

The setting of national poverty targets Belgium

1. How are indicators chosen at national level to reflect the multi-dimensional nature of poverty and how do these relate to the EU indicators?

In particular, what attention is given to the overlap between indicators in identifying the target population at national level?

The Belgian Europe 2020 target on the reduction of poverty and social exclusion is based on the same three indicators on which the EU target is based: at-risk-of-poverty rate, severe material deprivation and low work intensity.

In the choice of the indicators different considerations played a role.

Firstly, there is a clear engagement to contribute to the overall EU-target. By choosing the same three indicators for the national target Belgium clearly wants to contribute with its efforts to the common objective.

Of course, also more substantive considerations played a role. The combination of the three indicators also accommodated finding a consensus on the target at Belgian level, between the federal level and the regional levels. The different indicators highlight different important challenges for Belgium in the field of social protection and social inclusion.

The at-risk-of poverty rate highlights challenges concerning the level of social transfers and, to a lesser extent concerning in-work poverty. In general benefit recipients have a poverty risk which is just below the EU27 average. However, the at-risk-of-poverty rate of persons in a household with a very low-work intensity rate (and thus depending mainly on benefits) is markedly higher than the EU-average. 83% of people at-risk-of-poverty are not in work. The in work poverty rate (4,6%) is low by EU standards, but still represents 17% of people at-risk-of poverty.

Belgium has a low employment rate and one of the highest low-work-intensity rates. It is clear that this constitutes an important challenge for poverty and exclusion policies, although it should be noted that in Belgium a significant minority of the persons living in a low work intensity household probably cannot be regarded as being poor or excluded by scientific criteria, as indicated in the Peer Review discussion paper.

The severe material deprivation rate is rather low in Belgium by EU standards. Within the basket of deprivations items, the items on financial stress have the highest incidence (annual holiday and ability to make an unexpected expense). The items on durables have a very low incidence (except to some extent the possession of a car, which is somewhat higher than the others). It was however considered useful to also include this indicator in the definition of the target as it allows emphasizing other aspects of the problems of poverty and social exclusion than income and work. This can also accommodate differences in the strategies of federal and regional levels of government.

Finally, the choice of the three indicators as the basis for the Belgian Europe 2020 target also allows a reasonable amount of consistency with the priorities that were defined under the former Lisbon Strategy: bringing more people from categories at risk to work, adequate housing for everyone, child poverty.

There have been no specific considerations on the subpopulations identified by different intersections between the indicators. However, it is possible that the definition of the target will have to be fine-tuned at a later stage (including the definition of subtargets).

From the procedural side, the choice of the indicators has too a large extent been the subject of discussions on the political level, supported by experts, in the context of the very tight time frame in which the draft NRP had to be developed. This work was coordinated by the Prime-Ministers office and the Federal Planning Bureau, with participation of administrations from the relevant policy domains. The choice of the indicators has been retained in the final NRP.

2. How is (are) the national poverty target(s) defined?

How are the main stakeholders (including people experiencing poverty) involved in this process?

1. Procedural issues

The November 2010 draft NRP contained a target which was expressed as an interval based on the three indicators. The targeted interval was a reduction of 330.000-380.000 people at-risk-of-poverty or social exclusion. The choice of this interval was motivated by two considerations. Firstly, it was the ambition of Belgium to engage in an effort that was in line with the global EU effort. Secondly, the decision to express the target in an interval was based on a lack of prospective information on the evolution of the indicators in changed and unchanged policy scenario's (see also question 6). Like the choice of the indicators, the choice of the target was also mainly the result of discussions on political level, informed by experts.

For the drafting of the final NRP more time was available and a more elaborate consultation was organised in defining the social target. Consultation structures that were developed under the Lisbon Strategy, in the context of the drafting of the National Reports on Social Protection and Social Inclusion, and notably the National Action Plans social inclusion, were used to consult with a wider range of experts and stakeholders. These NAP-structures comprise a Working group Actions and a Working group Indicators.

The Working group on Actions is coordinated by the Federal administration for social inclusion and consists of a wide range of stakeholders from civil society, other levels of government, social partners, etc. In the context of the National Action Plans under the Lisbon Strategy, this group discussed the priorities of NAPincl. and presented proposals to the political level. In general, these proposals were to a large extent taken on board.

The Working group on indicators was coordinated by the Federal Social Security administration. It consisted of indicators experts from universities, other administrations and civil society organisations. Its task was to elaborate an adequate indicator set to support the drafting and follow up of the NAPincl.

In both groups organisations of people experiencing poverty are involved. Both groups contributed in confirming the choice of the indicators, in making proposals for turning the initial interval-target into a point target and for defining subtargets.

Concerning the target the proposals were to adopt the upper limit of the interval, a reduction of 380.000 people, as the final target. Furthermore, proposals were made to elaborate subtargets on child poverty, low-work intensity and overindebtedness.

As was the case for the draft NRP, a redaction committee was installed for the whole NRP, under coordination of the Prime-Ministers Office and the Federal Planning Bureau, with collaboration of administrations from the different policy domains involved, with parallel political deliberations at the level of the involved cabinets. This work led to endorsement of the proposals made by the working groups in the preparatory phase. A consultation of the social partners in the National Labour Council was held before adopting the NRP at government level.

It should be noticed that the procedure followed for drafting the 2011 NRP and its part on social cohesion, was installed under a caretaking government, and therefore has a provisional character.

2. *Technical issues*

The number of people at-risk-of-poverty or social exclusion is 2.194.000 in 2008. The target is to reduce this number by 380.000.

As was indicated above, the decision on the level of the target was taken on the basis of the ambition to adopt a target in line with the EU-level of ambition. It proved however difficult to assess which additional policy effort is required to meet the ambition set out. For none of the three indicators reliable forecasts were available under an unchanged policy scenario. For the at-risk-of poverty rate quite a lot of information is available on its 'behaviour' in research literature. It is known that it only reacts on rather important changes in policies or in social, economic or demographic conditions. Furthermore, for the at-risk of poverty rate, first¹ micro-simulation results were available from the Federal Planning Bureau on future evolutions. Both considerations led to the assumption of stability in the period 2008-2018 for this indicator. However, the level of uncertainty surrounding this assumption remains rather high.

For the other two indicators the information is even more scarce. In particular, different 'informed guesses' on the evolution of the low work intensity rate lead to very different outcomes and leaves much uncertainty. An important share of people living in a low work intensity household belongs to the older age categories. When this group enters retirement, will this lead to a proportionate reduction in the low work intensity rate? What will be the effect on the at-risk-of-poverty rate?

Also for the severe material deprivation rate uncertainty on its evolution is high. The non-possession incidence of the durables-items is low in Belgium, except for a car which has a

¹ The Federal Planning Bureau clearly indicated that due care should be taken in using these results, taking account of the assumptions made in the simulations and the fact that the methodology is still young.

somewhat higher incidence. It could be assumed that these would be hard to reduce. The financial stress indicators will probably be influenced by the incomes and expenses of households (although also subjective elements may play a role to some extent). The most likely assumption appeared to be that these would also remain stable, in line with the at-risk-of-poverty rate.

Setting targets in the context of the NRP clearly revealed that enhanced statistical capacities are needed to adequately assess the policy efforts required to reach a certain target and therefore also, the level of ambition that is contained in a certain target.

A specific issue is the statistical uncertainty of the estimates based on the EU-SILC sample survey, which conflicts with the need to communicate a single point target. To some extent the choice for the upper limit of the initial target interval was also motivated by the growing awareness that the difference between the lower and upper limit was hardly or not at all statistically significant. Furthermore, the fact that relatively substantial changes/differences in absolute numbers are sometimes based on insignificant changes in percentages can be confusing for non-expert users of the targets.

3. Were particular groups identified as the focus of national targets (e.g. children, working poor, ...) and why were these chosen?

At this stage only a general target, aimed at the total population, has been set. The NRP specifies that subtargets will be developed for child poverty, low-work intensity and overindebtedness. The choice to develop these subtargets is in line with the priorities that were set out for the Belgian Presidency of the Council of the EU and the European Year for Combating Poverty and Social Exclusion in 2010: the fight against child poverty, the need for a minimum income and tackling homelessness.

4. What are the main policy measures for reaching the poverty targets (e.g. is it jobs, welfare payments, better services, targeted programmes, ...)?

Are the poverty targets linked to the other targets in Europe 2020?

At the federal level the main policy measure for the period 2011-2012 is an increase in social allowances for employees and self-employed. This increase is in line with the 2005 generations pact which foresaw that social partners could negotiate at given points an increase (welfare envelope). In this context all pensions will be increased with at least 1,25%. Minimum pensions and the oldest pensions for employees will be increased with respectively 2% and 2,25%. Pensions for self-employed will be increased with similar rates. Invalidity, unemployment, and incapacity allowances will also be increased. In 2011 this increase implies a budget of 203 mio. euro. For 2012 this amounts to 570 mio. euro (see table). Social assistance allowances (social assistance for the population at active age, social assistance pensions for the elderly and social assistance for handicapped persons) will be increased by 2% in 2011. This implies a budgetary increase of 18 mio. in 2011 and 66 mio. in 2012.

On the regional level, measures to enhance labour market participation of risk groups and measures to ensure adequate and affordable housing are key policy measures.

Stimulating the construction of additional social housing is a key measure in the Brussels Region and in Flanders. In the Brussels region a budget of 540 mio. euro has been dedicated to more social housing (2004-2014) and 1 mio. euro for social protection measures in the access to the liberated energy market. In Flanders 43.000 extra social dwellings, 21.000 social dwellings for sale and 1000 social lots are planned by 2020. Furthermore, measures are foreseen to improve affordability of social housing and to increase accessibility of energy saving measures in the dwelling for vulnerable groups.

In all three regions measures are foreseen to enhance labour market participation of vulnerable groups. The three regions all invest in education and training. Wallonia also invests in the reconciliation of private and professional life by increasing the supply of child care and care to other persons.

The three regions and the federal level all have detailed strategies with large lists of concrete measures, but arguably the above mentioned measures are the most relevant ones in relation to the social target of the NRP.

Although awareness exists of linkages between targets and their respective policies, there have at this stage not been systematic assessments of this issue, nor has this been taken into account in choosing the indicators and setting the targets.

5. What are the challenges for the national poverty targets of the economic recession and the public fiscal crisis?

Current economic and budget figures are relatively good for Belgium. EU forecasts of GDP growth are well above EU-average: +2.4% (BE) vs. +1.8% (EU27) for 2011 and +2.2% (BE) vs. +1.9% (EU27) for 2012. The unemployment rate is below UE27 average (7.7% vs. 9.5% -March 2011). Public deficit decreased from -6% in 2009 to -4.1% of GDP in 2010 (with an average deficit of -6.3% of GDP in the eurozone), while a deficit of 4.8% was foreseen in the Stability programme. For 2011 a deficit of 3.6% is foreseen in the Budget, which is by 0.5% better than the path laid down in the Stability Programme. Total public debt amounts to 96.8% of GDP in 2010, vs. an average of 84.2% in the Eurozone.

In the long run (2009-2060) the Study Commission on Ageing estimates the budgetary cost of ageing at 6.3% of GDP. For the period 2009-2015 the budgetary cost is estimated at 1.1% of GDP. In view of these challenges the stability programme foresees a strategy which aims at reducing budget deficit to 3% in 2012 and to zero deficit or even surplus by 2015.

It appears that the economic crisis has been absorbed quite well, but it is clear that in the public finance context the target will have to be pursued, at least during the first years, under strict budgetary limitations. Under a caretaking government it is difficult to indicate the consequences this context will have regarding future policy priorities at the federal level.

6. What procedures are in place to monitor and review progress on the national targets?

As yet, no procedures have been put in place for the monitoring and reviewing of progress of the national targets. The structures that were put in place under the Lisbon Strategy were used in the context of preparation of a decision on the social target, and these keep working under the current caretaking government (Working group on actions, Working group on indicators). However, when a new government is in place it will have to be evaluated to which extent these structures will be kept.

As a follow up of the Federal Poverty Reduction Plan of 2008 a selection of the set of indicators for the National Action Plan Social Inclusion, is published yearly in the Inter-federal Poverty Barometer and continuously updated on line. The selected set of indicators will also be evaluated in view of the Europe 2020 Strategy.

7. How are the national poverty targets linked to the EU target (to reduce by 2020 the number at risk of poverty by 20 million), for example in terms of indicators, target groups, policy measures?

On the level of indicators, there is a direct link between the Belgian and the EU-wide target. The indicators on which the target is based are identical. Specific target groups and subtargets have been taken on board, but will still have to be developed. It is clear that the above mentioned types of policy measures (cf. question 4) can have an impact on the national and, therefore, also the EU-target.

How can the EU support the achievement of the national poverty targets?

1. *Balancing social and other Europe 2020 objectives*

It is of crucial importance, a fortiori in a period of economic and budgetary pressure, that a balanced approach is maintained of social and other objectives of the Europe 2020 strategy. If targets are to be credible, they need to be based on evidence based policies. Actors on EU-level play a central role in safeguarding such a balanced approach and thus avoiding a downward social competition. In general reinforcing social governance and coordination on EU level is an essential prerequisite to adequately and durably pursue national poverty targets.

2. *Enhancing statistical capacity*

As indicated above, for establishing the social target in the 2011 NRP, it was difficult to assess a level of ambition because of:

- the fact that two of the three indicators are relatively new, and not much is known on how they react on policies and changes in economic, social, demographic, ... conditions;
- a lack of instruments to make forecasts on the evolution of the indicators.

This is at the moment a very serious obstacle for the effective implementation of targets. Robert Walker clearly indicates this issue in the Peer Review discussion paper, eg where he argues that 'Targets need to be informed, but not entirely constrained, by prior experience (...)' and 'Meaningful assessments of the likely effectiveness of new policies are required' (p.13) As is often stated, targets have to be ambitious but realistic, but to adequately implement this, adequate statistical capacity is required. Here the EU can offer important support by:

- analyse further the characteristics of the targeted indicators at EU-level and also the possible differences between Member States;
- taking the lead and investing in enhancing statistical capacity and the development of new tools, eg. (dynamic) micro-simulation models, that allow representative prospective analysis and allow and assessment of the interaction between the different policy domains of Europe 2020 and their targets;
- organising a focussed exchange of experiences and good practices (and interesting failures) in setting targets and monitoring evolutions.

A specific issue in the context of statistical capacity is the timeliness of the indicators. It is well known that the indicators and notably the targeted indicators are confronted with an important time-lag. This is an important obstacle to assess the impact of policies. Furthermore, it significantly limits the time-frame in which measures can be assessed in the context of the Europe 2020 strategy. Initiatives at EU-level to enhance the timeliness of indicators would be very useful.

3. Procedures that reinforce ownership of the targets

As is also indicated in the Peer Review discussion paper, building and maintaining ownership of the targets is also a possible important success factor for the use of targets. In this context the EU-level can play an important role by allowing sufficient time in the procedures for an effective stakeholder involvement.

4. Using the European Structural Funds

Under the Lisbon Strategy, the link between the social objectives and the structural funds was weak. It would be useful if this link would be reinforced under the Europe 2020 strategy. Although the major effort in the realisation of the targets lies of course within national policies, a more integrated approach between Funds and Europe 2020 objectives could make a useful contribution.