
Draft budget for the state of 2021

An index manipulation on the sly

While the draft state budget 2021 is expected to be voted in December by the Chamber of Deputies, the nationally representative unions CGFP, LCGB and OGBL express their opposition to the modification of the legislation concerning wage indexation provided for in the same draft. Indeed, the government wants to remove the newly introduced CO2 tax from the consumer price index, thus neutralizing the effect that this tax will have on the prices of petroleum products at the level of the consumer basket, which is the basis for wage indexation.

It is shocking that this measure, which responds to an employers' demand, was not mentioned at any time during the Prime Minister's State of the Nation speech nor during the Finance Minister's speech on the occasion of the tabling of the draft budget. The result is the impression that the government wants to change the index „in secret“.

It is true that the current „climate change“ contribution (better known as „Kyoto-Cent“) was already neutralized at the level of the price index. This neutralization was part of the index manipulation measures adopted by the National Tripartite in 2006 to deal with an alleged inflationary slippage, which never materialized afterwards. Like the deindexation of family allowances, the neutralization of the „Kyoto-Cent“ at the level of the basket on which wage indexation is based was a bad decision and should have been lifted long ago.

However, the delayed impact of a carbon tax neutralization will be much stronger than that of the „Kyoto-Cent“, since the financial impact of the new carbon tax is much higher than the financial impact of the existing contribution that will be integrated into the new tax. Thus, for petrol, the carbon tax will increase from 2.5 ct per liter to 6.9 ct, for diesel, from 3.5 ct. to 8.4 ct. (these two amounts are to be read excluding VAT, since the CO2 tax will also be subject to VAT) as of January 1, 2021. It is already planned to increase these amounts again in 2022 and again in 2023.

For the CGFP, the LCGB and the OGBL, it is unacceptable to manipulate the indexation of salaries in this way, without any real motivation being given. It should also be recalled that excise duties are an integral part of the so-called „basket of the housewife“ (panier de la ménagère). The new carbon tax should also be included, to reflect the evolution of the real prices paid by consumers. Let us recall in this respect that the index is in itself neither a social policy measure, nor a measure of wealth redistribution, nor an instrument of environmental policy, but only a mechanism for maintaining real purchasing power.

Moreover, the free public transport introduced on March 1, 2020, which will have a definite delaying effect on the triggering of the next index tranche, has not been neutralized at the level of the basket.

In its coalition program, the government committed itself not to modify the current indexation system. However, the removal of the CO2 tax from the basket constitutes an indirect manipulation of the index.

The three nationally representative unions therefore call on the government to amend its draft budget and to remove the neutralization of the CO2 tax from the wage indexation system.

In the eyes of the unions, social compensation for the new tax remains insufficient. At the same time, a double burden must be avoided for the taxpayer, who is not only being imposed a new tax, but is at the same time deprived of compensation for this increase in the cost of living at the level of the index. The trade unions are not opposed to a pro-active climate protection policy, quite the contrary, but it goes in the wrong direction if it creates new social inequalities.