

# Reform of the statutory pension scheme in Belgium

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## Description

*The Belgian statutory pension scheme is confronted with the economic and social consequences of an ageing population. To ensure its adequacy and financial sustainability, the government has recently adopted new reform measures.*

In the past decade, various governments have aimed to reform the Belgian statutory pension system. However, apart from raising the retirement age from 65 to 66 in 2025, and 67 in 2030, no major changes have been made. In the autumn of 2020, a new government was formed that decided to address the pressing and growing need for reform.

This new government has made a number of changes to improve the statutory pension scheme. For “career years” from 2021 onwards, pensions for the self-employed are calculated in the same way as for employees. “Career years” include the years when the person worked as well as certain years when the person did not work due to sickness, unemployment, etc. (these years when they did not work are known as “assimilated” years because they are assimilated to years worked and also generate pension build-up). Hence, from 2021, if a self-employed person and an employee have equal contributory periods and equal incomes, they will build up identical pension rights. Historically, pensions for the self-employed were lower than those for employees, to compensate for their lower contribution levels.

In addition, also starting from 2021, the minimum pension is gradually being increased to reach €1,500 net per month in 2024. A minimum pension is granted to retirees with low pension rights if certain conditions are met (e.g. at least 30 career years for employees and self-employed persons). The increased amount of €1,500 net applies to employees and self-employed persons with at least 45 career years. Pensioners with less career years will receive proportionally lower amounts.

Hence, for employees and the self-employed with at least 30 career years (but less than 45), the minimum pension will be  $X/45$  times €1,500, with  $X$  being equal to the number of career years.

In July 2022, after almost one year of negotiations, the government agreed on three further reform measures (Lalieux, 2022 and VRT NWS, 2022b).

First, the pension bonus will be reintroduced in 2024 to encourage longer working lives. For every extra day worked after the age at which a person is allowed to take early retirement (in 2022, generally at the age of 63), a pension bonus will be awarded that will increase the person’s pension. A similar bonus already existed in Belgium but was abolished in 2015. The bonus (which might be around €2-3 per working day; VRT NWS, 2022b) can be accrued over a period of maximum 3 years. At this point, the exact amount of the pension bonus is yet to be determined by the government.

Second, a stricter access condition for the minimum pension scheme will be put in place in 2024 for future retirees who are 53 years or younger at that time. In addition to the current condition of 30 career years (i.e. years actually worked plus “assimilated” years, as explained above), employees and self-employed persons will also need to have at least 20 working years (only years actually worked, not assimilated years) to gain access to a minimum pension. Part-time workers will be eligible for the minimum pension scheme if they have worked for at least 20 years half-time.

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The third measure aims to reduce the negative impact of part-time work on the amount of the minimum pension. Its purpose is to improve minimum pensions for certain retirees (primarily women) who have worked less in order to care for children. No technical details are yet available on how this will be done.

Thus far, information on these measures is scarce because they have not yet been enshrined in Belgian law.

## Outlook and commentary

According to various pension policy analysts (e.g. De Standaard, 2022 & VRT NWS, 2022a), these reforms will not be sufficient to ensure adequacy and financial sustainability of the statutory pension scheme. Among other things, commentators highlight two important points. First, the pension bonus will mainly benefit white-collar workers who are able to work longer and already have high pensions. Second, the additional costs of increasing the minimum pension will not be offset by limiting access to the scheme, because the stricter access condition of 20 working years will only be implemented from 2024 onwards and will probably exclude very few future pensioners from the scheme.

To address the social and economic consequences of the ageing of the population, a structural pension reform is deemed necessary. Already in 2013, the government initiated a structural pension reform by setting up the Commission on Pension Reform 2020-2040 (hereafter CPR). The CPR, consisting of experts in the field of pension policy, was given the task of designing a robust pension system for the future that

is both adequate and financially sustainable.

In 2014, the CPR completed its task and recommended inter alia a radical shift towards a new statutory pension scheme that would be calculated on the basis of "points" (instead of gross wages). In this pension scheme, points are accumulated each career year on the basis of individual income; and at the time of retirement, the sum of pension points is multiplied by a pension-point value to convert them into pension payments. In a nutshell, the "points-based pension" would increase transparency, reduce complexity and could ensure that the pension income of retirees is proportional to the average income of the working population.

The reform measures that were adopted are not fully in line with the CPR's recommendations. The reintroduction of the pension bonus is inspired by the CPR's work, but the points-based pension is not included in the reform and the access condition of 20 working years goes against the CPR's proposal of a simplified minimum pension without access conditions.

The government itself has stated that these reform measures will be insufficient to meet the social and economic challenges that lie ahead, and should merely be considered as a starting point. Other measures are still on the table. The social partners are being consulted on a proposal to ease the access requirements for early retirement to a single career condition. Under current regulations, pensioners must meet both career and age conditions. Another proposal that is being examined by the social partners is the introduction of a part-time pension system for those who are eligible for early retirement. At this stage, it is unclear if and when further reforms will be announced.

## Further reading

Commissie Pensioenhervormingen 2020-2040 [Commission Pension Reform 2020-2040] (2014). [Voorstellen van de Commissie Pensioenhervorming 2020-2040 voor een structurele hervorming van de pensioenstelsels](#) [Commission proposals for a structural reform of the pension system]. FOD Sociale Zekerheid: Brussels.

De Standaard (2022). [De betaalbaarheid staat onder druk en dit akkoord doet daar niets aan](#) [Affordability is a challenge and this deal does nothing to address it].

Lalieux, K. (2022). [Pensioenen: akkoord over 3 maatregelen die werk ondersteunen en ongelijkheden verminderen](#) [Pensions: agreement on 3 measures to support work and reduce inequalities].

VRT NWS (2022a). [Maatregelen schieten doel voorbij, en wat met de betaalbaarheid?: experts bezorgd over pensioendeal](#) [Experts concerned about pension deal].

VRT NWS (2022b). [Pensioenbonus en 20 jaar werken voor minimumpensioen: dit staat er in de federale pensioendeal](#) [Pension bonus and 20 years of work for minimum pension: the pension deal].

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