

Belgium: Civil society campaign for floor in social protection

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The Belgian Minimum Income Network (BMIN) campaigned for a rise in minimum benefits in all social security branches. Despite commitments from the last two governments to raise all minima to the EU at-risk-of-poverty threshold, no substantial progress has yet been made. The Federal Planning Bureau has now estimated the budget cost at €1.4 billion per year. With this report to hand, the BMIN has challenged all political parties to take a position during the federal elections. The results are hopeful.

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Description

According to the 2018 wave of EU-SILC (EU Statistics on Income and Living Conditions), 16.4% of the Belgian population are “at-risk-of-poverty” (AROP), according to the EU agreed definition of relative poverty (EU-28 average for 2017 [most recent year available at EU level]: 16.9%). This is the highest income poverty rate ever measured with EU-SILC in Belgium. The risk is about 10 times higher among unemployed adults (49.2%) and about 7 times higher (36.1%) among other inactive (non-retired) adults than among working adults (5.2%). Even if the impact of social transfers on the reduction of AROP is quite significant (41% in Belgium versus 33% in the EU-28 [Social Protection Committee, 2019], this suggests that the level of social security benefits is inadequate to lift non-working people above the AROP threshold.

Both the previous and the (still) current federal governments (Di Rupo and Michel governments, respectively) had set an increase of minimum benefits, to the European AROP income threshold, as a priority in their governmental declaration. Moreover, in the context of the Europe 2020 Strategy launched in 2010, Belgium had adopted the target of reducing poverty by 380 000 individuals; instead, after a further increase by 146 000 units during the crisis, the gap to be closed in 2018 was still 56 000 higher than that in 2010. In fact, despite its commitments, the Belgian governments kept benefits low while selectively boosting the purchasing power of those in work. Only in 2017-2018, were more

substantial efforts made to raise the lowest social benefits (Decoster, Vanheukelom and Verbist, 2019).

This is why the Belgian Minimum Income Network (BMIN), a coalition of anti-poverty associations, health insurance organisations, trade unions and academics, campaigned for a renewal of the commitment relating to the minimum benefits during the run-up to the federal elections in the Spring of 2019. The BMIN launched a manifesto and invited all democratic political parties to take a clear position in relation to three key demands:

1. raise the minimum benefits in all social security branches (pensions, work incapacity, unemployment and social assistance) stepwise to the AROP threshold within the next five years, based on legal provisions and with an explicit budgetary pathway;
2. cancel recent austerity measures that excluded some categories of beneficiaries or reduced their benefits further below the AROP threshold; and
3. reform the status of “cohabitant” in social insurance, which penalises family formation and cohabitation financially.

A public debate was organised on 28 March 2019 with representatives of 11 political parties. All parties agreed to the first demand, with a few nuances expressed by some of them (using AROP threshold versus a more qualitative approach called “reference budgets”;

deducting or not means-tested in-kind services; linking increases in benefits to minimum wages). There is, however, less of a consensus about the timeline and budgetary commitments, with several parties refusing to guarantee full implementation within the next five-year government period.

As regards the second demand, a clear left-right divide emerged from the debate. Left-wing parties and greens agreed to reverse the recent restrictions, but met with opposition from the liberal and Flemish-nationalist parties that introduced them. The Christian-democrats took intermediate positions on this point.

A similar divide was observed concerning the demand to reform the cohabitant status in social protection. Centre- and right-wing parties fear that the individualisation of benefits might boost costs and generate new unemployment traps. Nevertheless, most politicians understand the argument that reduced benefit levels for cohabiting recipients should not undermine solidarity within families or towards homeless friends. They agree that the issue should be examined further.

In the meantime, upon request from Vice-Prime Minister Peeters, the Federal Planning Bureau (De Vil et al., 2018) estimated the gross budget cost of the first demand at €2 billion by 2023. Part of this extra cost would be recovered through indirect taxes on consumption; in addition, the boost to consumption would create 3000 jobs, and both indirect effects would yield a fiscal return, bringing the net cost of the operation down to 1.4 billion in the medium term.

Outlook and commentary

To begin with, the professional and timely advocacy work by BMIN (co-ordinated with the European EMIN

project) can be expected to have an impact on the social agenda of the future federal government (which will emerge from the Spring 2019 federal elections), depending on the composition of the latter. There is clearly a greater consensus on the first demand regarding higher minima, and moreover the study of the Federal Planning Bureau sounds reassuring in that the cost of the operation does not seem excessive given the importance of the objective. It compares, for example, with a net cost of €4.8 billion for the tax shift operated by the Michel Government.

Critics argue that the budget simulations carried out by the Planning Bureau may underestimate the overall cost, as the benefit increases were based on single-person households and then simply extrapolated to other categories of beneficiaries. A more correct estimation should consider that the latter need higher increases in order to catch up with the AROP threshold. On the other hand, the finding that increased social benefits boost employment rather than discourage work is interesting: it shows that positive demand-side effects can attenuate the cost of more generous social protection. In this sense, the simulation model of the Federal Planning Bureau is more consistent with the "social investment" view than with the "making work pay" approach which often dominates the policy debate on social protection.

As regards the two other demands put forward by BMIN, further research and advocacy will be needed to facilitate a political consensus. The Planning Bureau's dynamic micro-simulation model (MIDAS) should be able to capture cohabitation decisions as a consequence of the reduced benefit gap between single-adult and two-adult households.

Further reading

BMIN (2019), *De laagste inkomens omhoog. Voor een leven in waardigheid. Gemeenschappelijk memorandum federale verkiezingen 2019* [Lowest incomes up. Towards a life in dignity. Joint memorandum for the federal elections 2019], Brussels (retrieved from <http://www.bapn.be/documents/BMIN-Memorandum-NL.pdf>).

Decoster, A., Vanheukelom T., Verbist G. (2019), *Financiële werkpraktijken en herverdeling onder Michel I* [Financial work incentives and redistribution under Michel I], Leuvense Economische Standpunten, 2018/172, 8p.

De Vil, G., Fasquelle, N., Van Camp, G., Vanhorebeek, F. (2018), *Impact macrobudgétaire d'un relèvement des allocations sociales minimales. Etude réalisée à la demande du Vice-Premier ministre et ministre de l'Emploi, de l'Economie et des Consommateurs* [Macro-budgetary impact of increased social minimum benefits. Study commissioned by the Vice-Prime Minister and Minister of Employment, Economy and Consumers], Bruxelles: Bureau Fédéral du Plan, 16p. (retrieved from <https://www.plan.be/publication/publication-1838-fr-impact+macrobudgétaire+d+un+relèvement+des+allocations+sociales+minimales>)

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