



Adjustments to minimum income protection in Belgium

ESPN Flash Report 2017/21

WOUTER SCHEPERS & IDES NICAISE – EUROPEAN SOCIAL POLICY NETWORK

APRIL 2017

Despite the federal government's commitment to raise the guaranteed minimum income (GMI) to the at-risk-of-poverty threshold, the GMI level remains inadequate to lift the beneficiaries out of poverty. In addition, coverage by the GMI system remains problematic, while the conditions applying to it were tightened in 2016.

Description

The Belgian federal government agreement included a commitment to increase gradually the guaranteed minimum income (GMI) up to the at-risk-of-poverty threshold (EU definition, i.e. 60% of the national equivalised household income). One recent measure related to the GMI consists of a 2% increase in the allowances starting from April 2016; this was agreed in parallel to the tax shift agreement, which entails deductions in personal income tax for working people. Another recent measure is the stepping up of the GMI activation component (including the possibility of part-time workfare obligations). Although a genuine impact assessment of these measures is not foreseen, we can now see them in a broader perspective, using recent studies.

Despite this increase in the GMI and other “social corrections” (such as reduced energy and water levies for those on the lowest incomes), the opposition parties and trade unions claim that these adjustments are far from sufficient to lift GMI recipients out of poverty. A platform of trade unions, welfare associations and anti-poverty organisations, estimated that despite all social corrections, people on the lowest incomes will lose about €50 per month in 2017 due to other austerity measures (Decenniumdoelen 2017 [“Decade Goals 2017”]).

Storms & Van Mechelen (2016) calculated the net income deficit of GMI recipients by household type (taking into

account child allowances and tax credits). The ratio between their disposable net income and the AROP threshold is 91% for single parent households with two children, 66% for cohabitants without children and 69% for cohabitants with children.

Storms et al. (2015) compared the effectiveness of the GMI schemes between 2008 and 2013 by making use of reference budgets (i.e. priced baskets of goods and services needed for households to achieve a minimal, but decent standard of living). Between 2008 and 2013, the reference budgets increased by 15% on average, exceeding the general price increase by 9%. Housing costs and increased prices for public services are the main explanatory factors. Compared with the reference budgets, the researchers found that the GMI is inadequate for nearly all household types. The GMI only meets the needs of single-parent families with young children who are entitled to social housing, and only if supplemented with child allowances and school grants.

The Federal Planning bureau carried out an impact assessment of an increase in the GMI up to the AROP threshold. The simulation was based on the September 2015 scales and the EU-SILC 2014 threshold (13,023 euro per year). In the simulation, the scales for single persons were raised by 30% to match the AROP threshold level. In order to maintain proportionality with the scales for other categories of beneficiaries, the latter

LEGAL NOTICE

This document has been prepared for the European Commission. However, it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

scales were also raised by 30%. A macroeconomic and budgetary analysis shows that the increase in public expenditure would be partly offset by higher indirect revenue due to increased consumption and indirect tax revenue, as well as a boost of economic activity. The recovery effect would amount to 30% of the increased GMI outlays in 2016 and 36% in 2020. Furthermore, the impact assessment shows a substantial and immediate impact of a GMI increase on the poverty risk: starting from the first year of introduction, the AROP rate would decline by 0.63 percentage points on average. This corresponds to a 6.6% decline in the number of people in poverty by 2020 (Federal Planning Bureau, 2015).

Outlook & Commentary

The erosion in the purchasing power of the GMI has outweighed successive upratings in recent years. Unemployment allowances have followed a similar trend. Moreover, some categories of unemployed people (mainly young people and long-term unemployed) lost their entitlements to unemployment benefits and were (partly) transferred to the GMI system. This explains the recent peak in the number of GMI recipients (+22% in the last two years).

Besides the inadequacy of the GMI, coverage by the GMI system remains problematic. Although the GMI is seen as a last resort, the number of potential beneficiaries who do not receive the GMI appears to be twice as large as the number of actual recipients (Nicaise, 2016). The causes of non-coverage include legal eligibility restrictions, other restrictions imposed by social services, complexity of application procedures and resistance against

disrespectful treatment, as well as psycho-social barriers such as feelings of shame. Note that (non-)coverage is highly dependent on the eligibility conditions for the GMI as well as other social protection rights. In 2016, amendments to the Right to Social Integration made the conditions concerning access to the GMI stricter, including the possibility of workfare obligations. The current policy, by which more categories are excluded from federal macro-solidarity and have to depend on regional or local provisions, linked with stricter conditionality of the GMI, therefore involves a double risk of further exclusion, rather than a step towards better minimum protection (Nicaise, 2016). An in-depth evaluation should therefore be urgently considered.

Further reading

Decenniumdoelen 2017 (2017), De effecten van de federale en Vlaamse beleidsmaatregelen op gezinnen met een laag inkomen [The effects of the federal and Flemish policy measures on low-income households], Brussel: Decenniumdoelen 2017, 15p.

Federal Planning Bureau (2015), Impactberekening van een verhoging van het leefloon [Impact assessment of a GMI increase], Brussel: Federaal Planbureau, 15p.

Nicaise, I. (2016), "Hoe waterdicht is het leefloon? Onderzoek naar de (niet-)dekking door de minimumbescherming in België" [How waterproof is the GMI? Research into the (non-)coverage by the minimum protection in Belgium] in 40 jaar OCMW en Bijstand [40 years of PCSWs and social assistance], Leuven: ACCO, pp. 156-167.

Storms, B., Penne, T., Vandellannoote, D., & Van Thielen, L. (2015), Is de minimuminkomensbescherming in ons land doeltreffender geworden sinds 2008? Wat leren we uit de geüpdatete referentiebudgetten? [Has minimum protection in our country become more effective since 2008?], Centrum voor Sociaal Beleid Herman Deleeck, Antwerpen, 67p.

Storms, B., & Van Mechelen, N. (2016), "Doeltreffendheid van de bijstandsinkomens" [Effectiveness of GMI allowances] in 40 jaar OCMW en Bijstand, Leuven: ACCO, pp. 65-83.

Author

[Wouter Schepers](#) and [Ides Nicaise](#)