

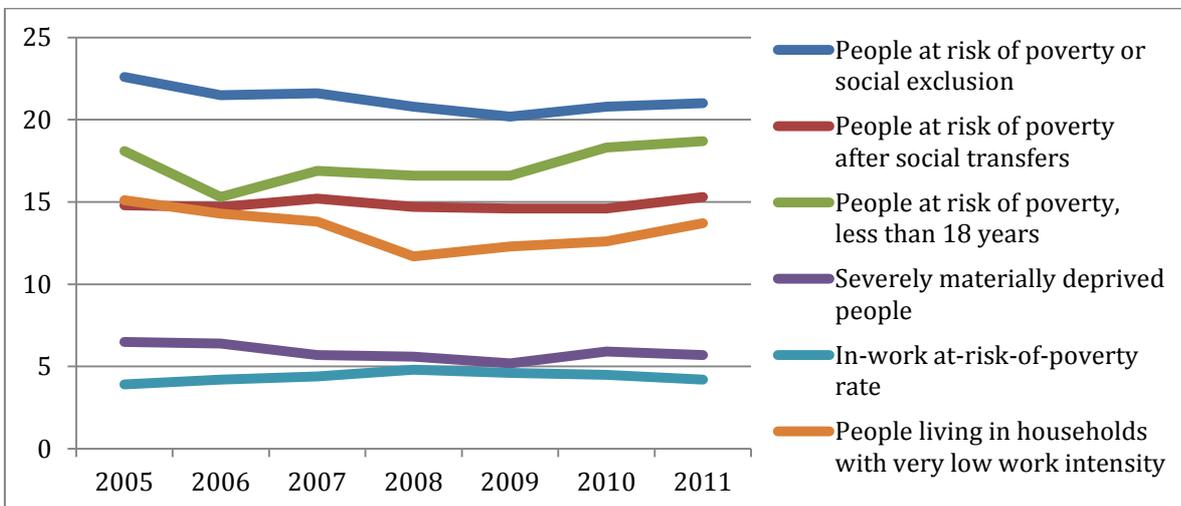
## 1. POVERTY

### 1.1. Recent trends

#### Developments of poverty and social exclusion in Belgium based on Eurostat:

- All poverty indicators have been on the rise, with the exception of in-work at risk-of-poverty which dropped by 0.6 p.p. between 2008 and 2011. Despite the increase in different groups, the rate remains relatively low compared to other countries and considering the effects of the crisis.
- The highest increase can be observed in the rate of **people living in households with very low work intensity**, which rose from 11.7% in 2008 to 14% in 2012 - the **fourth highest rate in the EU**.
- A **significant rise in the at-risk-of-poverty rate of children** (from 16.6% in 2008 to 23.4% in 2012) putting this age group at a considerably higher risk of poverty than other age groups,

Poverty trends in Belgium (% of population):



A recent analysis of the Belgian social context<sup>1</sup> highlights the following aspects, which confirm the above analysis of Eurostat data:

- Child poverty: the **trend mentioned earlier regarding child poverty is confirmed** by two other indicators, i.e. the “relative median poverty risk gap”, which measures how far people in poverty are from the poverty line, and the “persistent poverty rate”, which measures the at-risk of poverty rate during a three to four year period.
- Child and family poverty in relation to the effectiveness of social protection: “The effectiveness of social protection can also be measured by means of the **poverty risk of persons in households with very low work intensity**. Most of these persons indeed do have to rely on social protection in order to be able to maintain a minimum standard of living. The poverty risk of this group is very high: **48% for persons in households with no children and 75% for persons in households with children**. The poverty risk for this category in Belgium is higher than the EU27 average”.
- The regional dimension: as communities and regions are now increasingly competent for social policies it is worth noting that the bulk of the **increase of people living in poverty** (whether at risk of poverty - AROP or at risk of poverty and social exclusion - AROPE) is **concentrated in the Brussels Region**.

<sup>1</sup> Belgian Federal Service Public Security, 2013, *Analysis of the social context and the progress towards the social objectives and the priorities of the National Reform Programme and the National Social Report*. URL: [http://www.caritas.be/caritas/files/File//NSR%202013\\_indic%28def%29.pdf](http://www.caritas.be/caritas/files/File//NSR%202013_indic%28def%29.pdf)

Additional observations by Caritas organisations in Belgium give a broader picture of the severity of the problems:

- The above observations can be confirmed. However, it has to be noted that the **statistics do not take into consideration the “dark figures” related to undocumented people**, particularly migrant and asylum-seekers. The numerical importance of this group is indeed one of the **adverse effects of the increasingly restrictive migration policies**.
- With regards to the relationship between poverty and health, a striking observation made in the National Health Inquiry from 2008 has to be highlighted: Participants were asked about their own health (**‘Subjective Health’**), which is a good indicator for mortality. In total 23.2% of the Belgian population described their health as ‘bad’. In the **lowest income quintile 30.8% had a negative perception**, where in the highest quintile this was only 12.9% of the population.

With regards to in-work poverty, the above-mentioned analysis of the Belgian social context states that “population categories with a high ‘in-work’ poverty risk in 2011 were: persons with a nationality from outside the EU27 (25%), single parent families (12%), persons with low education levels (8.5%), self-employed persons (9.3%), persons working part-time (8.7%) and single women in the active age (8.3%).”

## 1.2. Recent policy developments

**Since last year the following policy developments have been registered:**

Some of the measures taken between 2012-2013 include the prohibition of extra health costs for double rooms in hospitals, the **cap on health expenses for the chronically ill** and the **expansion of the so called ‘third party payer system’** (where patients only pay the patients charge and the health insurance company automatically pays the remaining part).

Another important political achievement was made in 2013 with the **agreement on harmonizing employment regulations for employees and for workers**. Many provisions of this agreement are in the line of removing inequalities, which is positive. However, many decisions are still to be taken for implementing this “framework agreement” and it recommended that they should be “poverty-tested” beforehand. However, it is presumed that the positive effects of this reform are more likely to benefit lower middle class workers rather than having a direct impact on the reduction of poverty rates.

In 2013-2014, the Belgian government **plans to discuss a new law on the financial transparency of the health care sector**. Preparations on this new law have already started. The Belgian government has consulted Caritas in Belgium who will be providing its remarks and proposals related to this new law. Most other changes result from existing decisions or mechanisms, such as the **increase of minimum pensions** and of other low benefits above the inflation rate. Unfortunately, the increase is still not high enough to get lift recipients above the poverty line.

However, at federal as well as at regional/community level many initiatives were taken to improve the existing schemes. Under the Poverty Reduction Action Plans, some of them were transversal and others more specific, such as for example in **the field of child poverty or in the field of housing**. On a structural level, those action plans do not seem to have enough influence on policies. The measures appear to be merely scratching the surface of the problem.

Nevertheless, major steps have been made in 2013 on a topic generally overlooked by organisations concerned with poverty issues: the **transfer of large competences from the Federal State to the Regions and Communities**. This is important since the latter are now even more in charge of major aspects of social policies. During at least 20 years, poverty and social inclusion issues were addressed in the Brussels Region from a “trickle down” point of view. The specific demographic and cultural challenges of the Brussels Region are now more than ever inviting to complement this assertion with the equally valid one that “there is no economic paradise in a social desert”. In particular, there is an important need for care facilities for young mothers and children, as well as in the field of housing and education. However, the regional level is unlikely to unroll a social policy or might not have the necessary resources to address the poverty issues, which are unequally divided in Belgium.

### Assessment of Belgium's NRP and policies it refers to:

Belgium's NRP reports on concrete measures aimed at decreasing poverty and tackling the factors leading to poverty. These measure, however, often refer to previous policy decisions. There are many initiatives being undertaken, at both the national *and* the regional level, to address the poverty challenges. Nevertheless, there is a **general feeling of incoherence and contrast between the importance of measures** likely to have adverse effects in terms of social exclusion and the limited means available for the measures meant to alleviate those effects.

The Belgian poverty and social exclusion rate shows an increase for the third year in a row, which is a worrying evolution in view of the overall objective to reduce this rate. The NRP seems to **overlook specific evolutions happening at a more disaggregated level**, i.e. for children and for young people.

The measures proposed to reduce poverty are **not considered adequate enough** with regards to (1) the **limited capacity** of the measures adopted in view of the importance of the on-going challenges and (2) the absence of a convincing "explanatory model", **linking the measures with the expected results**.

### Assessment of Belgium's Country Specific Recommendations (CSRs) adopted in 2013:

**CSR 5** and **CS6** are considered as adequate for having a positive impact on the reduction of poverty and social exclusion in Belgium. However, one concerning regarding CSR 5 deserves special attention and is therefore included in the below table of CSRs that may have a negative impact:

CSRs that could have a negative impact	Possible negative impact
<ul style="list-style-type: none"> <li><b>CSR 1:</b> Adopt additional measures to achieve the structural adjustment effort specified in the Council Decision to give notice to correct the excessive deficit by 2013 and to enhance the sustainability and credibility of the consolidation.</li> </ul>	<ul style="list-style-type: none"> <li>Negative impacts may derive from an inappropriate implementation of the recommendation, rather than from the recommendation itself, especially if it results in lowering the availability and quality of services of general interest.</li> </ul>
<ul style="list-style-type: none"> <li><b>CSR 2:</b> Step up efforts to close the gap between the effective and statutory retirement age, including by pursuing the on-going reforms to reduce the early-exit possibilities. Underpin reforms of the old-age social security systems with employment-support measures and labour-market reforms conducive to active ageing. Increase the effective retirement age by aligning retirement age or pension benefits to changes in life expectancy. Continue to improve the cost-efficiency of public spending on long term institutional care.</li> </ul>	<ul style="list-style-type: none"> <li>Negative impacts may derive from an inappropriate implementation of the recommendation, especially when the pressure towards longer careers does not take into account the health status of workers, which is closely related to indicators such as education and income.</li> </ul>
<ul style="list-style-type: none"> <li><b>CSR 5:</b> Establish concrete and time-specific proposals for shifting taxes from labour to less growth distortive tax bases, notably by exploring the potential of environmental taxes, for example on diesel, heating fuels and the taxation of the private use of company cars.</li> </ul>	<ul style="list-style-type: none"> <li>This CSR is adequate, except for the taxation of heating fuels. Since people with a high at-risk of poverty rate, or people in poverty, now already experience difficulties in paying their heating fuels (the Belgian government helps them through the 'Sociaal Verwarmingfonds' (Social Heating fund)), extra taxation on heating fuels are likely to worsen the poverty situation.</li> </ul>

### 1.3. Recommendations

- Pay more attention to the need for addressing poverty and social exclusion when preparing for the **“absorption” of new competences by the Regions and Communities** (especially in the Brussels Region).
- Improve care facilities for young mothers and children and improve access to housing and quality education.
- **Quality employment schemes in the non-profit sector** should be better supported both with a view to promoting employment and to delivering high-quality services.
- **Ensure that the health system is available for everyone.** Basic and cheap health and hospitalisation insurances and full transparency on costs of health services are only two important points of action that the Federal and/or Regional Government should implement.

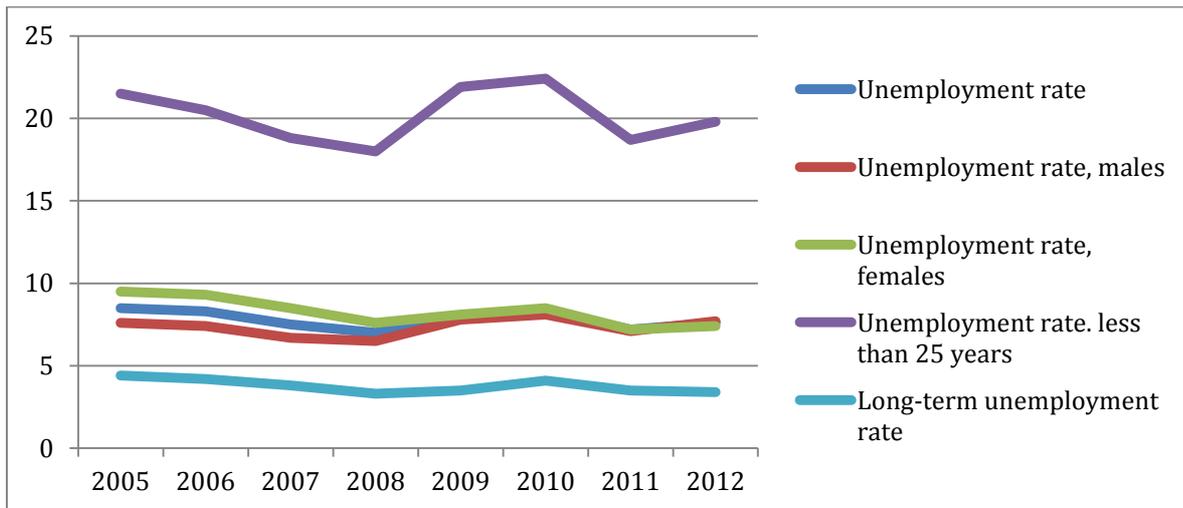
## 2. EMPLOYMENT

### 2.1. Recent trends

#### Developments of the employment situation in Belgium:

- After a sharp increase in the early years of the crisis, **unemployment peaked in 2010** (8.3%), dropping to 7.2% in 2011 and rising again to 7.6% in 2012. A similar trend can be observed in the **employment rate, which shows a steady decrease since 2010** and has dropped by 0.8 p.p. during the entire observation period (2008: 68%, 2012: 67.2%) – a **worrying trend** considering that employment growth would be necessary to maintain the social security system.
- During the observed period (2008-2012), **gender disparities swapped from a larger share of unemployed women in 2008 to a larger share of unemployed men in 2012.** While female unemployment rates dropped by 0.2 p.p. (0.5 p.p. for long-term unemployment), male unemployment rates rose by 1.2 p.p. (0.5 p.p. for long-term unemployment) during the observed period. Similar trends can be observed in the employment rate, which dropped by 2 p.p. among men but rose by 0.5 p.p. among women. It can therefore be concluded that the **crisis affected more jobs in typically masculine sectors.**
- **Young people remain the group hardest hit by unemployment.** After having peaked in 2010 (22.4%), youth unemployment was still more than twice as high as the national average (7.6%) in 2012.

Employment trends in Belgium (% of population):



In addition to the above analysis of Eurostat data, the following observations about the Belgian employment situation can be made:

- Regardless of the overall evolutions on the labour market, an important question remains about its **capacity to “integrate” people**. It is very likely that an important proportion of the “new” jobs have been taken by people, in particular women, whose income supplemented an already existing “main earner’s” one, therefore **possibly contributing to an overall increase in poverty rather than the contrary**.
- Belgian labour market has good conditions for people at work, e.g. in case of dismissal, but is quite rigid for outsiders. **Net minimum wages are not high enough to make a difference with unemployment money**, especially for people with children who have to pay for the nursery. At the same time, **gross minimum wages are already too high for employers**, which makes unskilled labour disappear. This creates an even bigger problem: unskilled people are having more and more difficulties to find a job and this will only get worse in the next years. **Lack of education is becoming more and more of a social risk**. At the moment Belgium does not have a real tradition of lifelong learning compared to its neighbouring countries (-30%) or even the EU average (-30%).<sup>2</sup> Education in general and especially scientific or technical education (-12% EU average on the number of people with scientific or technical education for every 1000 Belgians) will be a challenge for the future in Belgium.
- The Global Entrepreneurship Monitor shows low indicators for Belgium and this could cause a problem for the labour market in the medium and long term. Low educated people and unemployed will be the first victims of a **labour market that only protects people at work and that creates too many obstacles for others to get a job** (i.e. education and financial conditions).

## 2.2. Recent policy developments

**Since last year the following policy developments have been registered:**

Some initiatives have been taken to address specific labour market issues, e.g. the youth **employment scheme ACTIVA**. ACTIVA minus 27 specifically targets under-27-old unemployed people. The government provides a lower social tax for companies when they hire someone who is taking part in this program. This measure is considered a positive initiative, since labour in Belgium is being highly taxed.

**Assessment of Belgium's NRP and policies it refers to:**

<sup>2</sup> European Commission, 2012, *Global Entrepreneurship Monitor 2012*. URL: [http://ec.europa.eu/education/lifelong-learning-policy/doc/monitor12/report\\_en.pdf](http://ec.europa.eu/education/lifelong-learning-policy/doc/monitor12/report_en.pdf)

The NRP mostly monitors the Belgian employment situation, especially in view of the measures adopted in 2011-2012. Few new measures have been adopted since the 2012 NRP and most of them consist of implementing earlier decisions. New measures are considered merely “homeopathic” and are not expected to achieve any considerable effects.

The NRP rightly points to some main challenges of employment growth but overlooks some specific evolutions, i.e. the fact that new employment opportunities tend not to benefit people who would need them the most. **The measures proposed to reduce unemployment are not considered adequate enough** as they only have limited capacity to counter the adverse effects of some of the “mainstream measures”.

#### Assessment of Belgium's Country Specific Recommendations (CSRs) adopted in 2013:

**CSR 5** and **CS6** are considered as adequate for having a positive impact on the employment situation in Belgium. However, the following CSRs may have a negative impact:

CSRs that could have a negative impact	Possible negative impact:
<ul style="list-style-type: none"> <li>• <b>CSR1:</b> To restore competitiveness, pursue the on-going efforts to reform the wage setting system, including wage indexation; in particular, by taking structural measures, in consultation with the social partners and in accordance with national practice, to ensure that wage setting is responsive to productivity developments, reflects subregional and local differences in productivity and labour market conditions, and provides automatic corrections when wage evolution undermines cost-competitiveness.</li> </ul>	<ul style="list-style-type: none"> <li>• This CSR looks at competitiveness only in terms of wage cost; however, competitiveness also depends on technical progress and innovation.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>CSR 4:</b> Present concrete and time-specific structural measures to improve competition in the services sector, by removing barriers in retail and excessive restrictions in professional services</li> </ul>	<ul style="list-style-type: none"> <li>• Even though this recommendation does not seem to encompass the social services sector, it might be interpreted that way, thereby causing important adverse effects not only in terms of availability, accessibility, affordability but also in terms of quality.</li> </ul>

### 2.3. Recommendations

- **Encourage employment growth in organisations belonging to the Social Economy**, which have a greater potential for providing quality employment and quality services by promoting the role of non-profit employers of social and health services, by reinforcing social dialogue and by **decreasing social contributions on labour** and compensate them with **tax increases on goods and services that do not prove social or environment-friendly**.
- **Concentrate job support schemes on low-paid jobs and on jobs for the low-skilled** which are the ones most likely to be taken by people at risk of poverty and social exclusion.
- **Oppose the introduction of so-called ‘mini-jobs’ into the Belgian labour market.** The ‘mini-jobs’, a German innovative idea, is supposed to lift people out of unemployment and thus, as the proponents claim, out of poverty. With a maximum wage of 450 euro per month for a non-fulltime job and no effects on one’s pension rights, these job types do not appear to benefit the system. Looking at Eurostat figures for in-work poverty in Germany, it can only be concluded that in-work poverty has risen by 60.4% between 2005 and 2011 (from 4.8% to 7.7%). Mini-jobs will not lift people out of poverty, quite the contrary; it will cause an increase of in-work poverty in Belgium.
- Outsiders of the labour market should be integrated through better education, more technical education and a **bigger difference between unemployment money and the lowest wages**. Unemployment money should not be lowered and the lowest wages cannot be more expensive for



employers than they are now. **Fundamental changes in labour taxes (including other taxes) are needed.**