Regions, unless this increase in competences is needed to ensure greater effectiveness of the service provided to the population and more particularly to our job-seekers. It seems to me that this should be our main concern as regards our actions. I would

also make a plea for improved coordination of the regional competences we already have available to us, for example through cooperation agreements between the Regions. I would argue that it is necessary to take greater account of the special features of the Brussels Capital Region in the exercise of federal competences. Taking greater account of the special nature of our labour market will not necessarily happen by increasing regionalisation of competences. I am open to a discussion on whether to **reinforce certain existing regional competences with a view to increased consistency and homogeneous policies, as well as greater involvement and therefore responsibilities for the Regions in certain areas**. Finally, as regards **finance**, I would argue that the Brussels Capital Region should be given the financial means in proportion to the heavy burdens that it has to bear for the country as a whole.