

# New Belgian government adopts multi-annual plan to lift social minima towards the income poverty threshold

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*In November 2020, the Belgian government adopted a plan to gradually increase minimum social security and social assistance benefits towards the so-called "at-risk-of-poverty" threshold. The focus is on minimum pensions, most of which will exceed this threshold in 2024. Other social minima however will remain far from the threshold.*



## Description

In November 2020, the new Belgian Government adopted a multi-annual plan to lift social minima towards the at-risk-of-poverty (AROP) threshold implementing the commitment made in the new coalition agreement, as part of a more comprehensive plan to fight poverty. (In line with the European Union definition, this income poverty threshold is set at 60% of the median equivalised income in the country.) In his policy declaration, the Minister for Social Affairs promised to raise social security as well as social assistance benefits in the direction of the AROP threshold, in a phased approach within the budgetary limits.

The political agreement consists of significant increases in social minima, some of which will exceed the AROP threshold for the first time in 2024. The increases are scheduled to take place over a 4-year trajectory, on 1 January of each year, starting in 2021. For pensioners, all (gross) social minima in the contributory pension system (after a career of 45 years) and the income guarantee for the elderly for single persons will reach levels above the AROP by 2024. The increases in pensions in the multi-annual plan reflect the intention to raise net pensions to at least €1,500 for a single person and to ensure convergence in the social statuses, including the levels of pension benefits for employees, the self-employed and civil servants. In the overall social package of around 2.6 billion, gradual improvement of pensions will cost approximately € 2 billion over 4 years; 815,000 employees, self-employed and civil servants, as well as 106,000 people

on the income guarantee for the elderly, will see their benefits improve significantly.

However, notwithstanding the phased increases of 10.75% for social assistance benefits and sickness benefits, and of 4.5% for unemployment benefits, all other social assistance benefits (minimum income benefits, integration benefits for persons with disabilities and income guarantee for elderly couples) and the minimum benefits from unemployment and sickness schemes will remain well below the AROP threshold, even after 2024.

On top of these phased increases in social minima, certain social minima will also increase through the automatic indexation mechanism in place in the country and through the allocation of the so-called "welfare envelope". The latter is a structural mechanism that was established by law back in 2005 with the objective of increasing the level of benefits above the index and thus progressively lifting beneficiaries above the AROP threshold. The joint National Labour Council (CNT/ NAR) and Central Economic Council (CCE/CRB) committee of social partners gives its opinion to the federal government on the allocation of this "envelope", which is calculated every two years by the Federal Planning Bureau. The law foresees a minimum yearly increase of 1% for social minima and flat-rate benefits, a yearly increase of at least 0.5% for the other social benefits and a 1.25% increase in the cap on the wages taken into account to calculate benefit levels. Pending the recommendation by the social partners in the joint committee, the trade unions, supported by anti-poverty organisations, urged the government to

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focus on benefits furthest below the AROP threshold, especially unemployment benefits for households where both partners are unemployed and for single parents. Since the welfare envelope is not sufficient to close the gap with the AROP threshold, trade unions also asked the government to top these up with ambitious measures from the federal budget. They also insisted on keeping a “positive hierarchy” between benefits and earnings from work, i.e. on ensuring that social security benefits (especially unemployment benefits) and minimum wages are higher than social assistance benefits.

## Outlook and commentary

The policy declaration of the Social Affairs Minister refers to a study by the Federal Public Service for Social Security (FPSS), at the request of the Court of Auditors, that calculates the budgetary impact of several pending legislative proposals to lift all social minimum benefits above the AROP threshold. The FPSS has limited its research to the cost of lifting social assistance benefits above the threshold, arguing that people who receive social security benefits below the new social assistance levels will be eligible for complementary social assistance benefits to top up their income. The simulations apply three different hypotheses: 1) calculations based on the existing categories of beneficiaries; 2) calculations taking account of household size; 3) hypothesis 2 minus regional child benefits, to avoid household size being taken into account twice. For each hypothesis, calculations are made both with and without an increase in the number of beneficiaries, to take account of new applications by people living on other benefits below the AROP threshold. The

study states that since 2012, levels of social minima have only remained on a par with the AROP threshold, with no real progress regarding the number of people living at risk of poverty or in reducing the depth of poverty. The simulations show that lifting social assistance benefits above the AROP, ceteris paribus, would cost between €717 million (21.2% of the expenses concerned) and €1,377.3 million (40.7%). Taking account of household size, the cost would increase to between €812.5 million (24%) and €1,551.4 million (45.8%); when child benefits are subtracted it would cost between €468.4 million (13.8%) and €1,137 million (33.6%). Hypotheses 2 and 3 would require the use of the same EU equivalence scale as that used for computing the AROP threshold (to take into account the size of the household and the age of its members); this would lead to a significant increase in the administrative burden since all administrations would have to register the household composition of beneficiaries at all times. An extra complexity in hypothesis 3 comes from the fact that child benefits in Belgium are a competence of the federated regional entities, which would render a national definition of the benefit level at AROP level extremely complicated.

The study suggests that the procedure of systematic upgrading of social minima above the AROP threshold should be anchored in a law, and that this should be implemented when the welfare envelope is allocated.

Although, overall, the social package was welcomed as a significant improvement in minimum benefits, critical comments were formulated on the allocation of the budget. The priority given to increases in pensions generates a Matthew effect, since pensions already have the highest minima. A 10.75%

increase in social assistance benefits, compared with only 4.5% for social minima in the unemployment system, means that social assistance levels exceed the level of minimum unemployment benefits (for heads of family and for young unemployed), which could create disincentives for people to take up (often precarious, i.e. low paid and insecure) work. By giving the same percentage increases to beneficiaries, irrespective of their status, the allocation also fails to take into account higher levels of need among heads of family or single parents than cohabitants, where the household has other income sources.

### Further reading

Chamber of Representatives, [Policy Declaration by the Minister for Social Affairs](#) (in Dutch and French), DOC 55 1610/003, 02.11.2020.

Chamber of Representatives, [Budgetary impact of legislative proposals to lift social benefits above the poverty threshold](#) (in Dutch and French), Opinion of the Court of Auditors, DOC 55 0624/002, 26.11.2020.

Decenniumdoelen, [Letter to the Prime Minister, Raising the social minima up to the poverty threshold](#) (in Dutch), 17.11.2020.

Press release ABVV, ACLVB and ACV, [Adaptations to prosperity and improvement of social benefits](#) (in Dutch), 16.09.2020.

Serroyen, C., *Increased social minima, but a number of people are still under the poverty threshold* (in Dutch) in Vakbeweging 933, 25 November 2020 (not yet on line at the moment of finalising this text).

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