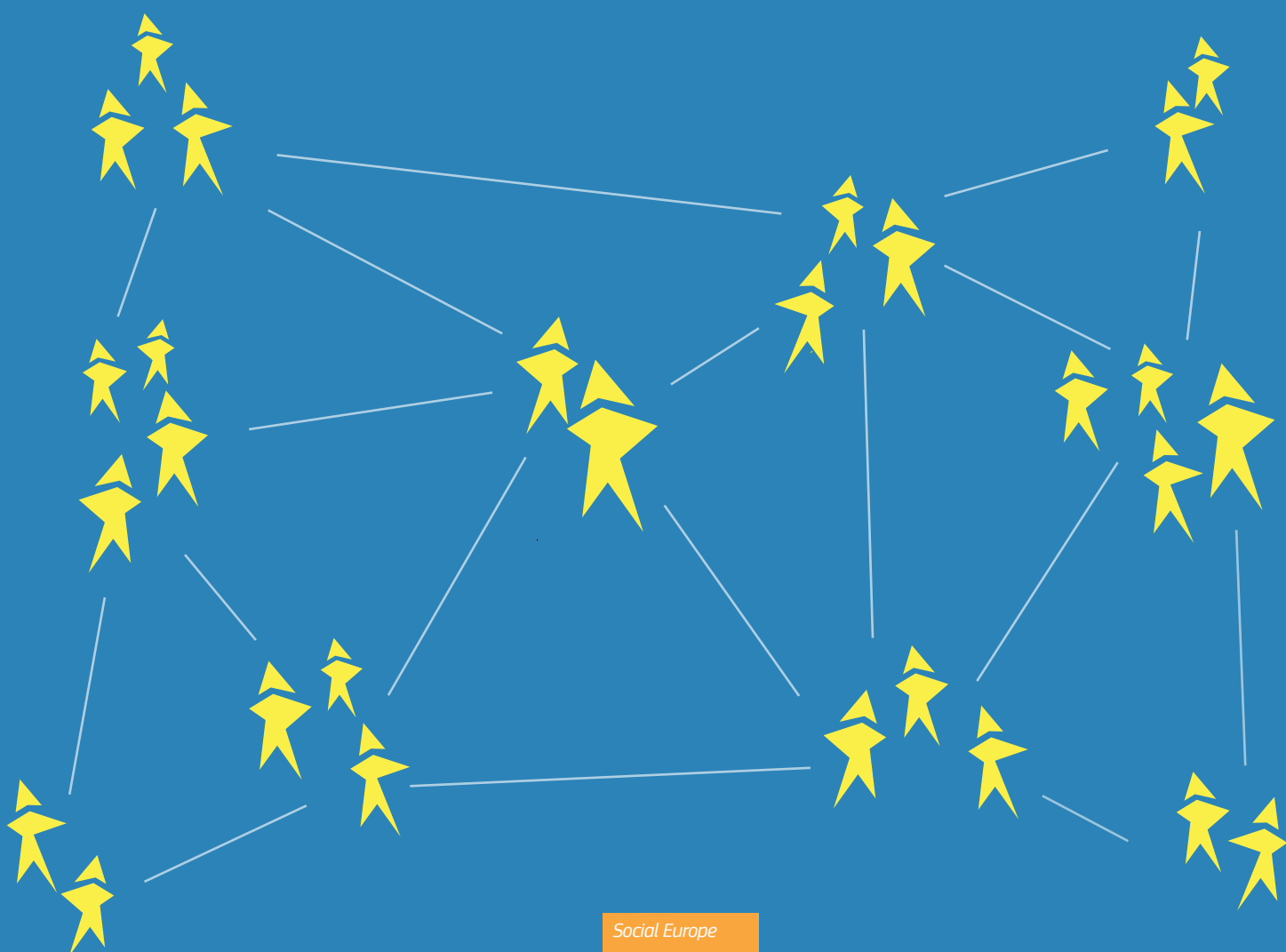




EUROPEAN SOCIAL POLICY NETWORK (ESPN)

In-work poverty in Belgium

Veerle Buffel and Ides Nicaise



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European Social Policy Network (ESPN)

**ESPN Thematic Report on
In-work poverty**

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Summary

Belgium has a comparatively **low incidence of in-work poverty**¹ (5% in 2017, Eurostat, 2017a), which remained relatively stable at around 4-4.5% between 2006 and 2013 but has been creeping upwards since 2013. Temporary workers, the self-employed, those with low education, non-EU migrants and (single-parent) households with dependent children combined with low work intensity are particularly vulnerable to in-work poverty. In addition, attention has to be paid to the increased risk of in-work poverty among those with low or average educational attainment and the youngest age group (18-24 years old). Although in-work poverty is low in Belgium, the rate of **quasi-jobless households** is worryingly high. These households and unemployed people are confronted with a **very high and increasing poverty risk**. The question is therefore not only how social policies and the labour market protect against in-work poverty, but also why they sometimes fail for certain population groups, and in particular how they can reduce the number of households with a very low work intensity.

In-work poverty has not been the subject of explicit policy intervention in recent years, partly because of the low incidence rate. The dominant policy discourse in Belgium focuses on job growth, labour market activation and reintegration, and making work pay. Nonetheless, there are some measures in the federal and regional employment plans, as well as in the system of social benefits and the poverty relief plan, that could directly or indirectly influence the in-work poverty risk.

Belgium has, on the one hand, relatively high minimum wages and in-work benefits, reduced taxes on low wages, collective agreements preventing large income inequalities, and wages automatically adjusted to price increases. On the other hand, there are relatively generous child allowances, and well developed childcare provision and care leave policies – stimulating the incidence of two-earner households, which is protective against in-work poverty.

Some **good examples** of policies that may have a positive direct impact on in-work poverty are the social work bonus and the tax work bonus, employment by public centres for social welfare as a form of social service, and the system of service vouchers. These initiatives may increase respectively low wages (without increasing labour costs), access to the labour market by disadvantaged groups, and work intensity within households. The service voucher scheme has become a very popular initiative, not only for creating new jobs, but also for combining work and other duties, which may indirectly affect in-work poverty by increasing work intensity.

Another downside of this broadly positive picture on in-work poverty is a **low general employment rate**. As a result, the current debate is about activation, making work pay and flexibilisation. The new **law on 'workable and flexible work'** of 15 March 2017 fits within this discourse of 'more jobs'. Although the law includes several policy reforms, which may have a positive impact on in-work poverty by improving the combination of work and care responsibilities and increasing work intensity, concerns have been raised about negative effects on in-work poverty. It is feared that these new jobs created through flexibilisation involve more precarious working conditions and will not lift workers out of poverty.

In sum, we recommend a holistic approach to in-work poverty, including support for both labour market participation and those with domestic caring responsibilities, in order to **maintain the social services and decent working conditions** established by social dialogue and collective bargaining between the social partners. Moreover, because poverty in Belgium is mostly concentrated amongst those out of work or in households with a very low work intensity, the focus should be on labour market and social policies as well.

¹ For ease of reading, we will refer to the notion 'at risk of in-work poverty', and to the indicator that measures it, using the generic term of 'in-work poverty' (IWP)..

1 Analysis of the country's population at risk of in-work poverty

In Belgium, the way of **defining** in-work poverty is common to the majority of EU countries. People who are at risk of in-work poverty are defined as those who are employed and whose disposable income puts them at risk of poverty (EU-Portfolio, 2015). 'Employed' is defined as being in work for over half of the year and 'risk of poverty' refers to having an income below 60% of the national median (the income reference year is the calendar year prior to the survey). Income is measured in relation to the household in which a person lives and covers the income of all household members, which is shared equally among them after being adjusted for household size and composition.

In-work poverty in Belgium remains among the **lowest in the EU**. In 2017, the in-work poverty rate amounted to 5% compared with an average of 9.4% in the European Union (EU28) (See Figures A1, A2 in Annex 1). Nevertheless the percentage of working persons at risk of poverty increased from 3.9% in 2005 to 5% in 2017, with a slightly accelerating trend in the last four years (Eurostat, 2017a). Overall, having a job seems to continue to be a good guarantee of staying out of poverty in Belgium (Schokkaert and Nicaise, 2010; Van Gyes, 2010). However, notwithstanding the relatively low in-work poverty rate, in absolute terms this group makes up a sizeable share of the total number of persons at risk of poverty (FPS Social Security, 2018; Schepers et al., 2018a). More than 1 in 5 poor people has a job (22% in 2014) and more than 1 in 3 (37.7%) lives in a household with at least one income from work (Vandekerckhove et al., 2018). In other words, although having a job makes an important difference in preventing poverty, it is not in all situations the only condition for avoiding the risk of poverty (Van Gyes, 2010).

The proportion of **low-wage earners** in Belgium (2.6%) is, after Sweden, the lowest of all EU countries (EU average 17.2%) (Eurostat, 2017b). The proportion was lower in 2014 (3.8%) than in 2010 (6.4%). However, low-wage work is concentrated in 10 sectors including retail and sheltered work, and most of these sectors are growing (Vandekerckhove et al., 2018). The relatively high minimum wages in Belgium can play a protective role against in-work poverty, and a low proportion of low-wage earners contributes to the comparatively low in-work poverty rate (Vandekerckhove et al., 2018). Nevertheless, it is certainly not the only explanatory factor, as the overlap between low pay and in-work poverty is rather small in Belgium (Marx et al., 2012). Many people with a low-paid job live in a household with more than one income and where this low wage is not the main source of earnings. Moreover, many low-paid workers are women and young persons, who are often not the primary breadwinner in the household (Schokkaert and Nicaise, 2010; Van Gyes, 2010).

In line with the EU trend, the variation in in-work poverty risk by level of **education** (the lowest educational level compared with the highest level) increased in Belgium by 2.5 ppt. between 2012 and 2017 (Eurostat, 2017c). The risk of in-work poverty among persons with a low educational level (12.1% in 2017) or an intermediate one (6.2%) increased by 2 ppt., while among the highly educated the risk remained relatively stable over that period at a very low level (2.4%).

Although in several EU countries the in-work poverty risk differs by **gender**, in Belgium no considerable differences between men (5.3% in 2017) and women (4.7%) are observed (Eurostat, 2017a), and the gender pay gap² is relatively low too (Eurostat, 2017d). Concerning **age** differences, a remarkable shift has occurred: in 2012 the youngest age group (18-24 years) had the lowest in-work poverty risk (3.5%), and in 2017 they had the highest risk (9.4%), while the rate of in-work poverty remained quite stable in the other two age groups (25-54 years – 4.7%; 55-64 years – 5.3%) (Eurostat, 2017a). As a result, Belgium is converging to the EU trend, with higher in-work poverty rates among the youngest age group (EU28: 12.5% vs respectively 9.6% and 8.8% in 2017). Regarding the risk of in-work poverty among **non-EU migrants** Belgium is doing moderately well. In 2017, 1 out of 5 non-EU migrants (19.9% vs 23.3% EU average) was at risk of in-work

² The difference between men's and women's average gross hourly earnings as a percentage of men's average gross hourly earnings (for paid employees).

poverty compared with 7% among EU migrants and 3.5% among non-migrants (Eurostat, 2017e). Non-EU migrants more often have a lower work intensity (as many of them only work part of the year) (Frazer and Marlier, 2010), a lower or unrecognised educational level (40.2% with no or low educational level compared with 23.3% in the total population)³, or temporary job contracts (16.7% compared with 8.4% in the total population) (Eurostat, 2017f and g).

Household composition and the **work intensity** of households are critical factors in determining the risk of in-work poverty. In-work poverty is linked to having dependent children especially in relation to single parenthood. The in-work poverty rate among single persons with dependent children was 15.4% in 2017, which was slightly higher than in the previous period (14.7% in 2012), with the exception of the remarkably high rate in 2014 (20.4%) (Eurostat, 2017h). The risk of in-work poverty was the lowest (and remained stable) among households with two or more adults without dependent children (2.7% in 2017), followed by households with dependent children (5.6%, showing a slight increase since 2012) and single people (6.0%). Underlying the link between children and the risk of in-work poverty is the issue of low work intensity, as the level of work intensity is inversely related to the in-work poverty risk. Almost 30% of households with low work intensity were at risk of in-work poverty in 2017, which was more than twice that of households with a medium work intensity (Eurostat, 2017i). For households with a very high or high work intensity, the in-work poverty rate was respectively only 2.5% and 4.0%. A remarkable decrease by 5.1 ppt. (38.9% in 2012 vs 33.8% in 2017) was observed among households with dependent children combined with low work intensity, against an increase of 3.1 ppt. for households with a medium level of work intensity and 3.0 ppt. for households without dependent children and a low work intensity. In addition, households with a very low work intensity (who are not included in the in-work poverty numbers as they are not in employment for more than six months in the income year) are confronted with a very high and increasing poverty risk, especially when children are involved (Schepers et al., 2018a). The proportion of households with a very low work intensity in Belgium in 2017 (13.5%) was above the EU average (9.3%) (Eurostat, 2017j).

In line with several other EU countries, there are large differences in in-work poverty rates as between **employees and the self-employed** (See Figures A1, A2 in Annex 1). In 2017, the in-work poverty rate among the self-employed (13.8%) was more than 3 times higher than that of employees (3.8%) (Eurostat, 2017a). However, the difference in in-work poverty between employees and the self-employed had become smaller since 2012, because of a decrease among the self-employed (15.2% in 2012). The self-employed also had a higher risk of poverty or social exclusion as measured by the AROPE index⁴ (Eurostat, 2017k). Otherwise, material and social deprivation⁵ among the self-employed (3.6%) was lower compared with the employed (5.2%) and employees (5.4%) (Eurostat, 2017l). In addition, employees with a **temporary contract** (13.3% in 2017), and to a lesser extent **part-time** employees (6.5%), had a higher risk of in-work poverty (Eurostat, 2017m and n). The difference in in-work poverty rates as between employees with a temporary and permanent contract (10.3 ppt.) was similar to the EU average (10.5 ppt.); while the difference between part-time and full-time employees (2.2 ppt.) was lower (7.8 ppt.). Corresponding to the EU trend, the difference in in-work poverty rates has been increasing

³ Refers to the population aged 25-65, because information for those aged 18-64 or aged 20-64 is not available through Eurostat. Depending on the availability of Eurostat data, throughout the report the population aged 18 - 64 is used when in-work poverty rates or material deprivation numbers are presented, the population aged 18-59 when work intensity is discussed, and the population aged 20-64 for the other statistics.

⁴ At risk of poverty or social exclusion, abbreviated as AROPE, corresponds to the sum of persons who are either at risk of poverty, severely materially deprived or living in a household with a very low work intensity. Persons are only counted once, even if they are present in several sub-indicators.

⁵ The material and social deprivation rate is the proportion of people lacking at least five out of the 13 items of the following set. *At household level*: face unexpected expenses; afford a one-week annual holiday away from home; avoid arrears; afford a meal with meat, chicken or fish every second day; afford to keep the home warm; have access to a car; and replace worn-out furniture. *At personal level*: replace worn-out clothes; have two pairs of properly fitting shoes; spend a small amount of money each week on him/herself; have regular leisure activities; internet connection; get together with friends/family for a drink/meal at least monthly.

slightly as between temporary and permanent contracts, mainly through an increase among the former between 2012 and 2017 (11.1% to 13.3%). Meanwhile, the percentage of temporary employment in total employment increased over the same period by approximately 2 ppt. (from 6.5% to 8.4%), but remained below the EU average of 13.3% (Eurostat, 2017o). In contrast, the (stable) percentage of part-time work in total employment (24%) in 2017 was higher than the EU average (18.7%) (Eurostat, 2017o). The percentages of self-employment in total employment, both those with employees (4%) and without (9.1%), remained stable around the EU average of respectively 4% and 10% (Eurostat, 2017p).

In sum, temporary workers, the self-employed, the low-educated and households with greater care responsibilities combined with low work intensity (especially single parents with dependent children) are particularly vulnerable to in-work poverty. In addition, attention has to be paid to the increased risk of in-work poverty among the youngest age group and non-EU migrants, who face a combination of risk factors related to in-work poverty. Low household work intensity in combination with having children and precarious job status (temporary contracts and self-employment) are the main drivers of in-work poverty in Belgium. Within the Belgian welfare system, in-work poverty and low-wage work have been kept quite well under control through (on the one hand) relatively high minimum wages, in-work benefits, reduced taxes on low wages, collective agreements preventing large income inequalities and wages automatically adjusted to price increases (Marx et al., 2012; Vandekerckhove and Goos, 2014) and (on the other hand) child allowances and well developed childcare provisions, stimulating the incidence of two-earner households (Schokkaert and Nicaise, 2010; Marx et al., 2012). The percentage of men and women who are inactive because of the presence of young children is very low in Belgium (Eurostat, 2017q), while part-time work – in particular among women – is widespread (Eurostat, 2017p). Conversely, the low employment rate in Belgium and the decreasing effectiveness of social benefits and incomes obtained from social benefits (e.g. reducing unemployment benefits over time) (Nicaise, 2017; Scheper et al., 2018a) can be considered as major threats, which indirectly may influence levels of in-work poverty. For instance, in the case of households without two earners, less effective social transfers make a big difference in preventing the risk of poverty (FPS Social Security, 2018; Van Gyes, 2010). The increased poverty risk among the unemployed (Nicaise et al., 2017), may also affect in-work poverty, because a substantial proportion of people at risk of in-work poverty share a household with an unemployed person (Nicaise, 2017).

2 Analysis of the policies in place

2.1 Policies directly influencing IWP

In-work poverty has not been the subject of explicit policy intervention in recent years. Nonetheless, there are some measures in the federal and regional employment plans, as well as in the federal poverty relief plan, that could directly or indirectly influence the in-work poverty risk (Marx et al., 2012; Schokkaert and Nicaise, 2010; Vandelanoot and Verbist, 2017). These include measures on income protection, labour market activation, training and life-long learning in order to promote mobility, and several 'making work pay' policies. In addition, the further development of childcare services, direct support to carers, and targeted activation measures are also identified as actions with a great potential effect (Marx et al., 2012; Schokkaert and Nicaise, 2010; De Wispelaere and Pacolet, 2016).

In Belgium, the general wage formation system stimulates a **compressed wage structure** and includes a system of automatic wage indexation – that is, one where wage increases automatically follow the rate of inflation to a certain extent. There is a **national minimum wage** (€1,562.59 per month in 2017, Eurostat, 2017r), set by government in negotiations with the social partners, but in practice 'real' minimum wages⁶ are negotiated at the industry level and tend to be higher than the nationwide minimum wage (Van Gyes,

⁶ That is, pay scales for the youngest, least qualified and least experienced workers.

2010). The minimum wages are also automatically updated in line with the cost of living, as they are index-linked. In 2017 they were among the highest in the EU (EU average €888.16 per month), and slightly increased between 2012 and 2017 measured by reference to purchasing power standard (Eurostat, 2017r). However, raising minimum wages as an isolated measure is relatively ineffective and cost-inefficient as a way to reduce poverty among workers (Marx et al., 2012). Simulations have shown that for Belgium a minimum wage increase would come at a substantial additional cost to employers, with a very limited direct impact on poverty and with the bulk of the gains going to middle-income families (Marx et al., 2012). More recent research (Vandekerckhove et al., 2018) concluded indeed that minimum wages do not alleviate existing poverty, either by raising wages for those who are already in work, or by creating jobs for those out of work when the minimum wage is lowered. However, they do protect against precariousness and in-work-poverty, as minimum-wage jobs should replace informal work and bogus self-employment⁷. Moreover, moderate increases in sectoral wage floors may prevent the development of in-work poverty, because this may have low or no social costs when they are carefully set according to productivity growth and expectations.

In addition to minimum wages, the net income of people on low wages is boosted through in-work benefits and the tax system (Van Gyes, 2010). Since 2000 the Belgian government has implemented a **social work bonus** (*'sociale werkbonus'*) and in 2011 a **tax work bonus** (*'fiscale werkbonus'*) (Securex, 2018). The social work bonus is a system of reduced employee contributions to social security. The aim is to raise the net earnings of employees with a low wage (without increasing the gross wage), and in this way reducing the unemployment trap. The tax work bonus is a reduction of the payroll tax (*'bedrijfsvoorheffing'*) for employees who are entitled to the social work bonus. Both bonuses have increased in recent years, further improving the situation of employees with a low wage and stimulating work incentives. In 2013 the social work bonus was increased, followed by an increase in the tax work bonus (first from 5.7% to 8.95% and in April 2014 to 14.40%). The tax work bonus has continued to rise gradually: 17.81% in 2015, 28.03% in 2016, and to a planned 33.14% in 2019 (Securex, 2018). However, these tax reductions on low wages have to be considered in a Belgian context, characterised by one of the highest tax burdens on average, as well as on low wages, in the OECD area (Marx et al., 2012).

In-work benefits are at the core of **'making work pay' policies**, which have been put forward in Belgium as a way to increase the net incomes of individuals with low wages without raising gross incomes and the cost of labour for the employer (Vandelannoote and Verbist, 2017). They are effective in reducing in-work poverty by on the one hand increasing the incomes of disadvantaged groups of workers and their families, and on the other hand increasing work intensity within households, by stimulating employment through the creation of additional financial incentives for remaining in work or for taking up a low-paid job. Recent simulations have shown that spending 1% of GDP on in-work benefits would reduce in-work poverty by 1.19 percentage points in Belgium (Vandelannoote and Verbist, 2017). However, other Belgian research (Collado, 2018) is more cautious about the positive effects of tax-benefit reforms on poverty⁸. In addition, the problem with this policy option from a poverty reduction viewpoint is that it is targeted at low-paid workers, not households with insufficient combined earnings (Marx, 2012). It would be more effective to target tax relief at households on low earnings. However, strong targeting at households with low earnings is bound to create mobility traps. Low wages combined with in-work benefits may discourage people from working more (Eurostat, 2017s; Schokaert and Nicaise, 2010).

Measures to **increase access to employment** are widespread, particularly in response to Belgium's low employment rates. In Belgium the regional public employment services

⁷ Bogus self-employers are employees who have the status of self-employed, but who in reality exercise a professional activity under the authority of one employer. That means that they should normally be in paid employment. Bogus self-employment is a form of social fraud.

⁸ The poverty gap index reduction per euro of net revenue achieved by reforms.

manage the entire guidance process and either carry out or outsource the casework and related services. They offer a number of job-related services such as training, mediation, counselling, application courses, business start-up schemes, etc. They collaborate with private companies, adult education centres or third-sector organisations. There are also targeted programmes for more disadvantaged groups, offering a wider range of services (including healthcare, psychosocial assistance, job coaching, housing mediation, debt mediation, etc.)⁹ and creating inclusive working environments (Schepers et al., 2018b). These activation and support measures may address low work intensity in households but, in particular, improve access to the labour market for those without work. Nevertheless, a variety of measures are also offered to employers as an incentive to keep existing low-wage workers under contract – such measures include employment and training bonuses, or a reduction in social security contributions (Van Gyes, 2010).

Some good examples in Belgium of improving access to work among vulnerable groups and to create better-quality and subsidised jobs in order to reduce undeclared work are articles 60 and 61 of the law on public centres for social welfare (PCSWs), and the system of service vouchers (Van Praet, 2018). **Articles 60 and 61** allow PCSWs to directly employ people on the minimum income. This is done either by a PCSW recruiting someone or by making jobseekers available to a third-party employer. In both cases, the job is subsidised by the federal government. This initiative is aimed at reintegrating excluded persons into the labour market and restoring their social security rights. Since July 2014, the system has been transferred to the regions, as a result of the state reform, but the regions have not altered significantly the legal framework of these policies (Schepers et al., 2018b). The PCSW system is very popular, though not very effective. In 2015 more than 25,000 people found employment through this system (Carpentier, 14.01.2017).

The **service voucher** (implemented in 2004) is a means of payment, subsidised by the regional authorities, which allows a private user to pay an employee of a recognised company for household work (Goffin et al., 2018). The purchase of a service voucher gives a right to a tax advantage of 30%, and low-income users who do not pay taxes (or pay lower taxes) can enjoy this benefit through a reimbursable tax credit. In addition, young mothers who have resumed their activities as self-employed persons receive 105 free service vouchers from the social insurance offices within the framework of maternity benefits. The system may have in several direct and indirect ways a positive impact on the prevention of in-work poverty, but so far no research has been carried out to estimate the effects of the service voucher system on in-work poverty. The system creates valuable jobs in terms of employment conditions, wages and contracts and combats undeclared work by subsidising workers and users. It improves the integration of high-risk groups of unemployed people into the labour market and it provides a better work-life balance among the users, which may increase work intensity within households. An evaluation of the system (Goffin et al., 2018) shows that 64% of users are employed and 37% live in a dual-earner household. 38% of users are households with children: 31% couples with children and 8% single parents. The service voucher system is an important job generator, in particular for more vulnerable groups: in 2016 30% of those employed through the system were older workers (50+), 24% were migrants (not born in Belgium), and 46% had a low educational level (Goffin et al., 2018). There is also a high degree of satisfaction with the system among the workers (regarding wages, distance to workplace and hours worked) (Werk.be, 2017). However, although the evaluations of the system are in general quite positive, there are still some problems (Pacolet, De Wispelaere, and De Coninck, 2011; Werk.be, 2017; Goffin et al., 2018). The total cost of the system of subsidised jobs is very high, almost all workers are female (98% in 2016), and discrimination against some older workers and migrants by users and companies is observed.

Regarding **discrimination**, the Inter-federal Centre for Equal Opportunities (Unia) refers to an increasing number of complaints about workplace discrimination in Belgium, with more than 1 in 4 cases based on racial discrimination (Unia, 30.05.2018). Only recently, some specific initiatives were taken to combat discrimination in the labour market in

⁹ For a detailed overview, see the country profile report (Schepers et al., 2018b).

addition to the existing anti-discrimination law. In 2015, for instance, the Flemish government agreed to a resolution on awareness-raising, prevention and enforcement concerning discrimination in the labour market against people with a migrant background (Flemish parliament, 18-10-2015). Effective anti-discrimination actions may increase labour market participation among some vulnerable groups such as older workers and migrants, who are often discriminated against in the labour market.

Several organisational aspects of the labour market have an influence on work intensity. Flexible working arrangements may increase work intensity; and if they promote **employee-friendly flexibility**, they may also address **labour market segmentation**. At the end of 2015, a new form of employment was introduced in the hotel and catering sector: the **flexi-job**. The system of flexi-jobs was designed to combat the large amount of undeclared work in this sector. Under this new employment status, occasional workers in the hotel and catering industry can earn a 'gross' net wage. The employer still has to pay social security contributions, but only 25% instead of 32%. However, only people who already work legally for 80% of their time are allowed to do a flexi-job. As a result, the most disadvantaged households with a low work intensity are often not reached by this system, and it may limit the job chances of the low-skilled unemployed and reduce the chances of increased work intensity among those who work less than 80%. The new law on 'workable and flexible work' of 5 March 2017 (Belgisch Staatsblad/Moniteur Belge, 15-03-2017) has extended the system of flexi-jobs to other sectors, such as the retail sector.

This new law has also created a regulatory framework for **flexible work schedules** and **occasional telework**. However, before the implementation of this legal framework, telework and flexible working hours were already allowed in several organisations and companies, and the popularity of these arrangements – among other factors – gave rise to the introduction of this new framework. Increased access to flexible working arrangements will enable people with care responsibilities to increase their labour market participation, which may have a positive impact on the work intensity of households with dependent children. However, it is too early to evaluate the impact of this law on work intensity and in-work poverty. Moreover, the positive effects should not be overestimated, as these flexible arrangements particularly benefit the more highly educated (Macharis et al., 2011), who have a lower risk of in-work poverty.

In the Belgian labour market, social dialogue and powerful labour unions have resulted in **strong labour market arrangements**, on working time in particular. For example, it is illegal to offer jobs at less than 1/3 of a full-time rate. Moreover, in the domestic services sector, small jobs are pooled through a system of intermediate service employers. Service vouchers enable people to work for different clients, particularly in domestic services, while being paid by a single employer (Nicaise, 2011). Employees are also well protected against dismissal by relatively strong employment protection legislation (for regular contracts and temporary contracts) in comparison with other EU countries (OECD, 2013). However, this may also strengthen the insider-outsider problem, and make it difficult for outsiders to get a job (Neefs and Herremans, 2015). With the implementation of the new law on 'workable and flexible work', several concerns were raised by the labour unions, because the law also includes some forms of less employee-friendly flexibilisation, such as the extension of night work (this will be discussed in section 3). These forms of flexibilisation can worsen working conditions and lead to labour market segmentation.

Investments in human capital are also crucial to address labour market segregation and to promote labour market mobility. There are several training incentives in Belgium to stimulate life-long learning (Vanweddigen, 2008; 2017). Three types of training incentives can be distinguished: paid educational leave, time credit leave with training as a specific reason, and training vouchers. The organisation of these training schemes was transferred to the regions under the sixth state reform (2014). **Paid educational leave** is a right granted to employees in the private sector to be absent from work in order to participate in a recognised (re)training programme, while retaining their wage. The employer cannot refuse this right but they must agree with the planning of the leave and after the training the employer can ask for the repayment of the course fees. **Training vouchers** ('opleiding cheques') are a kind of financial support granted by the regions to

follow a course of training. By using these vouchers, the registration fee for the training and the costs of course material are reduced. An employee can also use a **thematic time credit leave with training as reason**, and in that case the employee is considered as a part-time worker and will receive a reduced wage. This can be used when educational leave is too short for the course duration. These training incentives improve skills and qualifications, and can therefore also be an important way of increasing access by the low-skilled to decently paid jobs, thus helping to reduce labour market segmentation. However, these life-long learning opportunities fail to reach the most disadvantaged, and are in particular popular among the highly educated, the full-time employed and people with a partner (Vanweddigen, 2008; 2017). Moreover, despite these life-long learning initiatives, the Belgian education system still focuses mainly on education before labour market entrance. Only 7% of the Belgian population aged 25-64 participated in a training or educational programme in 2016, which was below the EU average of 10.8% (Federal Planning Bureau, 2016; Vanweddigen, 2017).

2.2 Policies (more) indirectly influencing IWP

In Belgium, the labour market and the welfare state are still to some extent geared towards the breadwinner model (Marx and Verbist, 2008). Job security protection remains elaborate, derived social security rights remain substantial and the tax system supports the sole-breadwinner model to some extent. At the same time, Belgium has seen a strong development of **childcare facilities** and a fairly generous system of means-tested **child allowances** covering a considerable part of the cost of raising children. Access to and the affordability of high-quality childcare services facilitate parents' participation in work, especially the second earner, and thus support the work intensity of households (Schokkaert and Nicaise, 2010; Nicaise, 2011). However, there are also some shortages regarding formal childcare provision in Belgium (Nicaise, 2011). In response to these gaps, the federated entities have placed a strong focus on this area. With the new Flemish Parliament Act on the Organisation of Childcare for Babies and Toddlers (implemented 1 April 2014), the Flemish government continues to strive to gradually provide adequate, good-quality childcare that is accessible to everyone (Flemish government, 2012). The new Act encourages private childcare facilities to participate in the system of means-tested fees. In concrete terms, this implies that private providers switching from (semi-) commercial to means-tested fees are now granted subsidies. In most cases, this has led to lower price levels. The expansion of the use of means-tested fees is particularly important for disadvantaged families given that those families can only afford formal childcare with means-tested fees (Vande Gaer et al., 2013). And for childcare to be an effective tool in the fight against in-work poverty, it is important that it reaches the target group, namely households (in particular single parents) with dependent children who have a low work intensity and less stable jobs associated with lower earnings (van Lancker and Horemans, 2017). In addition, in November 2017, the federal government decided to increase the tax deduction for single-parent families with a taxable income of less than €18,000/year. Parents can get a maximum tax reduction of €11.20 per childcare day. This deduction reduces the costs of creches and after-school childcare (De Rouck, 27.10.2017). Meanwhile, there is a problem of non-take-up of these social rights, in particular among the most vulnerable groups. The non-use of rights diminishes the impact of policy measures and may indeed impoverish the most vulnerable families (Famifed, 2017).

Flexible working-time arrangements or **other measures that make it easier for people to combine work with other care duties** may indirectly have an impact on in-work poverty in households with a person who needs care. The law on 'workable and flexible work' may further encourage part-time work and limit its link to labour market segregation, by protecting the rights and working conditions of part-time workers and simplifying and modernising the formalities in order to reduce the administrative burden on employers (Group S, Human Resources Management Solutions, 10-01-2017). The law on 'workable and flexible work' also includes regulations to further encourage care leave through time credit leave (Group S, Human Resources Management Solutions, 10-01-2017).

In Belgium there is – in addition to a wide scope of formal services for children (see above), elderly and dependent persons (Pacolet and De Wispelaere, 2018) – a well developed system of care leave (De Wispelaere and Pacolet, 2016). Through a **time credit leave** with a specific reason, workers can take a full-time or part-time career break or a one-fifth working time reduction for a specific reason, inter alia to provide palliative care, to support seriously ill relatives or to provide care to a disabled child. Self-employed persons can also receive a benefit if their child is seriously ill or if their child or partner is in need of palliative care, and are entitled to receive this allowance for a maximum period of 12 months during their entire career¹⁰. Since February 2017 palliative leave has been extended from two to three months and the maximum duration of time credit has also been extended from 36 or 48 months to 51 months. In particular, part-time career breaks in the context of leave for medical assistance are very popular, especially among women, while the self-employed make less use of this arrangement (De Wispelaere and Pacolet, 2016). It results in a temporary reduction of working hours rather than full-time leave, with a return to the job after the period of care leave. Moreover, the risk of poverty is (partly) reduced by combining part-time employment with part-time care leave, given that the level of payment¹¹ for persons with a dependent relative is mostly less than the poverty threshold (De Wispelaere and Pacolet, 2016).

In addition, the **service voucher scheme** has become a very popular initiative, not only for creating new jobs (see 2.1) but also for combining work and other duties (De Wispelaere and Pacolet, 2016), which may result in higher work-intensity levels among households. However, Marx and Vandelannootte (2014) concluded that “there is little evidence that the scheme has significantly boosted participation rates or working hours” and that “the service voucher will be used more in middle to high level income households”. Otherwise, a recent evaluation of the system (Goffin et al., 2018) has revealed that the system is more used by low-income households (31% of the users) than by high-income households (23%).

In Belgium a range of measures can be mentioned which indirectly **improve the living standards of low-income earners**. The Belgian **healthcare** system includes several mechanisms, such as the increased reimbursement statute, the maximum billing system, the third-payer measure and the chronic illness status, designed to improve financial accessibility with special attention to more vulnerable groups (Buffel and Nicaise, 2018). Another way of helping to increase the spending power of low-paid workers is assistance with **transport costs**. In Belgium, the legislation ensures that if the distance between the employee’s home and the workplace is more than five kilometres, employers reimburse transport costs (Ahrendt et al., 2017). The **housing policy** in Belgium aims to stimulate home ownership on a large scale through fiscal benefits and subsidies for housing acquisition. These are, at least partly, responsible for the continued increase of house prices, and benefit in particular high-income households, while most problems with housing quality and housing affordability are found in the lower income range (Winters, 2013). The subsidies should be better targeted to increase the effectiveness of policy instruments. For 50% of the workers at risk of poverty and 68% of those experiencing material deprivation, housing costs are a heavy financial burden, which is similar to the EU average. For the total employed population this was 30% in 2017, which was lower than the EU average of 37%. The working and non-working poor receive similar housing allowances¹² as they are based on income, while working people in material deprivation receive lower allowances compared with the non-working people in deprivation (Ahrendt et al., 2017). In addition, the shortage of social housing facilities remains an important problem in Belgium (Schepers et al., 2018b). **Energy costs** also make up a significant cost for households in Belgium.

¹⁰ The monthly payment amounts to €1,092 in the case of a complete suspension of self-employment activities and to €546 in case of a partial suspension.

¹¹ The payment level (a lump sum) depends on seniority and whether the employee is living together or alone. The monthly net payment amounts to €535.20 (more than 5 years of seniority) or €458.74 (fewer than 5 years of seniority) in the case of a complete suspension. Since June 2017 the payment level for single employees with children has been increased by 38% (RVA.be, 30-06-2017).

¹² Housing allowances refer to means-tested interventions by public authorities to help households meet the cost of housing. These include rent benefits and benefits for owner-occupiers, but exclude social housing policy through tax benefits and capital transfers. Gross amounts are shown for the income reference period (12 months).

At the federal level, the temporary reduction in value-added-tax on electricity from 21% to 6% was revoked in 2015. This has led to a sharp increase in the costs of electricity, and the costs continue to rise (Febeliec, 30-01-2017; CREG, 2017). However, for several categories of disadvantaged groups¹³, there is a reduced tariff, 'the social gas tariff', and the criteria for integration within this tariff were recently broadened (Belga, 24-10-2017). Nevertheless, relatively high non-take-up rates may weaken the effectiveness of these measures in improving the living standards of low-income families (Buffel and Nicaise, 2018). Therefore, in recent years, a more proactive approach has been implemented, with beneficiaries identified and invited to apply for these benefits, and automation of the application process.

3 Policy debates, proposals and reforms on in-work poverty and recommendations

The **policy discourse** in Belgium currently **focuses on job growth**, labour market activation and reintegration, as well as 'making work pay'. Questions of poverty and social exclusion are still rather framed as a problem of labour market integration, and employment is seen as the best route out of poverty (Schokkaert and Nicaise, 2010; Van Gyes, 2010). The low and stable in-work poverty rate supports the idea that having and keeping a job in Belgium is for the majority of the population a good way to reduce the risk of poverty. Perhaps partly because of this low in-work poverty rate in Belgium, there are only a **few specific policies** implemented to deal with in-work poverty. For the working poor, the same policies mostly apply as for the poor in general. Moreover, **the basic 'social' rights have been defended strongly by the trade unions** (Van Gyes, 2010): in particular, minimum wages, collective wage bargaining, a compressed wage structure, opposition to extreme job flexibility, and increases in social benefits. These social basics and a good institutional framework may also help to prevent an increase of in-work poverty in Belgium.

In-work poverty has not attracted much attention in Belgium, at either academic or political level (Frazer and Marlier, 2010). However, since the economic crisis, the working poor have become a growing topic for debate and scientific research (e.g. Marx, 2017; Marx and Verbist, 2008; Marx et al., 2009; 2011; Peña-Casas, 2009; Schokkaert and Nicaise, 2010; Van Gyes, 2010; Wets, 2010) and this policy and scientific attention continues. At the end of 2015 a large federal **research project on in-work poverty, 'IPSWICH'** (Work Poverty and Shifts in Work, Income, and the Composition of Household)¹⁴, was launched. It is argued that an insight into the way work protects against poverty is needed to maintain the low in-work poverty levels without increasing poverty in general, in particular in a context of continued stress on working conditions. Increasing the employment rate and work intensity as the key strategy to lift people out of poverty, for example, should not come at the expense of good working conditions, because precarious work is also a risk factor for poverty. This project links the issue of poverty in the labour market with labour market participation and the transitions of workers in the labour market.

On the one hand, the **discourse of 'jobs, jobs, jobs'** (encouraging the creation of new jobs and providing a job for everybody) dominates the public and political debate. In order to increase the employment rate, **flexibilisation** – and in particular, types of flexibilisation that benefit the employers – is considered as the golden way to create new jobs. Several examples can be found in **the new law on 'workable and flexible work'** (Belgisch Staatsblad/Moniteur Belge, 15-03-2017): the extension of the flexi-jobs system, the admission of night work in all logistic and support services relating to e-commerce, and the annualisation of the 'small flexibility system'. The system of small flexibility offers the possibility to adjust working hours on a daily or weekly basis. Through the new law this

¹³ There are four categories of beneficiaries: 1) persons entitled to allowances from the public centres for social welfare (OCMW); 2) persons entitled to allowances of the Federal Public Social Security Service, Directorate General for Disabled Persons; 3) persons entitled to allowances of the Federal Pensions Service; and 4) tenants of a social apartment.

¹⁴ <https://workingpoorbelgium.wordpress.com/about/>

period will become a year (Group S, Human Resources Management Solutions, 10-01-2017). This means that the maximum amount of hours an employee should work per week is calculated on an average yearly basis. That yearly average would remain 38 hours. Nevertheless, certain daily and weekly thresholds should be respected as well. The employee can never be deployed for more than nine hours per day or 45 hours per week. In addition, to reduce financial disincentives to work, action has been taken to make work pay by reducing the personal income tax on earnings from work as of 1 January 2016, with the result that workers' net income will rise. For wages below €1,500 gross per month, net income will rise by up to €140 per month in 2019 (Ahrendt et al., 2017). In the debates, employers emphasise the need for more flexibility and fewer automatic adjustments (wage indexation, seniority pay) in order to reduce unemployment and benefits expenditure, but they also recognise the importance of fair pay and collective bargaining agreements (Vandekerckhove et al., 2018).

On the other hand, concerns have been raised about the new law on 'workable and flexible work' among several social partners, researchers, trade unions, and stakeholder groups, such as the network against poverty (Van Praet, 2018; Nicaise, 2017). They have highlighted the fact that although the number of jobs has increased, the poverty numbers are not decreasing. They argue that a double mistake has been made through the policy of flexibilisation and 'make work pay'. First, a positive employment effect has not been proven, in either the short or long term. Most new jobs or flexible arrangements (such as flexi-jobs and untaxed moonlighting) are filled by non-poor households with a relatively high work intensity. The share of households with very low work intensity barely changed over the period between 2005 (15.1%) and 2016 (14.6%), and increased slightly after 2012); and the rise in employment has been fully absorbed by people in households where other members were already working (Nicaise, 2017). Second, a shift from jobless poverty to in-work poverty may occur, as the profile of the newly created jobs indicates a lower average quality than pre-existing jobs. In 2016, for example, 40% of the new jobs were part time, 52% temporary, and 47% paid at wages in the lowest wage quintile. There has also been an increase in self-employment within the youngest age group and non-EU migrants (Eurostat, 2017t). Many of these new jobs are of insufficient quality to lift workers out of poverty (Nicaise, 2017). In sum, there seems to be a policy **trade-off between in-work poverty and jobless poverty** (Collado, 2018). Even if having a job provides protection against poverty, increasing the employment rate may not suffice to reduce poverty (Marx et al., 2012; Vandekerckhove et al., 2018).

Some reforms to the social benefit system, which were under negotiation when the federal government resigned, can be considered as an indirect threat to the relatively low in-work poverty risk. The so-called '**Work Deal**' includes **changes to the unemployment benefit system** (Schepers et al., 2018b). In the future, benefits would be raised during the first six months of unemployment, and decrease more steeply after that period. By this reform, the government aimed to strengthen incentives to take up work more quickly. However, the effectiveness of this measure has been challenged and it may have an impact on out-of-work as well as in-work poverty. Generous social protection during the interval between jobs (because of unemployment) are important to prevent in-work poverty in households with one or more unemployed members. In contrast, as the unemployment benefits will be higher in the first six months, this may reduce the in-work poverty rate among individuals, due to the strict definition of in-work poverty, which defines 'in-work' as being in paid labour for more than six months a year. Therefore, a higher unemployment benefit in the first six months may have a protective effect on in-work poverty among individual workers with a short period of unemployment (less than six months and being considered as 'in-work'). However, this would come at the expense of lower benefits after six months of unemployment (with benefit levels far below the poverty threshold). Moreover, although social transfers for the total population are quite effective in Belgium in reducing the at-risk-of-poverty rate in comparison with the EU average, the effectiveness shows a decreasing trend in particular among the population of active age (FPS Social Security, 2018; Schepers et al., 2018).

Other recent and planned policy reforms may indirectly have a positive impact on the in-work poverty risk or may at least prevent an increase in the in-work poverty rate in Belgium. Regarding **anti-discrimination actions**, the Federal Labour Minister Kris Peeters launched his plan to use mystery calls to help tackle discrimination in the job market. This was agreed by the government in January 2018 (De Roy, 11-01-2018). Mystery calls can be carried out by the labour inspectorate in firms that are being suspected of discrimination in recruiting workers. The inspectorate first submits a profile of a person belonging to a discriminated group. When told the vacancy has already been filled, another profile is submitted to check if a different response is given.

Additional initiatives have been taken by the federal and regional governments to improve **access to the labour market for specific subgroups** whose performance in the labour market remains problematic in Belgium (Schepers et al., 2018b). These initiatives include a tax-free bonus of €1,000 that employers can give to newly recruited employees (FED); tax breaks to employers who employ unskilled youth, people aged 55 and over and people with disabilities (FL); financial incentives to any jobseeker who successfully completes training for occupations with hard-to-fill vacancies (WAL); and initiatives to combat employment discrimination (BXL) (Schepers et al., 2018a).

In May 2016, the Flemish government reached an agreement on a flat rate for the basic **child allowance**. Starting 2019, all new-born children in Flanders will receive a birth premium of €1,100 and a monthly child allowance of €160. Children growing up in families with an income of less than €30,000 before tax will receive social supplements. Parents sending their child to the first and second year of kindergarten on a regular basis will receive a one-off additional payment of €150. In *Wallonia*, it has been decided that all new-born children will receive a birth premium of €1,100 and a monthly child allowance of €155 for children until 17 years and €165 for children between 18 and 24 years starting from 2019 (Belga, 09.02.2017). The *Brussels* government has agreed that, from 2020, the basic amount for each Brussels child will be between €140 and €170, topped up with social supplements (according to family income and situation) (Segers, 28-03-2018).

Generous universal child allowances with supplements targeted at households with low incomes, in combination with well developed childcare provisions and temporary care leave systems, are important tools to combat in-work poverty.

In sum, a **holistic approach** to in-work poverty is recommended, including support for labour market participation and those with domestic caring responsibilities (Schokkaert and Nicaise, 2010). As having sustainable work in Belgium is a good protection against poverty, it is also very important to facilitate access to work for vulnerable groups and to increase work intensity among households that have to combine work and caring responsibilities; moreover, based on the results of the IPSWICH project, it was concluded that because poverty in Belgium is mostly concentrated amongst those out of work, and minimum wages as well as labour market activation policies do not have a large effect on this group, the debate on poverty should focus more on social protection than on the labour market (Vandekerckhove et al., 2018).

4 Assessing data and indicators

In-work poverty rates for Belgium since 2003 are available from Eurostat. Besides these data, however, practically no additional indicators to monitor elements specifically related to in-work-poverty have been developed (Schokkaert and Nicaise, 2010). The statistics on in-work poverty and related indicators at Eurostat are derived from the EU-SILC and Labour Force Survey. Although both are high-quality surveys, the information is self-reported and thus exposed to reporting bias, in particular when sensitive information about incomes is asked for. Therefore, combining survey data with **administrative data** could be a good alternative, as Belgium has a unique collection of administrative data (e.g. the Crossroads Bank for Social Security). This operation is currently being piloted by STATBEL.

The available statistics on in-work poverty have several limitations, simply because thresholds for either low-wage work or in-work poverty hide larger distributional changes, such as job polarisation, growing inequality, or extreme poverty (Vandekerckhove, Van Gyes, and Goos, 2018). In particular in times of high unemployment and precarious and flexible employment, a threshold of working more than six months may exclude a substantial group of workers with an unstable work history and households with a very low work intensity. In Belgium the percentage of households with a very low work intensity is higher than the EU average and they are confronted with a very high and increasing poverty risk (Schepers et al., 2018). This broader view creates a less positive picture of the comparatively low in-work poverty in Belgium. As a result, we recommend that future research on in-work poverty also should consider other definitions of 'in-work' than a minimum duration of paid labour of six months a year (for instance more than three months a year) and should also cover the group of households with a very low work intensity. Research on in-work poverty cannot ignore poverty outside the strict definition of being 'in work', especially because the two forms are often interrelated. It is also important that policymakers are made aware of that (Vandekerckhove et al., 2018).

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Appendix

Annex 1

Figure A1: Trends in in-work poverty among the employed, employees and self-employed, percentages, 2012-2017, Belgium

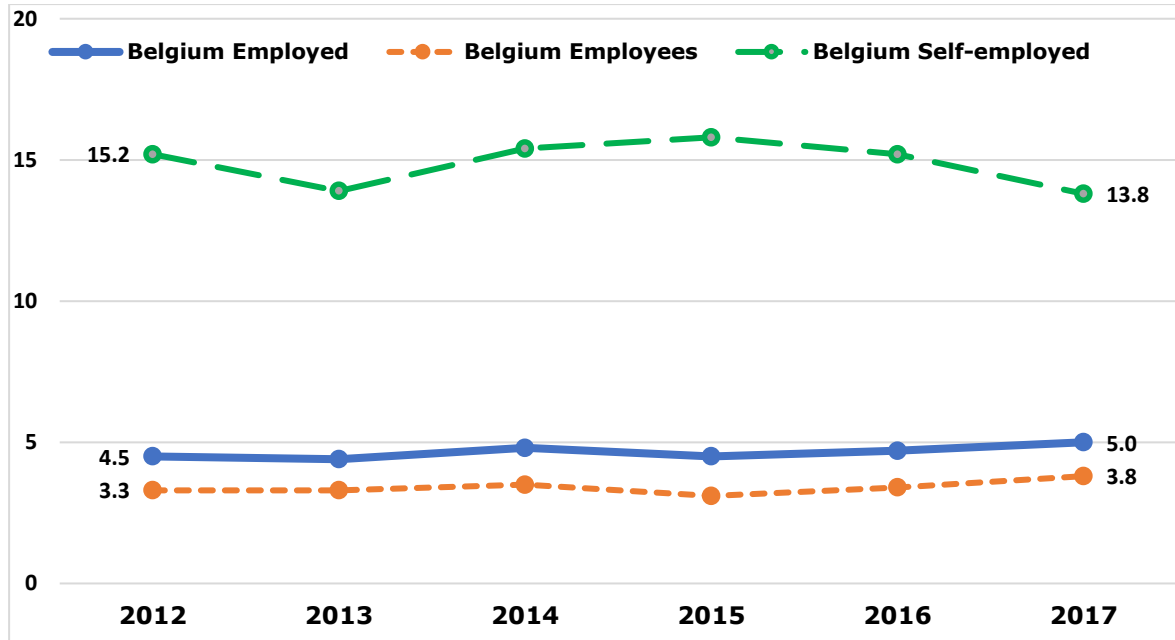
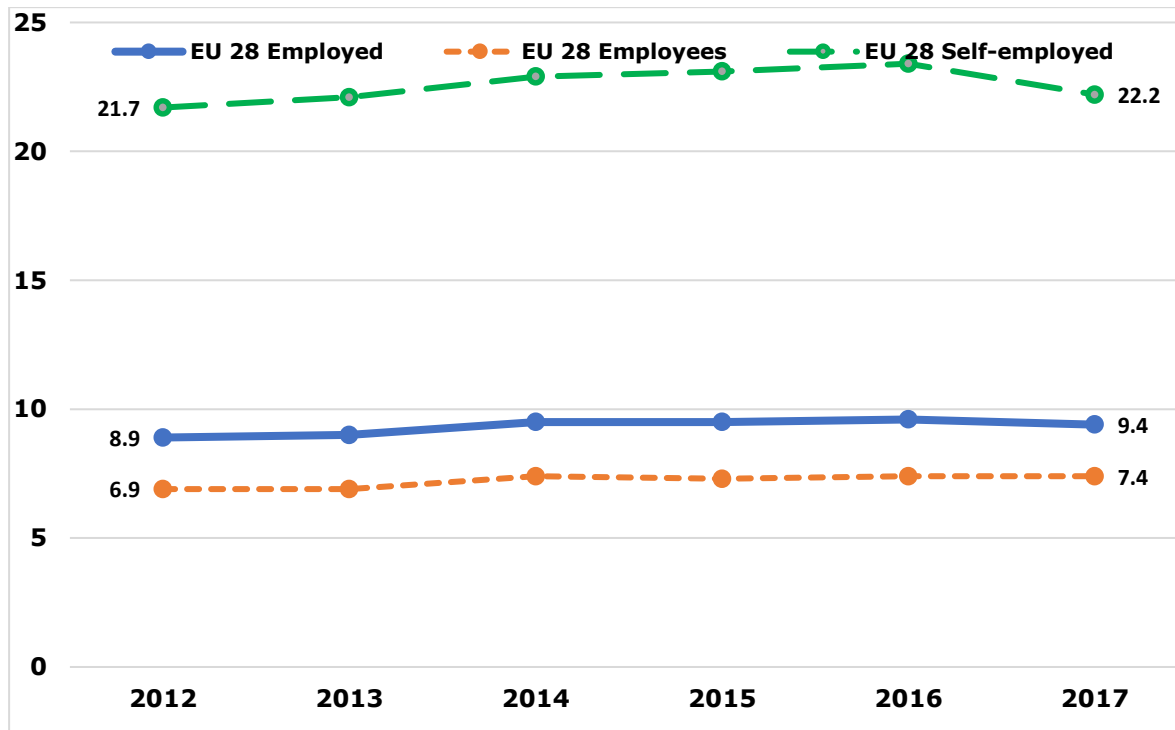


Figure A2: Trends in in-work poverty among the employed, employees and self-employed, percentages, 2012-2017, European Union



Source: Eurostat, EU-SILC, 2012-2017 (Eurostat, 2017a)

