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THE EVOLUTION OF THE SOCIAL SITUATION AND SOCIAL PROTECTION IN BELGIUM 2021

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1. INTRODUCTION: THE EUROPEAN PILLAR OF SOCIAL RIGHTS ACTION PLAN AND ITS TARGETS

In May 2021, at the Porto Social Summit¹, **three headline targets for 2030** were defined. These targets replace the targets set by the Europe 2020-strategy, of which a reduction of the number of Europeans at risk of poverty or social exclusion by 2020, aiming at lifting at least 20 million people out of poverty or social exclusion, was the main (social) target.

These new targets defined in 2021 were set **in order to put the European Pillar of Social Rights into action**. The European Pillar of Social rights consists out of 20 principles, gathered in three broad chapters, namely '*equal opportunities and access to the labour market*', '*fair working conditions*' and '*social protection and inclusion*'. The European Pillar of Social Rights Action Plan proposes three headline targets for the EU to reach by 2030:

1. At least 78% of the population aged 20 to 64 should be in employment by 2030;
2. At least 60% of adults should be participating in training every year by 2030; and,
3. A reduction of at least 15 million in the number of people at-risk-of-poverty or social exclusion.²

The latter, also known as the AROPE indicator, corresponds to the sum of persons who are either at risk of poverty (AROP), severely materially and socially deprived (SMSD) or living in a quasi-jobless household (QJH).³ More information regarding these indicators is available in the glossary.

Member States were asked to define their own national targets, as a contribution to this common endeavour. For Belgium, the following headline targets were agreed:

1. At least **80% of the population** aged 20 to 64 should be **in employment** by 2030;
2. At least **60,9% of adults** should be participating **in training** every year by 2030; and,
3. **A reduction of at least 279.000 people** in the number of people at-risk-of-poverty or social exclusion (**AROPE**) by 2030. In percentage points, this amounts to a reduction of 2.9 ppt..

The abovementioned targets are rather broad. In order to facilitate a more granular monitoring of these three headline targets, **a number of specific sub targets** were set. Two sets can be distinguished: a set of specific sub targets *on employment and education and training*, and a specific sub target *on child poverty and social exclusion*. The latter states that there should be (at least) a

¹ European Commission (07/05/2021). *Porto Social Summit: all partners commit to 2030 social targets*. See also: [Porto Social Summit: all partners commit to 2030 social targets - Employment, Social Affairs & Inclusion - European Commission \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&plugin=1)

² European Commission (2022). *The European Pillar of Social Rights Action Plan*. See also: [The European Pillar of Social Rights Action Plan | European Commission \(europa.eu\)](https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&plugin=1)

³ This last indicator is also known as the 'low work intensity indicator'; referring to those persons living in a household where the members of working-age worked a working time equal or less than 20% of their total potential during the previous year. However, in this monitoring report, we prefer to apply the definition used by the Indicators' Sub-group (ISG) of the Social Protection Committee (SPC) and use the term 'quasi-jobless households' (QJH).

AROP or the at-risk-of poverty rate), these revisions **also have an impact on the number of people in AROPE.**

The new severe material and social deprivation indicator (SMSD)

As mentioned before, the severe material deprivation indicator (SMD) has been replaced by the (new) severe material and social deprivation indicator (SMSD). Assessing the severity of material and social deprivation is particularly relevant, since it provides us information on the composition of the materially and socially deprived and allows us to distinguish between severe and non-severe forms of deprivation. The deprivation index used by the SMSD is the same as the one used by the MSD. It is an unweighted sum of the following 13 items, of which the first 6 items relate to the individual and the last 7 to the household:

1. *Ability to face unexpected expenses;*
2. *Afford one week of annual holiday away from home;*
3. *Avoid arrears (in mortgage rent, utility bills and/or hire purchase installments);*
4. *Afford a meal with meat, chicken, fish or vegetarian equivalent every second day;*
5. *Afford keeping their home adequately warm;*
6. *Have access to a car/van for personal use;*
7. *Replacing worn-out furniture;*
8. *Having an internet connection;*
9. *Replacing worn-out clothes for some new ones;*
10. *Having two pairs of properly fitting shoes (including a pair of all-weather shoes);*
11. *Spending a small amount of money each week on him/herself;*
12. *Having regular leisure activities, and;*
13. *Getting together with friends/family for a drink/meal at least once a month.*

Whereas a person is considered as 'materially and socially deprived' when this person experiences an enforced lack of five or more of the aforementioned 13 items, a person is 'severely materially and socially deprived' when there is a lack of 7 or more items.

A revised definition for (quasi-)jobless households

The average working age's upper limit has been increasing in society. In order to match this trend, the upper limit of the (quasi-)jobless indicator has also been increased from 59 to 64 years. In addition, this revision has led to a few extra changes to the definition, in order to avoid covering for people for whom the concept of (quasi-joblessness) is not relevant. In practice, this means that (early) pensioners are excluded from this indicator.

This revision not only has consequences for the AROPE indicator and the number of people in a (quasi-)jobless household, it also has repercussions for a number of related indicators, such as the at-risk-of-poverty rate of people in (quasi-)jobless households.

Baseline: 2019

As mentioned before, **2019 is used as a baseline for the new targets.** As in previous reports, this monitoring is largely based on social indicators from the EU Statistics on Income and Living

Conditions (EU-SILC) survey and the Labour Force Survey (LFS). Both are coordinated by Eurostat and are based on data from the EU member states, provided by the national statistical institutes. The EU-SILC survey collects data on income, poverty, social exclusion and living conditions, whereas the LFS provides data on the (un)employed and those outside the so-called 'labour force'. In this monitoring report, the EU-SILC is seen as the most relevant source of data, as it is the primary source of social indicators. Where possible and relevant, the EU-SILC and LFS are complemented with national data and recent studies.

The BE-SILC of 2019, 2020 and 2021, the Belgian version of the European SILC, saw a number of important changes and / or impacts from the COVID-19 crisis. There was also a break in series for the 2021 LFS. These changes are discussed in the following box.

Box 2. Changes to the SILC and LFS, and the impact of COVID-19

In 2019, the BE-SILC underwent two important changes. The first relates to changes in the weighting procedure. The second is however more important and more profound. In line with changes in a number of other countries, a switch was made to fiscal administrative data for the majority of the income variables, shortening (and altering) the questionnaire and reducing the burden on participating households. Due to these changes, the accuracy of the estimates was improved, meaning that 2019 is the first year for which reliable regional results are available. It also means that the results of the BE-SILC 2019 are not comparable with previous years (and are labelled as a 'break' in time series on the Statbel and Eurostat web pages).^{5 6}

During the fieldwork of the BE-SILC 2020, COVID-19 struck. In principle, this should not have had an impact on the reported incomes, since the income of the year before (in this case 2019) is questioned. But the measures that have been taken to mitigate the consequences of the pandemic, have had a substantial impact on the data collection (e.g. a change from face-to-face interviews to interviews by telephone, or a bias in the realised sample due to the (un)availability of certain households).^{7 8} This means that the results of SILC 2020 are difficult to compare to those of SILC 2019, but also to those of SILC 2021. In order to highlight this difficulty, an asterisk (or a '*') will be used in the graphs and tables. This is in line with the advice from Statbel.⁹ This also means that we will mainly focus on the evolution between 2019 and 2021.

The data collection for **SILC 2021** also occurred during the COVID-19 pandemic. Since the income of the previous year is surveyed, there are clear consequences for the reported income. Unlike other years, where the poverty threshold generally increases, the poverty threshold based on 2020 incomes remains relatively constant compared to 2019. Mostly the employed, and in particular the

⁵ A. De Schrijver (2020). *Fiscal data in the Statistics on Income and Living Conditions (SILC) survey: a path for the future?*. Brussels: Statbel, FPS Economy. Available in [English](#), [Dutch](#) or [French](#).

⁶ T. Delclite (2020). *Hervorming van het wegingsmodel voor de SILC-enquête*. Brussels: Statbel, FOD Economie. Available in [Dutch](#) or [French](#).

⁷ More information on the measures that have been taken is available on the web page of Statbel, in [English](#), [Dutch](#) or [French](#).

⁸ Study Committee on Ageing (2022). *Yearly report 2022*. Brussels: High Council of Finance. Available in [Dutch](#) or [French](#).

⁹ Please note that Eurostat does not flag 2020 on their website. Nevertheless, we choose to follow the advice from Statbel.

self-employed, report a loss of income, although the impact is strongly mitigated by the measures taken by the government.¹⁰

Moreover, the pandemic had an impact on the group of unemployed and on the unmet needs indicators. Due to the (massive) use of temporary unemployment during the COVID-19 crisis, the profile of the unemployed changed. This means that the category of the unemployed does not only include the long term 'normal' unemployed, but also those who have been temporarily unemployed for more than six months. These individuals have a different profile and are, generally speaking, living in less precarious circumstances. The unmet needs indicators were also impacted and saw an increase compared to SILC 2020, mainly due to rising waiting lists.¹¹

Lastly, SILC 2021 saw the addition of the real property withholding tax in the disposable income. Notwithstanding the abovementioned remarks, the 2021 data are not considered as a break in series.

There was **however a break in the 2021 LFS**¹² due to the implementation of the new European framework regulation. The questionnaire was altered, inter alia to bring the data collection in line with the changes to the definitions of employment and unemployment of the International Labour Office (ILO). This means that 2021 cannot be compared to previous years.¹³ In subsequent graphs and tables, this will be indicated with a break in series (or a 'b').

Overall, the changes in the data collections and the subsequent breaks in the data series as well as the – difficult to assess – impact of the pandemic on the data collections and results in 2020 and (to a lesser extent) in 2021, make it unusually difficult to assess the evolution of the social situation over the last years. Although use will be made of the additional data that have been collected to assess the social impact of COVID, expert judgement will play a bigger role than usual, and due caution in the use of the results remains warranted.

Next to this, some **limitations should be kept in mind when interpreting survey data**, in this case the EU-SILC and LFS surveys. These are highlighted in *box 3*.

Box 3. Limitations of survey data

Survey data are not without limitations. First of all, *a statistical error rate* should be taken into account when interpreting the value of an indicator. Moreover, the differences in time that are found in the sample cannot always be extrapolated to the entire population. For indicators

¹⁰ Study Committee on Ageing (2022). *Op. cit.*

¹¹ Statbel (19/09/2022). *Risico op armoede of sociale uitsluiting. Cijfers: SILC-indicatoren 2019-2021*. Available in [Dutch](#), [French](#) or [English](#).

¹² More information on the changes to the 2021 LFS is available on the web page of Statbel, in [English](#), [Dutch](#) or [French](#).

¹³ Please note that Eurostat does not report a break in series on their website for a number of indicators. For the LFS main indicators for instance, a backcasting was executed. However, Statbel chooses not to make use of these backcasted time series and thus uses the original data. This leads to a break in series in 2021. Again, we choose to follow the advice from Statbel.

calculated on smaller subpopulations, for example those with a low educational attainment or inhabitants of a specific region, the error rate is higher.

Secondly, *some population groups are not included in the sampling framework*. Hence, the situation of these groups is not reflected in the indicators. These groups mainly include persons living in collective households, homeless people and people who do not have a valid residence permit. In the SILC-CUT survey (Schockaert et al., 2012)¹⁴, the combined size of these groups is estimated at 2 to 3% of the population. Some of these groups live in extreme poverty. The authors therefore estimate that the EU-SILC poverty rate (AROP) may underestimate the real rate by 0.6 pp. to 1.7 pp..

Finally, it should be noted that there is *a time-lag* between the reference period of some data (namely the moment to which the collected information refers) and the moment when the data are collected, e.g. income data refer to the year before the year of data collection. This should be kept in mind when relating the results with policy measures.

Lastly, it needs to be noted that some of the indicators in this report can be subject to changes or revisions. The indicators in this report reflect the situation on Eurostat's website in November 2022.

¹⁴ I. Schockaert, A. Morissens, S. Cincinnato, & I. Nicaise (2012). *Armoede tussen de plooiën. Aanvullingen en correcties op de EU-SILC voor verborgen groepen armen*. Leuven: HIVA.

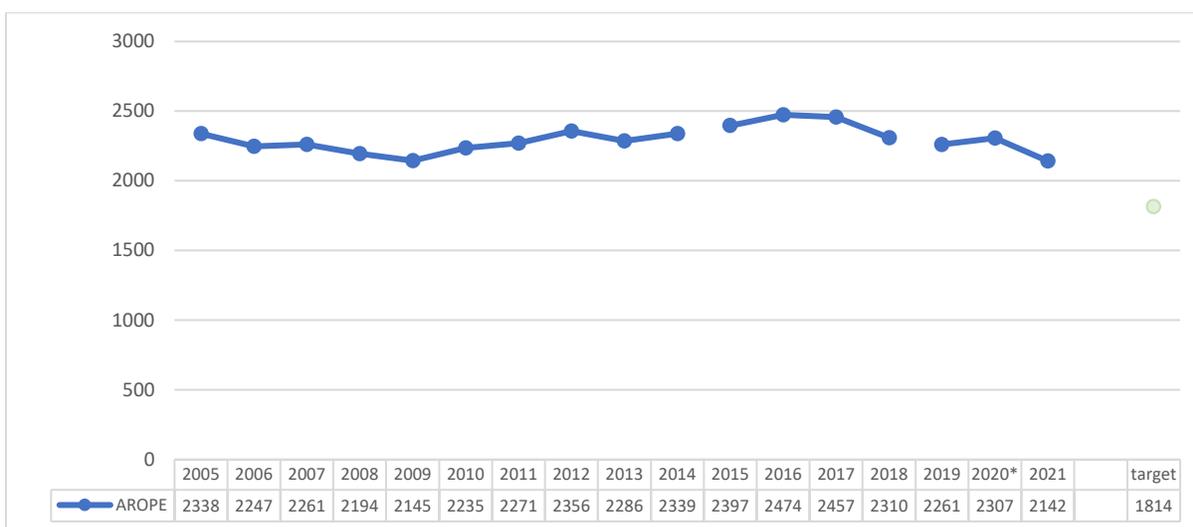
2. THE EUROPE 2030 TARGET ON THE REDUCTION OF THE NUMBER OF PEOPLE AT-RISK-OF-POVERTY OR SOCIAL EXCLUSION: RECENT TRENDS

2.1. REACHING THE EUROPE 2030 TARGET ?

In Chapter 1, we presented the three headline targets defined for 2030. The main purpose of this report is to monitor the Belgian situation with regard to the following target: a **reduction of at least 279.000 people in the number of people at-risk-of-poverty or social exclusion (AROPE) by 2030**. In this section, we will discuss the recent trends regarding the Europe 2030 target for Belgium.

Figure 2.1 assesses **the likelihood of Belgium reaching this ambition**. Let us first look at the most recent trend. The analysis of the short-term trend is not easy given a number of methodological issues. Apart from the usual cautions that apply when interpreting survey data, there is the fact that the Belgian version of the European SILC saw a number of important changes and/or impacts from the COVID-19 crisis (see box 2 chapter 1). We therefore compare 2021 with the base year 2019 and disregard the intermediate evolution. Figure 2.1 suggests that since EU-SILC 2019 (incomes 2018), **AROPE has declined in the direction of the 2030 target**. The expected negative impact of the COVID crisis and its impact on the economy on the AROPE has thus not materialised. The number of people at-risk-of-poverty or social exclusion drops from 2.261.000 in 2019 to 2.142.000 in 2021, which means a decrease of 119.000 persons.

Figure 2.1. AROPE, Belgium, 2005 – 2021 (absolute number x 1000)¹⁵



Source: EU-SILC, Eurostat, Statbel.

¹⁵ 2005-2014: old definitions of AROPE, QJH and SMD (see box 1 in the introduction of this report) ;

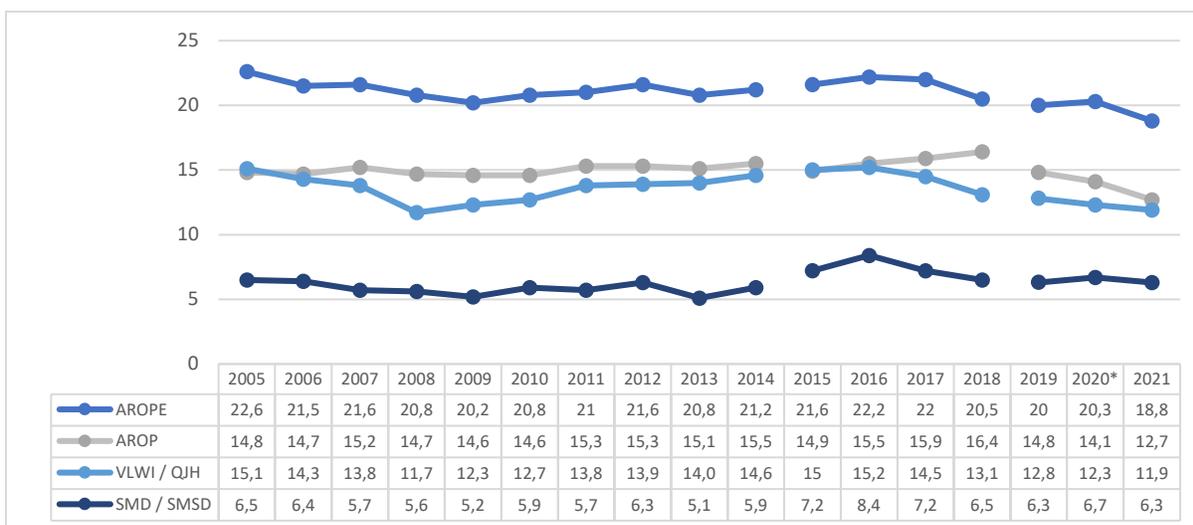
2015-2018: new definitions of AROPE, QJH and SMSD (see box 1) ;

2019-2021: idem 2015-2018, after the EU-SILC break in time series in 2019.

Year 2020 is followed by an asterisk because the results of the BE-SILC 2020 are difficult to compare to those of the previous and next years because of the impact of COVID-19 on the fieldwork (see box 2).

The decline in AROPE is also visible in the relative figures. Figure 2.2 shows a decrease in the AROPE from 20,0% in 2019 to 18,8% in 2021. This figure also shows that the recent decline in AROPE is mainly due to a fall in the at-risk-of-poverty rate (AROP) and the share of (quasi-) jobless households (QJH), even though none of these trends are statistically significant. The AROP indicator decreases from 14,8% in 2019 to 12,7% in 2021; the QJH from 12,8% to 11,9%. The third sub-indicator on which the AROPE is based, the severe material and social deprivation (SMSD) indicator, remained almost stable since EU-SILC 2019, at 6,3% of the Belgian population.

Figure 2.2. AROPE, AROP, QJH and SMSD, Belgium, 2005 – 2021 (%)



Source: EU-SILC, Eurostat, Statbel. **Note :** for methodological explanations, see footnote 15.

Figure 2.2 also shows that the 2019-2021 trend contrasts with the long-term trend since EU-SILC 2005 (incomes 2004): although there was a slightly decreasing trend as from 2016-17, the improvements in the AROPE indicator between 2005 and 2018 remained limited.

At the same time, **strong progress was made on the sub target on child poverty and social exclusion**. The sub target aims for a decrease of (at least) 93.000 children in poverty or social exclusion in Belgium. Since 2019, the number of the 0 to 17-years-olds in AROPE has declined from 554.000 to 502.000 in 2021. This is a decrease of no less than 52.000 children. In relative terms, this is a decline from 23,0% to 20,5%.

Note that evaluating the long-term trend is already as difficult as evaluating the short-term trend. A comparison with the period prior to 2019 is complicated by changes to key indicators (see box 1 in chapter 1) and a break in the time series in 2019 (see box 2 chapter 1).

Box 4. The United Nations 2030 Agenda for Sustainable Development

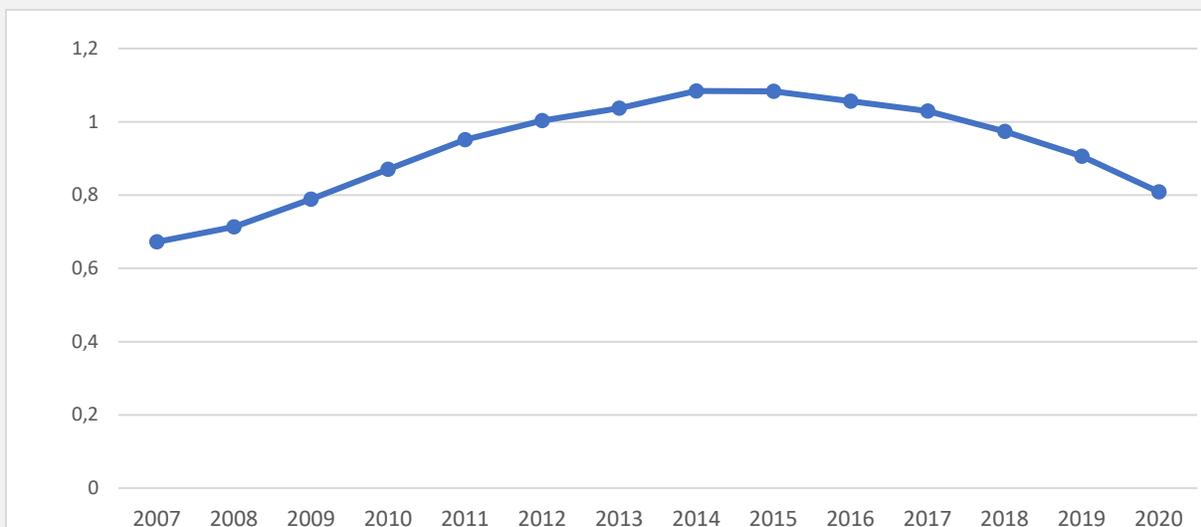
In September 2015, the **UN General Assembly** formally adopted **the Sustainable Development Goals (SDGs)** together with **the Agenda 2030 for Sustainable Development**. Although the

framework of sustainable development is very broad, based on 17 sustainable development goals and 169 targets such as clean water, peace and climate, the SDG's also include goals closely related to the targets that were set in order to put the European Pillar of Social Rights into action (see chapter 1). This is particularly true for the SDGs **No Poverty** (SDG 1), **Reduce Inequality** (SDG 10) and **Decent Work and Economic Growth** (SDG8). The overlap mainly concerns the indicators by which the targets are monitored, rather than ambition of the targets themselves. For example: Belgium has accepted a poverty reduction target for the SDGs, including for the country itself, of 50% between 2015 and 2030, based on nationally determined definitions of poverty. One of these indicators is the AROPE. The SDG is much more ambitious than the EU target, but the method of measurement is very similar.

Progresses for SDG 1 and SDG10 are mainly measured through EU-SILC and national indicators, which are also discussed in this report. Recently, the FPB published the report 'Only eight more years to achieve the SDGs'¹⁶, providing a **status report on Belgium's progress towards the SDGs**. The overall conclusion is that **if current trends continue, few targets will be met by 2030**. In terms of SDG1, the evolution of AROPE in particular colors red, with the current level still well above the target level of 10.55%. The prospects for SDG10 are also bleak given that the intended decline in AROP has been late in coming.

One SDG 1-indicator not covered elsewhere in the present report is the **share of over-indebted households**, which is measured as the share of people using collective debt settlement as a percentage of those aged 18 and over. Figure 2.3 shows a dual trend at the Belgian level for this indicator as there is an increase in the share of over-indebted households in the long run but a decrease in the short run. In order to achieve the sustainable development goal by 2030, this percentage must continue to decrease.

Figure 2.3. Share of people using collective debt settlement, Belgium, 2007 – 2020



Source : FPB calculations based on the National Bank of Belgium (2022).

¹⁶ Federal Planning Bureau (2022), *Federal report on the sustainable development 2022*. Available in [Dutch](#) or [French](#).

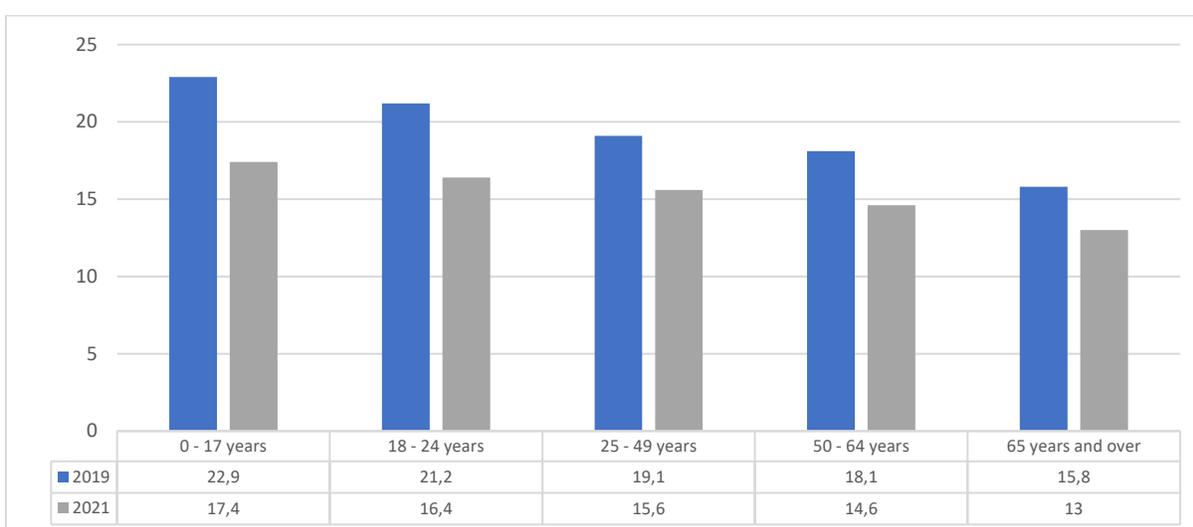
The FPB's report also examines the indicator of **self-reported unmet needs for medical examination** among the Belgian population (Figure A.9. in the annex). In 2021, the share of people aged 16 or over with unmet need for medical care because it is too expensive was 1,2% in Belgium. This figure must be reduced to zero for Belgium to reach the sustainable development goal by 2030. In recent years unmet needs for medical examination due to financial reasons seem to have declined, but it is unclear to what degree, or how, this indicator has been affected by the COVID-19-crisis.

2.2. OTHER SOCIAL INDICATORS ARE ALSO MOVING IN THE RIGHT DIRECTION

The recent trend in Belgium seems to be one of **diminishing poverty and social exclusion**, as a **result of both a decreasing at-risk-of-poverty rate and a declining share of quasi-jobless households**. Also other social indicators support the conclusion that Belgium is heading in the right direction.

For instance, we observe a **decrease in subjective poverty in every type of household** (Figure A.1. in annex) **and in all age groups** (Figure 2.4) between 2019 and 2021. Subjective poverty refers to the share of people with difficulties to make ends meet. The **poverty gap**, i.e. the median distance between the household income and the poverty threshold, has also declined since EU-SILC 2019 (incomes 2018), although not for the elderly (Figure 2.5).

Figure 2.4. Subjective poverty by age groups, Belgium, 2019-2021 (%) : difficult or very difficult to make ends meet

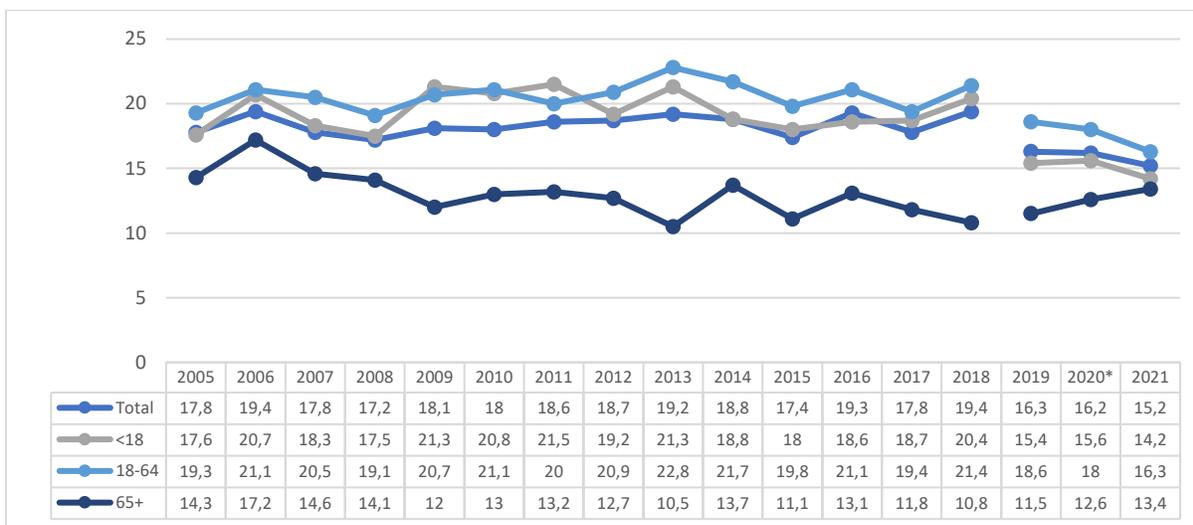


Source : Statbel.

Not only poverty indicators are moving in the right direction. **Income inequality has also diminished since EU-SILC 2019** (incomes 2018). Both the income quintile ratio (S80/S20) and the

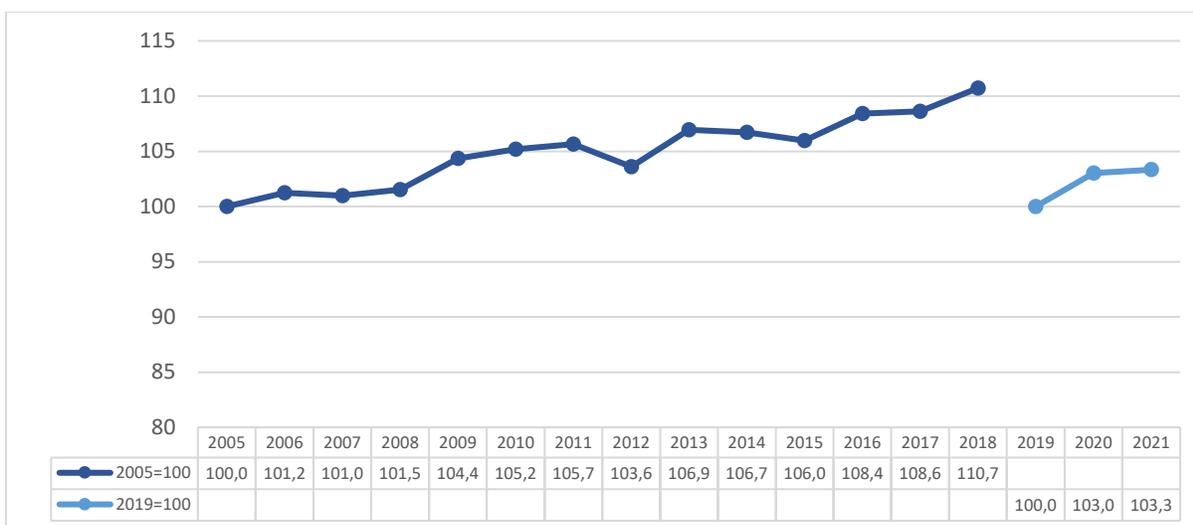
GINI coefficient suggest that income inequality has recently been declining in Belgium (see Figure 2.14 in Section 2.4 on the international perspective and Figure A.7 in annex).

Figure 2.5. Relative median poverty risk gap by age, Belgium, 2005-2021 (%)



Source: EU-SILC, Eurostat, Statbel. Note : break in time series in 2019.

Figure 2.6. Median equivalised household income, Belgium, 2005-2021 (real evolution, 2005=100, 2019=100)



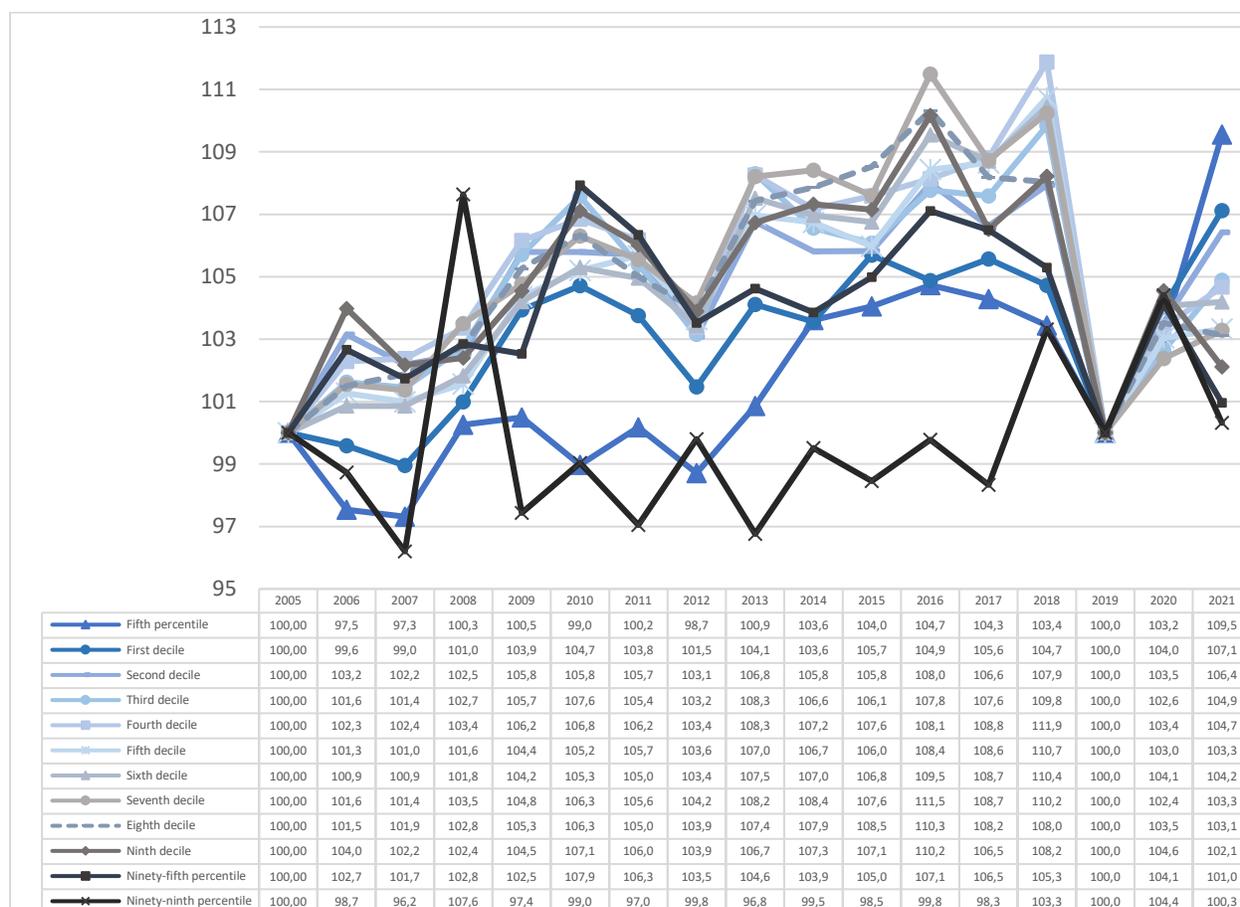
Source: EU-SILC, Eurostat, Statbel. Note : break in time series in 2019

To better understand the mechanisms behind the improving income inequality, Figures 2.6. and 2.7 analyze the evolution of household income. Let us first look at the evolution of the median equivalised household income (Figure 2.6). Since EU-SILC 2019 (incomes 2018), **the median equivalised household income has grown by 3%**, inflation taken into account. Although the EU-SILC 2020

result should be interpreted with caution (see Chapter 1), the survey results suggest that this growth was fully realized in the period 2019-2020.¹⁷ During the COVID period, median income appears to have stabilized. Note that the gross disposable household income per capita (GDHI/cap) shows a slightly more positive trend (Figure A.6 in annex) GDHI per capita has continued to increase in the 2019-2020 period, albeit at a somewhat slower pace than in the 2018-2020 period.

Figure 2.7. shows that **behind this stability there are large differences between income deciles.**¹⁸ In the lowest income deciles, incomes seem to have increased since EU-SILC 2019 (incomes 2018), while middle household incomes more or less stagnated, and high incomes dropped. This trend contrasts with findings for previous years.

Figure 2.7. Distribution of household income by income percentiles (top cut-off points), Belgium, 2005-2021 (real evolution, 2005=100, 2019=100)



Source: EU-SILC, Eurostat, Statbel. Note : break in time series in 2019

¹⁷ The limited growth in median equivalized household income over the period EU-SILC 2019-2021 contributes to the fact that also the at-risk-of-poverty rate anchored at a fixed moment in time, decreased.

¹⁸ Deciles and percentiles refer to the position in the frequency distribution. Percentile divide a distribution into parts so that we find one % of total observations in each percentile. The percentile cut-off value is obtained by sorting all income from lowest to highest, and then choosing the value of income under which x % of the sample are located. For examples, the cut off value of the first decile is the income under which 10 %, of the income are located...

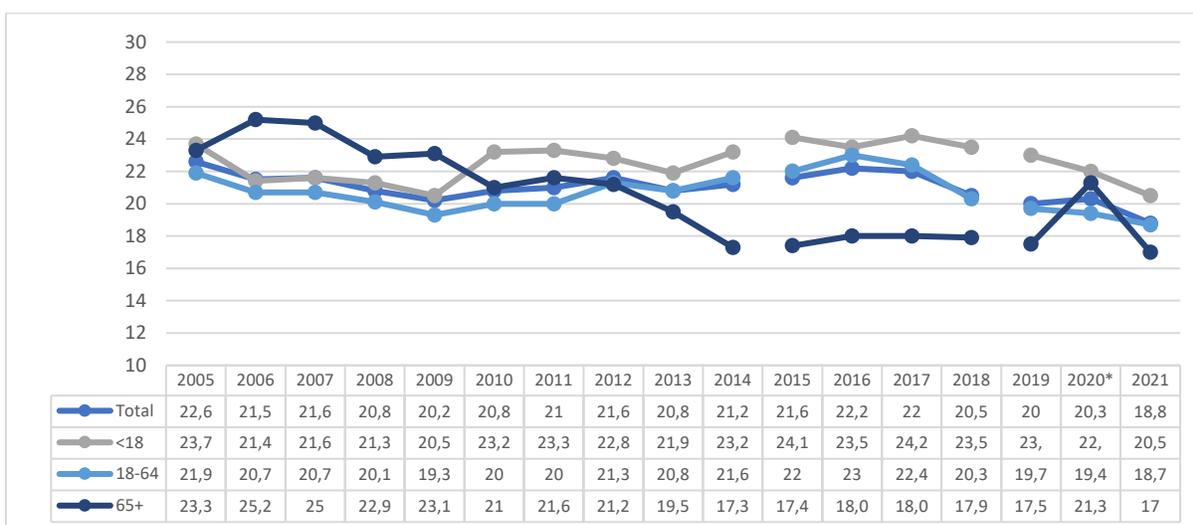
From 2008 to 2018, we have seen a fairly similar and stable evolution (except for the richest one % or even the richest 5%) for the different income categories. Over the period 2005-2018, the lowest incomes fell behind the overall evolution of household income. Note that the difference between the 2008-2018 and the 2019-2021 period is also due to the fact that the methodological changes in the EU-SILC survey in 2019 allow for a better capture of small and periodical incomes over the year.

2.3. BUT NOT ALL GROUPS GAIN

As we already stated in our previous report, the overall trend in poverty and social exclusion can hide **diverging trends between different population categories**. In the past we observed important differing trends between the older and the younger age groups, and between persons with lower and higher educational attainment levels.

Figure 2.8 shows the AROPE by age. In the 2005-2015 period, the AROPE indicator dropped strongly for the 65+, but not for the other age categories. This trend does not continue after 2019. Between 2019 and 2021 the AROPE indicator falls for all age categories; to 18,8% for -18-year-olds, to 18,7% for 18-64-year-olds and to 17% for over-65s. **Both old and young benefit from the recent positive trend in poverty and social exclusion**. If there is a diverging trend at all, it is rather to the detriment of the older age group. Relatively, the decline in AROPE is less pronounced for them than for the other age categories. This trend is largely determined by the evolution in the at-risk-of-poverty rate: this indicator also decreases more sharply for the youngest age categories. Moreover, there is also the observation noted earlier: the poverty gap seems to have increased for the elderly since EU-SILC 2019 (incomes 2018), but not for the other age categories. In Chapter 4 – where the trends for the retired are discussed – we refer to methodological reasons that may explain this evolution.

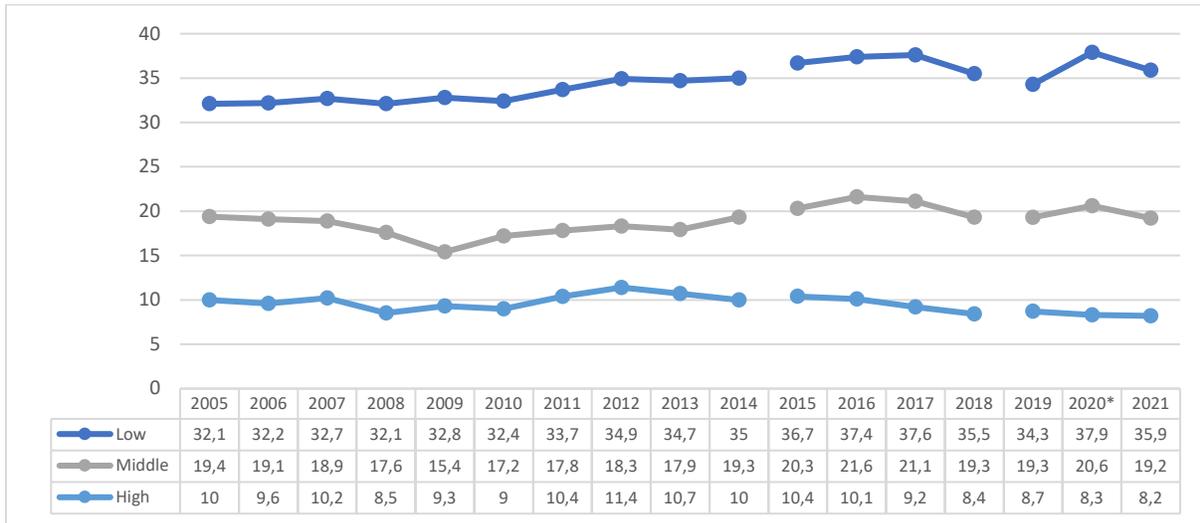
Figure 2.8. AROPE by age, Belgium, 2005 - 2021 (%)



Source: EU-SILC, Eurostat, Statbel. **Note :** for methodological explanations, see footnote 15.

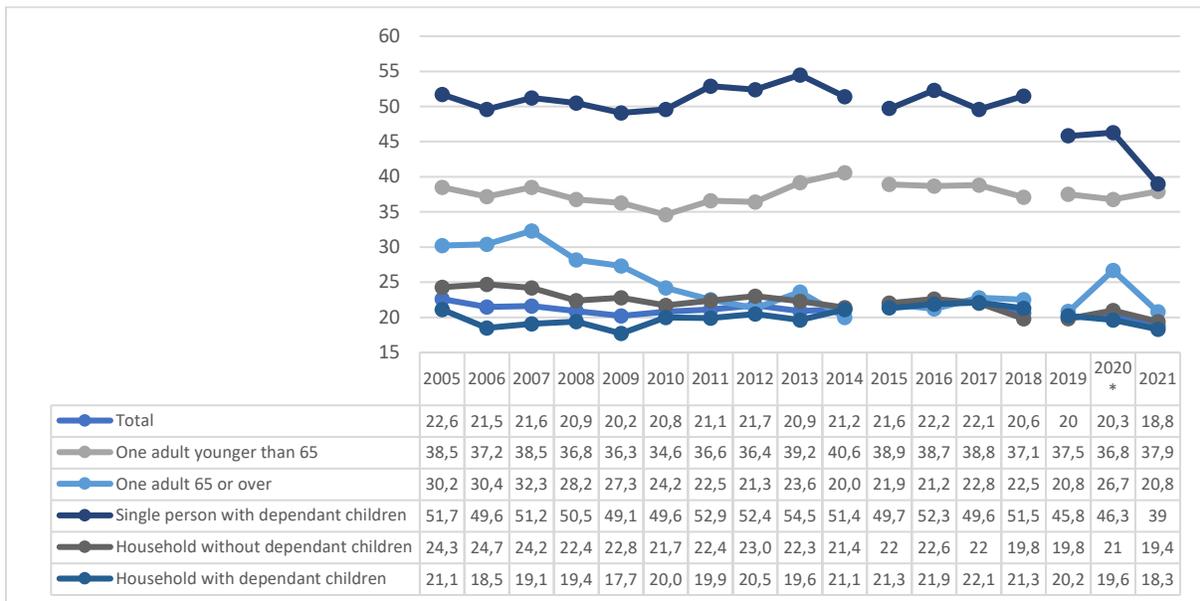
The **diverging trends by level of education** mainly follow the trend since EU-SILC 2005 (incomes 2004). Between 2019 and 2021, the AROPE evolved for the low-skilled from 34,3 to 35,9% while the one for the middle-skilled remained stable at 19,2% and higher-skilled even declined slightly from 8,7% to 8,2%.

Figure 2.9. AROPE by level of education (18 – 64), Belgium, 2005 – 2021 (%)



Source: EU-SILC, Eurostat, Statbel. Note : for methodological explanations, see footnote 15.

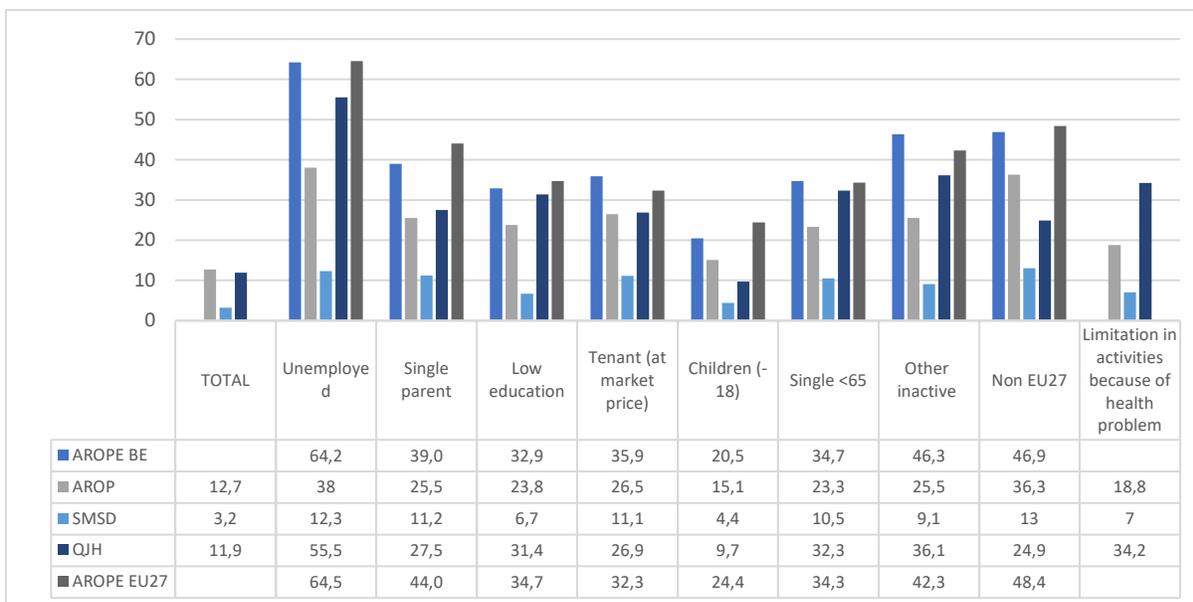
Figure 2.10. AROPE by household type, Belgium, 2005 – 2021 (%)



Source: EU-SILC, Eurostat, Statbel. Note : for methodological explanations, see footnote 15.

In addition, we observe **important differences in recent trends by household type**. The AROPE indicator for households without children has been rather stable since EU-SILC 2019 (incomes 2018), while it decreased for households with children. Figure 2.10 shows a strong decrease especially for lone parents, although the 2021 level of poverty and social exclusion remains high.

Figure 2.11. Incidence of poverty or social exclusion by high risk and policy relevant social categories, Belgium, 2021 (%)



Source: EU-SILC, Statbel.

Overall, despite diverging trends, **the high-risk categories in 2021 remain the same as in previous years**. It concerns persons living in a (quasi-)jobless household, unemployed, other inactive persons, persons with a migrant background, singles and single parents, tenants, and those with a low education. The AROPE for tenants and the ‘other inactive’ is in Belgium even higher than at EU27-level.

Box 5. Every medal has two sides: the negative impact of the COVID-19 crisis

Even though the above graphs show an overall decline of poverty and social exclusion, **the COVID-19 crisis has negatively impacted other aspects** of the population's living conditions and the income position of certain subpopulations. First, the median equivalent income has been relatively stable between 2019 (EU-SILC 2020) and 2020 (EU-SILC 2021), whereas in the period before COVID, we have generally seen an increase in the median income (see also section 2.2). Despite the crisis measures to protect employees and self-employed against income losses due to the COVID-19 measures, their median income has decreased.

The **median income of the self-employed** has declined by about 20%¹⁹ between 2019 and 2020 (Statbel, 2022²⁰). The fact that the **self-employed have been severely hit** by the crisis is also reflected in the profile and the number of people who reported an income loss of more than 10% in their household, according to the consumer survey of the National Bank of Belgium²¹. The share with an income loss of more than 10% among the self-employed was extremely high during the first lock down and remained above 50% throughout 2020, except for December 2020, and peaked at 64% in April 2020. In 2021, this number fell again below the 50% threshold. In April (27%) and May (24%) 2020, roughly a quarter of the overall respondents indicated that their household suffered an income loss of more than 10%. After that, this number gradually declined, except for the unemployed.

Although the self-employed and employees could rely on **income support measures** to compensate the financial impact of the COVID-19 crisis, these measures **were in some cases not high and effective enough** to fully cover the income losses. We discuss the income support measures and their effectiveness in chapter 3. Overall, depending on temporary unemployment benefits or a bridging right leads to an overall income loss.

Moreover the longer the dependency on temporary unemployment benefits for the employees or a bridging right for the self-employed, the bigger the impact on their income. The effectiveness seems to be especially problematic for groups like the (very) low wage earners and part-time workers depending on a temporary unemployment allowance. Given that they already start from a lower wage level, a drop in income can have a significant negative impact on the degree to which these households can make ends meet, even though the replacement ratio for the unemployment allowance for this group are quite high (see more on this in chapter 3).

Another indication of deteriorating living conditions for some groups during the COVID19 crisis are **the rising numbers of benefit dependency**. The increase in social assistance recipients is discussed in chapter 4. There is also a clear increase in the number of applicants for other forms of social assistance (e.g. (non-)urgent medical assistance, financial support, debt mediation and food support) during the COVID-19 crisis²². The impact of the crisis took some time to materialize. But from June 2020 onwards, the figures show a general, but irregular increase, and peaked at roughly 240,000 applicants in November 2021. Thereafter, the number started to drop, but they still exceed the pre-COVID level. From January 2022, the number of applicants starts to increase again until March 2022. In April and May 2022, the number of applications for the other forms of social assistance was again at a lower level, even lower than the pre-COVID level. According to the PPS Social Integration, this decrease goes hand in hand with the various subsidies that had been made available to the PCSWs (OCMW/CPAS) which ended at the end of 2021. After an extension of the subsidy period until March 2022, the subsidy period came to an end and a further decline followed.

¹⁹ Risico op armoede of sociale uitsluiting | Statbel (fgov.be).

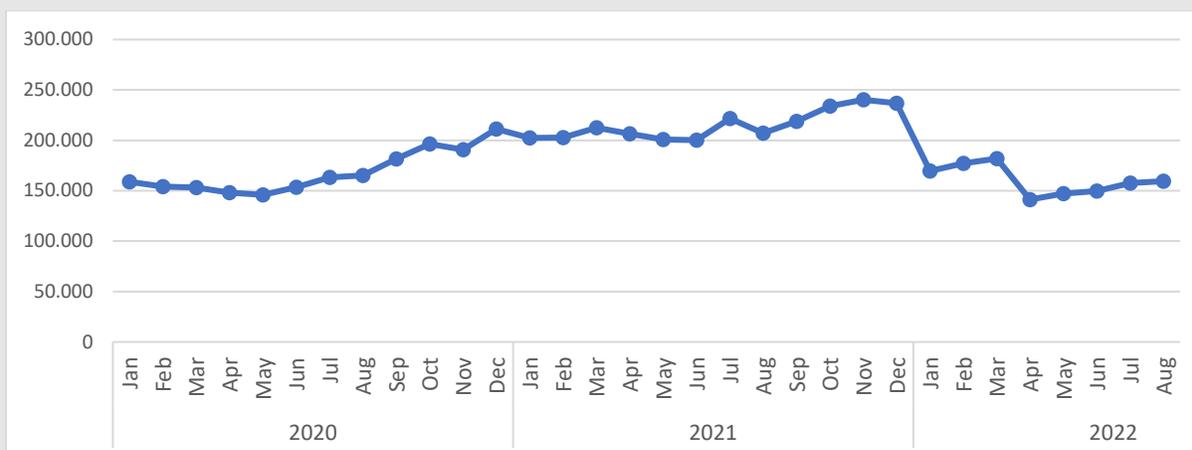
²⁰ Statbel. (2022). *Risico op armoede of sociale uitsluiting*.

Available at <https://statbel.fgov.be/nl/themas/huishoudens/armoede-en-levensomstandigheden/risico-op-armoede-sociale-uitsluiting>.

²¹ National Bank of Belgium (NBB). Consumer Survey: additional questions Covid-19. Available at <https://stat.nbb.be/Index.aspx?lang=en&SubSessionId=6acf7963-552d-463b-9783-b35b5658719f&themetreeid=16>.

²² Based on the note of the Working Group Social Impact Covid-19 'Monitoring van de gevolgen van Covid-19 op de werkgelegenheid en de sociale bescherming in België' / 'Suivi de l'impact du COVID-19 sur l'emploi et la protection sociale en Belgique'. For more information, see <https://socialsecurity.belgium.be/nl/sociaal-beleid-mee-vorm-geven/sociale-impact-covid-19>.

Figure 2.12. Evolution other forms of social assistance, Belgium, January 2020- August 2022



Source: PPS Social Integration, Social Impact survey PCSW (OCMW/CPAS), Working Group Social Impact Covid (WG SIC).

Finally, the COVID crisis also **negatively impacted the well-being and health situation** of the Belgian population (Federal Planning Bureau, 2022²³). This is evidenced by the following three observations (Federal Planning Bureau, 2022). First, life satisfaction has decreased since March 2020 (Sciensano, 2021a²⁴; Eurofound, 2021²⁵). Moreover, it looks like there was a link between life satisfaction and the epidemiological situation as the level of life satisfaction increased when the epidemiological situation improved, based on data from the University of Antwerp (UAntwerpen et al., 2021b²⁶). Second, the general, perceived health deteriorated (Eurofound, 2021²⁷). To illustrate, about 46 % of the population reported, in December 2021, that the pandemic has had a negative impact on their health or their healthcare (Sciensano, 2021b). Third, the mental well-being index, expressed on a scale from 0 (high risk of depression) to 100 (low risk of depression), amounted to 48,8 in May 2020, 50,8 in July 2020 and 43,5 in March 2021 compared to 65,5 in 2017 (Eurofound, 2021). Hence, the risk of depression has increased during the COVID pandemic compared to the past. Moreover, there is a relationship between the mental health of the population and the epidemiological situation (UAntwerpen et al., 2021a²⁸; Sciensano, 2021b).

²³ Federal Planning Bureau. (2022). *Sustainable development indicators, 2022*. Available at https://www.plan.be/publications/publication-2193-en-sustainable_development_indicators_2022.

²⁴ Sciensano. (2021a). *Zevende COVID-19 gezondheidsenquête: eerste resultaten*, Brussel, België: Sciensano. Available at <https://www.sciensano.be/nl/biblio/zevende-covid-19-gezondheidsenquête-eerste-resultaten>.

²⁵ Sciensano. (2021b). *Negende COVID-19 gezondheidsenquête: eerste resultaten*, Brussel, België: Sciensano. Available at <https://www.sciensano.be/nl/biblio/negende-covid-19-gezondheidsenquête-eerste-resultaten>.

²⁶ UAntwerpen, UHasselt and KULeuven. (2021b). *De Grote Coronastudie 2020-2021*. Available at <https://corona-studie.shinyapps.io/corona-studie/?full=1>.

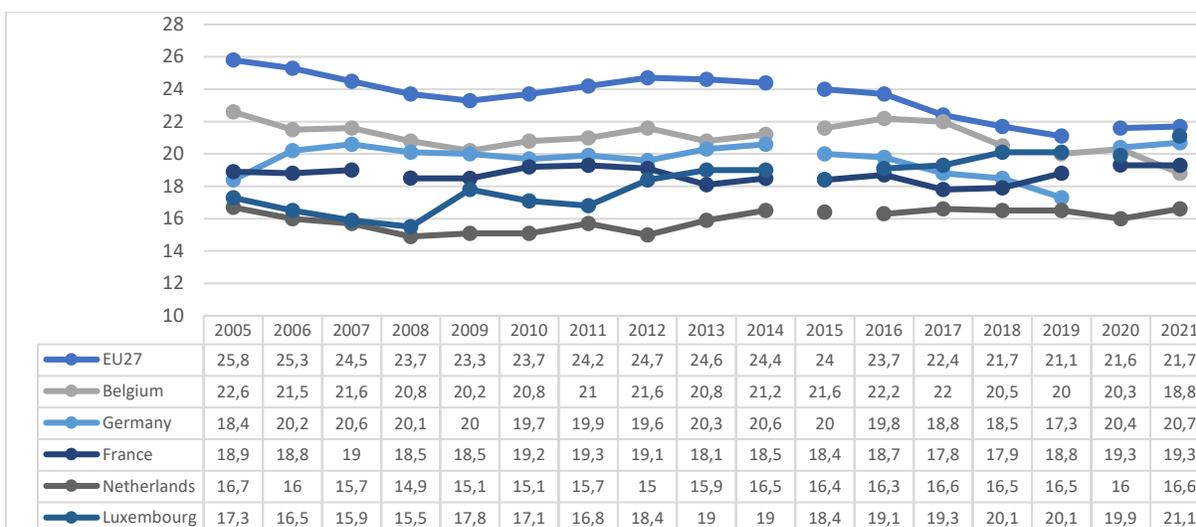
²⁷ Eurofound. (2021). *Living, working and COVID-19 Surveys*. Available at <https://www.eurofound.europa.eu/data/covid-19>.

²⁸ UAntwerpen, UHasselt and KULeuven. (2021a). *De Grote Coronastudie 2020-2021*. Available at <https://corona-studie.shinyapps.io/corona-studie/>.

2.4. AN INTERNATIONAL PERSPECTIVE

After reviewing the evolution of the situation and of social protection in Belgium, this section will be devoted to a comparison with neighboring countries. Let's focus first on the AROPE indicator. Figure 2.13 shows that the **decline in AROPE in Belgium as observed by EU-SILC, is an exception compared to our neighboring countries and to the average of the 27 member states.**

Figure 2.13. AROPE Belgium and neighboring countries, 2005-2021 (%)



Source: EU-SILC, Eurostat, Statbel. **Note :** for methodological explanations, see footnote 15. Break in time series in 2019 for Belgium ; in 2020 for EU27 ; in 2016 for the Netherlands ; in 2016, 2020 and 2021 for Luxembourg ; in 2020 for Germany and in 2008 and 2020 for France.

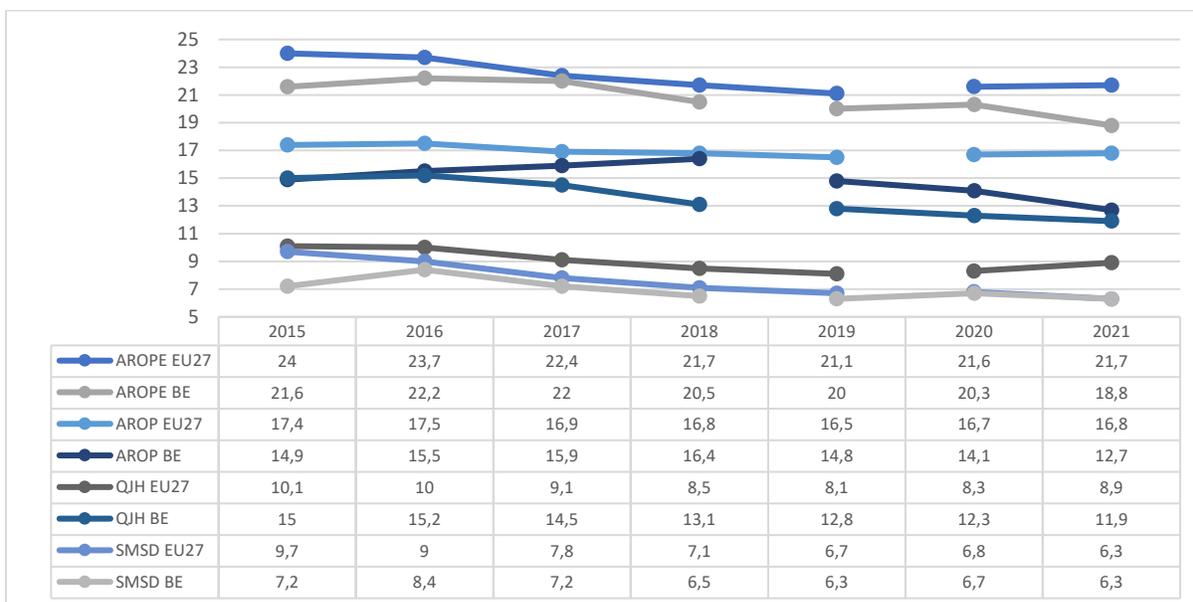
Compared to the other EU Member States, the risk of poverty and social exclusion is relatively low in Belgium, according to EU-SILC 2021 (18,8% versus 21,7% in EU27). The Netherlands is the only neighbouring country with an even lower AROPE (16,6%). Figure 2.14 shows that this is entirely due to the low risk-of-poverty in Belgium (AROP). The share of quasi-jobless households is relatively high (11,9% versus 8,9% in EU 27).

Figure 2.14 also confirms that the positive trend in poverty and social exclusion since 2019 did not occur in all EU Member States. Indeed, the AROP rate for the EU27 remains stable at 16,8% in EU-SILC 2021 (incomes 2020) and the QJH rate increased.

When we turn to **indicators that measure the inequality of the income distribution**, we observe a **lower and decreasing rate in Belgium compared to its neighbors**. The income quintile share ratio or the S80/S20 ratio is a measure of the inequality of income distribution. The Gini coefficient is a measure of the distribution of income within a country : it looks at how it deviates from an equal distribution where everyone has the same income.

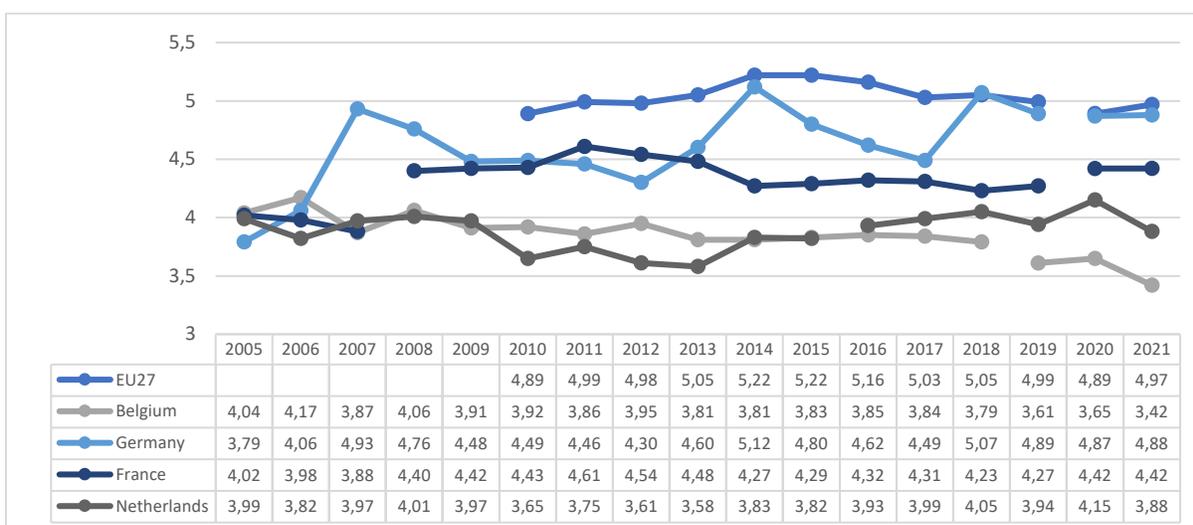
Figure 2.15. shows that Belgium has a slightly decreasing and lower income quintile ratio than its neighbors; dropping at 3,42 while the EU27 is at 4,97. The same observation can be made concerning the GINI index (Figure A.7. in annex) : it decreases for Belgium (24,1) and remains at a way lower level than in France (29,3), Germany (30,9) or The Netherlands (26,4). Generally we can conclude that in terms of income inequality, Belgium is doing better than France, Germany, The Netherlands and the EU27.

Figure 2.14. AROPE, AROP, QJH and SMSD Belgium and EU-27, 2005-2021 (%)



Source: EU-SILC, Eurostat, Statbel. **Note :** break in time series in 2019 for BE and in 2020 for EU27.

Figure 2.15. Income quintile ratio (S80/S20), BE, EU27 and neighboring countries, 2005-2021



Source: EU-SILC, Eurostat, Statbel. **Note :** break in time series in 2019 for Belgium ; in 2020 for EU27 ; in 2016 for the Netherlands ; in 2020 for Germany and in 2008 and 2020 for France.

Box 6. The OECD report “A Broken Social Elevator”, published in 2018.

This report provides new evidence on **social mobility in the context of increased inequalities of income and opportunities** in OECD and selected emerging economies. It covers the aspects of both **social mobility between parents and children** and of **personal income mobility over the life course**, and their drivers. The report shows that social mobility from parents to offspring is low across the different dimensions of earnings, education, occupation and health, and that the same prevails for personal income mobility over the life course. There is in particular a lack of mobility at the bottom and at the top of the social ladder – with “sticky floors” preventing upward mobility for many and “sticky ceilings” associated with opportunity hoarding at the top.

There is clear evidence that both absolute and relative mobility are low and that there is growing economic polarization in many countries.

Given current levels of inequality and intergenerational earnings mobility, it could take at least five generations or 150 years for the child of a poor family to reach the average income, on average across OECD countries. This ranges from just two to three generations in the Nordic countries to nine generations or more in some emerging economies. Belgium scores quite good and is just behind the average : it needs four generations on average for a Belgian child of a poor family to reach the average income. One in three children with a low earning father will also have low earnings, while for most of the other two-thirds upward mobility is limited to the neighbouring earnings group.

To illustrate the relative low income mobility : in a panel of 16 OECD countries, over a four year period (around 2010) observed in this report, about 60% (58,3%) of people remained stuck in the lowest 20% income bracket, while 70% (69,2%) remained at the top. It's more than twenty years before (around 1990) for the same 16 countries for a similar four year period (53,8% for the lowest 20%, 65,4% for the richest 20%). Belgium figures are above the average, with respectively 63,9% for the poorest 20% and 70% pour the richest 20%, showing that the income mobility is slightly lower in Belgium than in the OECD in average.

Across generations, **earnings mobility prospects tend to be weaker in countries where income inequality is high**, and **stronger in countries where inequality is low**. The Nordic countries combine low inequality with high mobility whereas Latin American countries and some emerging economies have high inequality but low mobility. In addition, in countries where the middle classes have been shrinking, upward mobility for low-income households has often declined, and downward risks for those in the (lower) middle have risen.

Income mobility was a reality for many people born between 1955 and 1975 from low-educated parents but it has stagnated for those born after 1975.

The OECD concludes this report by saying that countries need to put in place policies giving everyone the chance to succeed. More specifically that **increased investment in education**, particularly at an early age, **health** and **family policies** would create a more level playing field for disadvantaged children and mitigate the impact of financial hardship on their future. It also states that **access to** good quality, affordable **housing**, as well as **transport**, and **improved urban planning** helps reducing regional divides and concentrations of disadvantaged households in

cities. In addition, **reducing inheritance and gifts tax avoidance**, as well as **designing progressive tax systems** with adequate rates and reduced exemptions would enhance social mobility. Finally, it claims that **strengthening safety nets, training schemes and tying social protection entitlements to individuals**, not jobs, would help people, especially low earners, to cope with losing their job.

Box 7. The Squeezed Middle class

A second OECD report "*The Squeezed Middle Class*" showed that the **middle class**, as an economic and social group, that used to be an aspiration, is now facing, in many OECD countries, labour market polarisation, a **growing risk of downward social mobility, slow growth in disposable incomes**, and **rising prices** for key expenditure items, including housing.

According to this report (published in 2019), in many OECD countries, middle-class incomes have grown less than the average and in some they have not grown at all. Technology has automated several middle-skilled jobs that used to be carried out by middle-class workers a few decades ago. The costs of some goods and services such as housing, which are essential for a middle-class lifestyle, have risen faster than earnings and overall inflation. Faced with this, middle classes have reduced their ability to save and in some cases have fallen into debt. This report sheds light on the multiple pressures on the middle class. The report analyses the trends of middle-income households through dimensions such as labour occupation, consumption, wealth and debt, as well as perceptions and social attitudes.

The **middle class has shrunk in most OECD countries** as it has become more difficult for younger generations to make it to the middle class, defined as earning between 75% and 200% of the median national income. While almost 70% of baby boomers were part of middle-income households in their twenties, only 60% of millennials are today.

The **economic influence of the middle class has also dropped sharply**. Across the OECD area, except for a few countries, middle incomes are barely higher today than they were ten years ago, increasing by just 0.3% per year, a third less than the average income of the richest 10%. On the other hand, middle incomes contribute at least three quarters of tax revenue in Belgium. The contribution of middle income households is particularly high in Belgium, as well as in Denmark, Estonia and Ireland, because of low income households targeting benefits.

The cost of a middle class lifestyle has increased faster than inflation. Housing, for example, makes up the largest single spending item for middle-income households, at around one third of disposable income, up from a quarter in the 1990s. House prices have been growing three times faster than household median income over the last two decades.

More than one in five middle-income households spend more than they earn and over-indebtedness is higher for them than for both low-income and high-income households. In addition, **labour market prospects have become increasingly uncertain**: one in six middle-income workers are in jobs that are at high risk of automation, compared to one in five low-income and one in ten high-income workers.

The OECD concludes this report by stating that, to help the middle class, a comprehensive action plan is needed and that governments should **improve access to high-quality public services and ensure better social protection coverage**. The OECD also concludes more specifically that to tackle cost of living issues, policies **should encourage the supply of affordable housing** and that **targeted grants, financial support for loans and tax relief for home buyers** would help lower middle-income households. It is also written that in countries with acute levels of housing-related debt, mortgage relief would help overburdened households get back on track. Concerning temporary or unstable jobs (often offering lower wages and job security) that are increasingly replacing traditional middle-class jobs, **more investment is needed in vocational education and training systems**. Finally, it insists on the fact that **social insurance and collective bargaining coverage for non-standard workers**, such as part-time or temporary employees or self-employed, **should be extended**.

2.5. CONCLUSION

This chapter has shown that **despite the health crisis and associated lockdowns and economic damage, poverty, social exclusion and income inequality have not increased in Belgium**. In fact, the number of persons at risk of poverty and social exclusion has decreased by 119 000 persons in the 2019-2021 period, thanks to both a decline in the share of quasi-jobless households and the at-risk-of-poverty rate.

This by no means implies that we observe improvements for all. For some population groups, the risk of poverty and social exclusion has actually increased since EU-SILC 2019 (incomes 2018), for instance among the low-skilled. This only widened the already existing gap between the poverty risk of the low-skilled and high-skilled. The diverging trend between the low-skilled and high-skilled is in line with the evolution of recent years. Furthermore, despite the fact that the impact of the crisis measures has been substantial (see also Derboven et al, 2021), some population groups effectively lost income during the crisis years. This is evident from the consumer surveys of the National Bank of Belgium. The proportion of people who reported an income loss of more than 10% in their household was extremely high in 2020, especially among the self-employed. The growing number of social assistance recipients also points to growing needs during the COVID crisis. Life satisfaction and well-being indicators also showed worrying trends in 2020.

It is noteworthy that the decrease in AROPE and AROP is a new fact, which calls for caution. Especially as we do not observe a similar trend in neighbouring countries. In addition, **it is uncertain whether this downward trend will continue after the COVID-crisis**. Before the start of the Ukraine crisis, it was expected that the median income would increase again after the COVID-crisis, and consequently also the number of persons under the poverty threshold would increase. Another reason why the observed decrease in the AROPE was expected to be temporary, was the temporary nature of the crisis measures. The Ukraine crisis has strengthened the anticipation of increasing poverty and social exclusion in the near future. One important factor is the high level of inflation that seems to affect disproportionately low income households. Much depends on **how well government**

measures will manage to counter the impact of the new crisis on the most precarious households.

The general consensus is that it were precisely the efficient government interventions that have prevented a rise in poverty, social exclusion and income inequality during the COVID pandemic. Income inequality decreased because policy measures have particularly safeguarded the lowest incomes; the impact of the crisis weighed mainly on the real evolution of the highest incomes. In the following chapters, we discuss the crisis measures in more detail, first for the employed, then for the non-employed.

Chapter 3 focuses on the recent poverty trends of the employed and analyses the impact of the pandemic on the Belgian economy and the labour market. The income replacement measures taken to protect the employed against income losses due to lockdown and quarantine measures are also discussed.

Chapter 4 analyses the recent trends in poverty and social exclusion of the unemployed, retired and other inactive. Here we discuss the measures taken to increase the level of the minimum income protection during the sanitary crises and their impact on the adequacy of social protection and social expenditures.

Box 8. Note on theoretical associations between poverty and employment targets in Belgium

The **employment rate can be a key driver in changes of the number of people AROPE**. Knowing that, and in the context of defining the 2030 targets, Herman Deleeck Centre for Social Policy (Antwerp University) has conducted a study²⁹, at the request of the FPS SS, in order to gauge the theoretical impact on poverty rates of employment targets.

To do so, the researchers use **three different approaches** (a reweighting method, a regression-based method with a fixed poverty line, and a regression-based method with a floating poverty line) to look and compare the effect of raising the employment rate on poverty targets. They also test the sensitivity of the model, putting two checks into place: (1) an alternative job allocation mechanism which prioritizes jobless households, and (2) imputing a low wage. Their work is based on the SILC data of 2008 and 2019.

The researchers start their work by studying the **relationship between poverty and employment in practice**. They state that “the intuitive link is based on observed lower poverty rates among working persons on the one hand and, on the other hand, on the assumption that high employment rates release funds for better social investment and protection”. Basing their remarks on the experience of the 2020 Lisbon strategy, they note that rising employment does not always bring lower poverty. They identify several reasons for that : “the uneven distribution of the employment growth between work-rich and work-poor households (Corluy & Vandenbroucke, 2013), an increase in in-work poverty (Lohmann & Marx, 2018), an increase of the at-risk-of-

²⁹ B. Cantillon, G. Verbist, A. Lemmens (2021), *Note on theoretical associations between poverty and employment targets in Belgium*. Preliminary internal note, Centrum voor Sociaal Beleid/UA.

poverty among jobless households (Cantillon et al., 2018), and a decrease in the adequacy of social protection for those out of work (Hermans et al., 2020)”.

Studying the impact of job growth on poverty with the first method (the reweighting method), the researchers conclude that employment growth to 80% would decrease poverty rates significantly. They acknowledge that it is not really realistic because the individuals who are projected to go into employment are assumed to have the same characteristics as the individuals who are currently employed. The second method – the regression-based analysis – is a more sophisticated method to gauge the impact of employment growth on poverty rates, due to the allocation of simulated jobs according to an individual’s job chances in terms of their personal characteristics. With that method, the effect on poverty rates changes depending on what poverty line is used. When a fixed poverty line is used, the poverty reducing impact is strong. Especially the poverty rate of the total population decreases more than with the reweighting method. With a floating poverty line, the results are less pronounced, because of the relative worse position of individuals in the new income distribution.

They conduct a sensitivity analysis in which they give priority to individuals in jobless households (and from low- to high-work intensity if there are still jobs to be allocated after priority has been given to the jobless). It is interesting because most changes occur when households move from one to two-earnership. We know that the share of jobless households that moves to one-earnership is rather limited (7%), and that an even smaller share moves to two-earnership (1%). When the alternative jobs allocation mechanisms sensitivity check is used, poverty rates decrease much more than with the regular regression-based method. This emphasises the fact that **prioritising on jobless households would lead to a considerable poverty reduction.**

A second sensitivity check is performed by imputing a low wage (two-thirds of the median full time wage) instead of the simulated wage. They conclude that the poverty rates for both the total and the active-age population, considering a fixed poverty line, are slightly higher with the low wage sensitivity check in comparison to the regular regression-based analysis. The impact of low wages on poverty reduction is less pronounced in comparison to the job allocation mechanism in which priority is given to individuals in jobless households.

Finally, using a regression-based analysis, they estimate the theoretical effect of reaching the 80% employment target on the at-risk-of-poverty and social exclusion rates (AROPE).

They simulated AROPE-rates for three scenarios: 1) the job allocation is based on employment probabilities ; 2) the job allocation in which priority is given to individuals in jobless households and 3) the job allocation is based on employment probabilities but those who are simulated into work are assigned a low wage. The AROPE rate decreases when the employment rate is set at 80%, in all three scenarios. However, the results remain partial for two reasons. First they only reflect the impact of the employment rate. Other important measures such as the increase in minimum allowances could not yet be taken into account. Secondly, the information on the impact on the combined AROPE indicator remains limited.

We can conclude from their analysis that, **whether or not employment growth is situated among weaker social groups is a key element for its impact on poverty.**

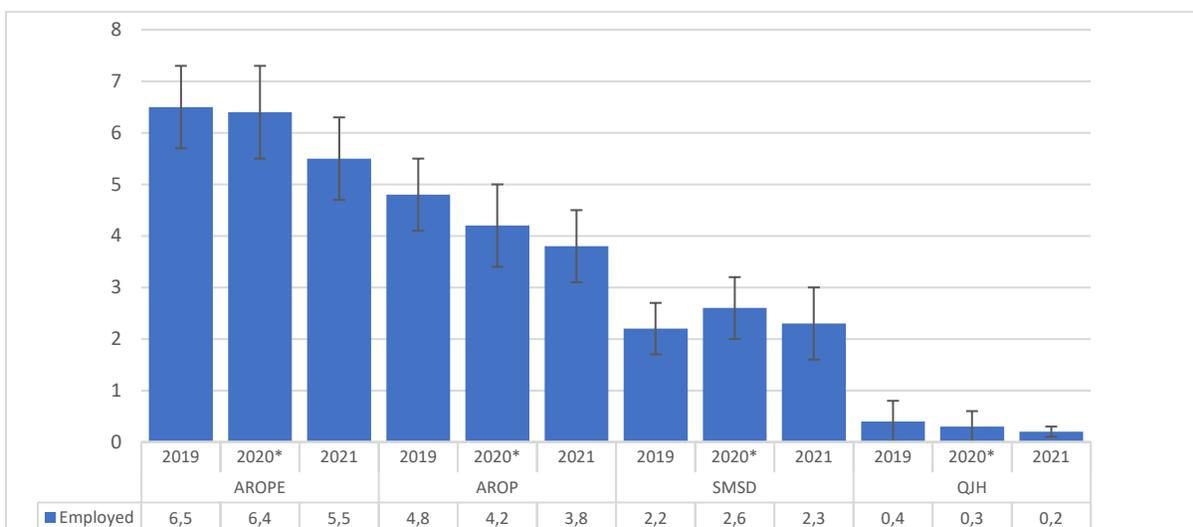
3. THE COVID-19 IMPACT ON THE LABOUR MARKET AND ON THE POVERTY AND SOCIAL INCLUSION TRENDS OF THE EMPLOYED

The COVID-19 crisis has had a strong impact, in particular, on the working population. Mainly at the beginning of the crisis, companies had to stop their activities and a part of the working population found themselves out of work, ending up in a more precarious (financial) situation. Support measures were then taken by the government to mitigate these negative COVID-effects. This section zooms in on the COVID-19 impact on, on the one hand the poverty and social inclusion trends of the employed and, on the other hand on the labour market.

3.1. HOW DID THE IN-WORK-POVERTY RATES EVOLVE DURING THE COVID-19 CRISIS?

Overall, the poverty and social inclusion indicator (AROPE) of the employed decreased in 2021 compared to 2019. Also the different sub indicators, namely the AROP and QJH, show a decreasing trend. Only the share of people who faced severe material and social deprivation (SMSD) was higher in 2021 compared to 2019 (figure 3.1).

Figure 3.1. Trends in poverty and social inclusion: employed, Belgium, 2019-2021 (%)

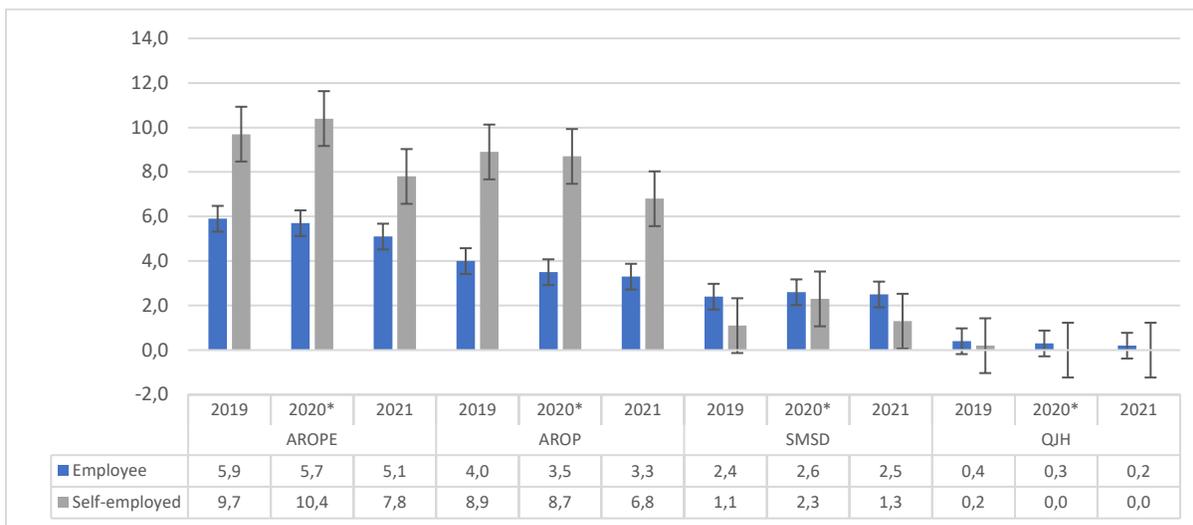


Source: EU-SILC, Statbel.

When we look at the situation of the employees and the self-employed separately, we see the same trend for the different poverty indicators: a decreasing trend in 2021 compared to 2019, except for the SMSD. However, as mentioned in box 4. in chapter 2, the crisis did not affect these two groups equally. Generally, the self-employed were hit harder financially compared to the employees.

Moreover, the AROPE and AROP³⁰ of the self-employed continue to exceed the level of the employees. The same is, however, not true for the SMSD and QJH (figure 3.2).

Figure 3.2. Trends in poverty and social inclusion: employees and self-employed, Belgium, 2019-2021 (%)



Source: EU-SILC, Statbel.

In conclusion, the **COVID-19 crisis did not result in an increase in in-work poverty** even though we know that the crisis has had a large financial and social impact as well as a large impact on the economy and the labour market. So, **how can we explain that the COVID-19 crisis has not led to a general increase in the in-work poverty rate?** In addition, the question arises as to **how the COVID-19 crisis has changed the pre-crisis observation** of an increasing employment rate, but difficult access to the labour market? Next, we will discuss both questions respectively in the following two sections (section 3.2. and section 3.3.).

3.2. WHY HAS COVID NOT LED TO AN OVERALL INCREASE IN IN-WORK POVERTY?³¹

The **social protection and the support measures** taken by the government, which protected people's jobs and compensated their income loss as good as possible, played an important role in preventing the in-work poverty rates from rising significantly during the COVID-19 crisis. In what

³⁰ It should be noted that income from self-employment is more difficult to measure, hence the income based measures for the self-employed should be interpreted with care.

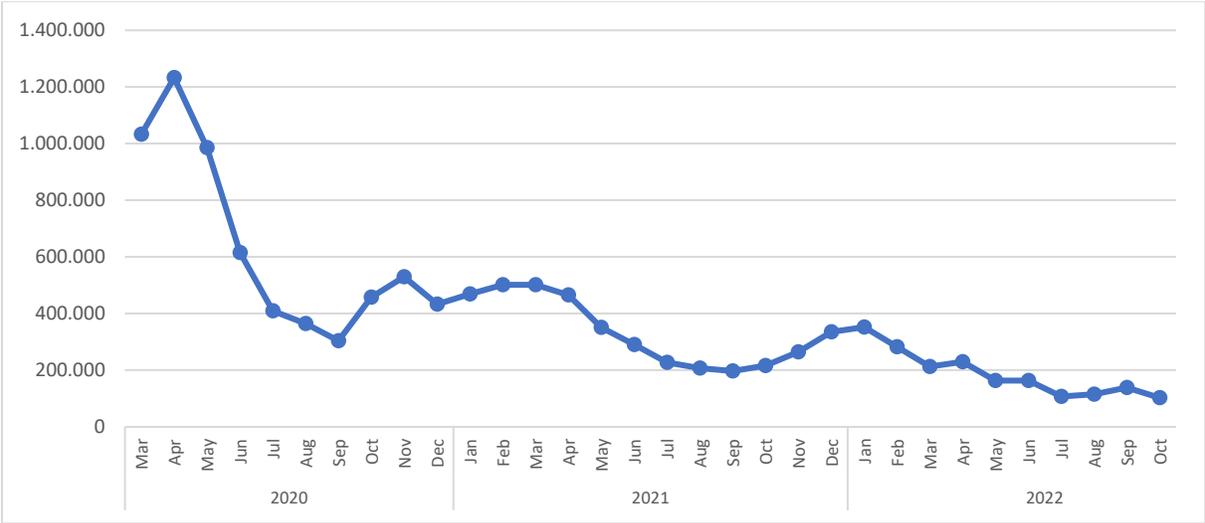
³¹ This part is to a large extent based on the note of the Working Group Social Impact Covid-19 'Monitoring van de gevolgen van Covid-19 op de werkgelegenheid en de sociale bescherming in België' / 'Suivi de l'impact du COVID-19 sur l'emploi et la protection sociale en Belgique'. The WG SIC is a collaboration between the Public Social Security Institutions, the Ministries of Work, Social Integration and Social Security, The Belgian Statistical Institute, the Federal Planning Bureau and the National Bank. For more information, see <https://socialsecurity.belgium.be/nl/sociaal-beleid-mee-vormgeven/sociale-impact-covid-19>.

follows, we discuss in more depth the income replacement measures, the labour market trends, the replacement ratios of COVID specific measures and the adequacy of social protection for the working population.

3.2.1. Income replacement measures: “High dependency on temporally unemployment and bridging rights”

During the COVID-19 crisis, employees could fall back on **temporary unemployment allowances** while the self-employed could receive a **bridging right**, to reduce the financial impact of COVID. When employees were not able to work due to COVID-restrictions and COVID-impact, the temporary unemployment allowance provided them not only income protection, but also job security while the bridging right financially supported the self-employed, specifically those who were severely impacted by the pandemic. Moreover, research had shown that relatively more self-employed individuals were affected by the confinement measures, compared to the employees (Capéau et al. 2022).

Figure 3.3. Evolution of the number of employees in temporary unemployment, Belgium, March 2020 until October 2022



Source: National Employment Office, Working Group Social Impact Covid (WG SIC).

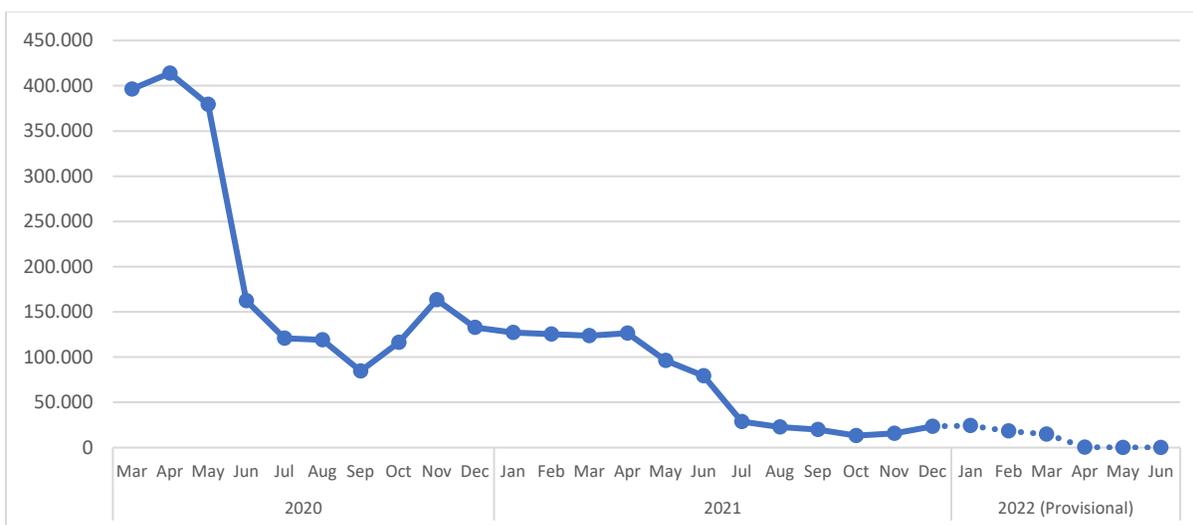
Overall, the number of employees with a temporary unemployment allowance and the number of self-employed with a bridging right have followed the same evolution: the dependency was the highest between March 2020 and May 2020. Thereafter, the numbers started to decrease but increased again in times when COVID-infections flared up and more COVID-restrictions were in place.

On the one hand, the number of employees in temporarily unemployment reached an all-time high during the crisis. In total, roughly 1.367.663 workers received at least one temporary unemployment allowance in 2020, according to the National Employment Office. In 2021, this number dropped to

857.619 (RVA, 2021³²). Figure 3.3 shows the number of employees receiving a temporary unemployment allowance, per month from March 2020 to June 2022. The number peaked at the beginning of the crisis, reaching its highest level at 1.232.841 persons with a temporary unemployment allowance or roughly 700.000 full-time equivalents in April 2020. Since then, the numbers show a general, decreasing trend. Except in the months when the government implemented more restrictions, the numbers increased again, although reaching much lower peaks than at the beginning of the crisis.

On the other hand, a high share of the self-employed appealed to the bridging right, to cope with the crisis. At the start of the crisis, between March 2020 and May 2020, the number of self-employed receiving a bridging right was very high. At the peak in April 2020, there were about 414.000 self-employed who received a bridging right. This is more than half of the total number of self-employed for whom self-employment is the main activity. Thereafter, the numbers started to drop until October 2020, but later increased again due to the second lockdown. From May 2021 onwards, there was a sharp decline in the number of self-employed receiving a bridging right to below 100.000, resulting in a significantly lower level in the months that followed (figure 3.4).

Figure 3.4. Evolution of the number of self-employed receiving a bridging right, Belgium, March 2020 until October 2022³³



Source: RSVZ/INASTI, FOD Sociale Zekerheid/SPF Sécurité Sociale, Social Insurance offices, Working Group Social Impact Covid (WG SIC).

In 2022, COVID-19 plays a less important role but because of the conflict in Ukraine and the high inflation, we arrive in a new crisis situation. Partly due to this conflict in Ukraine, the simplified procedures for temporary unemployment and the bridging right³⁴ have been extended until the end

³² RVA. (2021). *De RVA in 2021. Volume 21: activiteitenverslag*. Retrieved from : [https://www.rva.be/sites/default/files/assets/publications/Rapport Annuel/2021/Rapport annuel NL Vol1.pdf](https://www.rva.be/sites/default/files/assets/publications/Rapport%20Annuel/2021/Rapport%20annuel%20NL%20Vol1.pdf).

³³ The numbers for 2022 regarding the bridging right are still provisional.

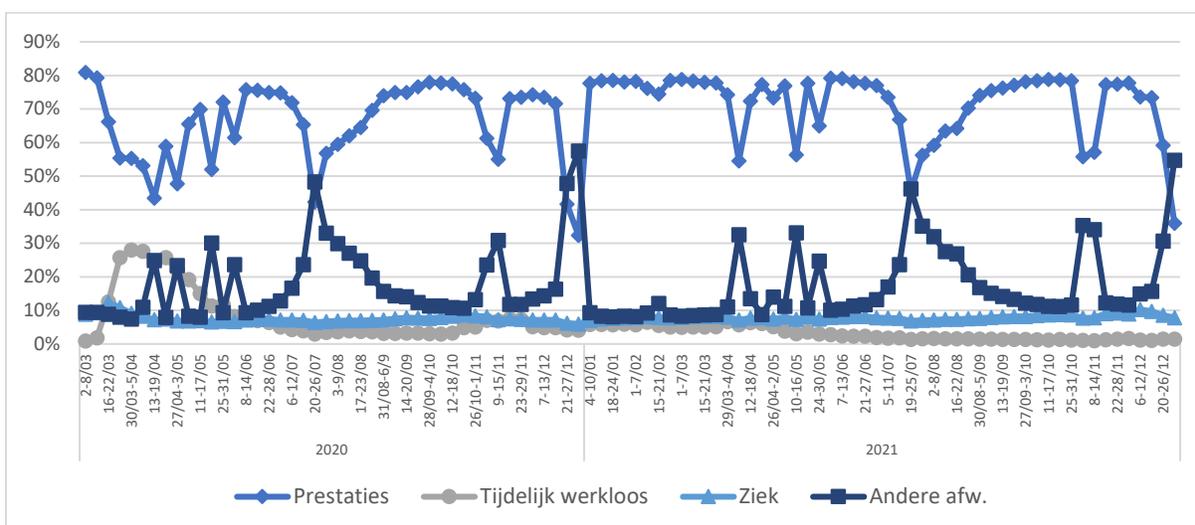
³⁴ Pillar 3 of the bridging right (quarantine and care for a child) has been further extended until 31.12.2022.

of June 2022. However, the level of dependency on these two measures is far below the COVID-peak in 2020. On the one hand, the number of people in temporary unemployment decreases from 352.519 in January to 138.427 in September 2022 (figure 3.3). On the other hand, the number of self-employed receiving a bridging right amounts to, on average, about 19.000 in the first quarter of 2022. Thereafter, the numbers fall significantly to 425 in April and fall even further to below 140 from May onwards (figure 3.4).

3.2.2. Labour market trends: “Relatively positive labour market trends in 2020 and 2021”³⁵

The social protection and the support measures, as discussed above, protected people’s jobs and absorbed the COVID shock on the labour market, explaining **the relative stability in employment**, even though the COVID-19 crisis had **a big impact on the Belgian economy and the labour market**.

Figure 3.5. Weekly presences and absences of employees, Belgium, from March 2020 until December 2021



Source: FPS Employment, Labour and Social Dialogue based on data from Acerta, SD Worx and Securex, Working Group Social Impact Covid (WG SIC).

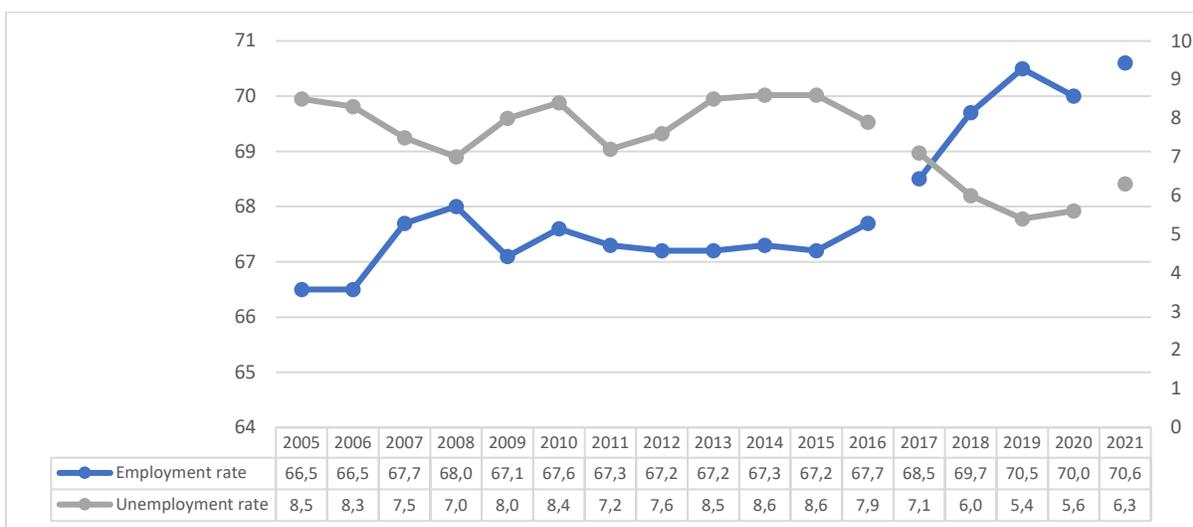
In 2020, the economy contracted by 5,7%, as a result of the decline in real activity in the Belgian economy while in 2021, the economy recovered and GDP grew by 6,1%. Furthermore, the volume of hours worked in the private sector fell to below half of the usual level in the course of March 2020,

³⁵ Caution is needed when comparing and interpreting these LFS-figures due to a change in the ILO-definitions of unemployment and employment, resulting in a break in the data in 2021. From 2021 on, people who have been temporarily unemployed for a period longer than three months are no longer counted among the employed, but among the unemployed or inactive, depending on the answers to the questions on job search and availability. This change in definition will have an impact on the figures of the employment and unemployment rate for 2021.

before falling further to 43,5% during the Easter holidays. After that, the labour volume steadily recovered, with usual setbacks during the school holidays (figure 3.5).

Despite the COVID-19-impact on the labour market, there has been no overall job destruction in the private sector. Figures from the National Social Security Office show that the balance of flows in and out of regular employment statuses in the private sector remained mostly (slightly) positive during the COVID19 crisis. For the self-employed, the significant impact of the COVID-19 crisis did not result in a significant increase in the number of bankruptcies among this group. In the period between March 2020 and December 2021, the number of bankruptcies among the self-employed remained below the level of the same months in 2019. The average monthly number of bankruptcies was 133 in 2020 and 131 in 2021, compared to an average of 182 in 2019. However, there is a general rising trend in the number of monthly bankruptcies among the self-employed since the autumn of 2021, but the level remains below the 2019-level for most months, with the exception of May and June 2022 where we see a stronger increase compared to previous years. The fact that measures such as the temporary unemployment scheme and the bridging right protected people’s jobs is also reflected in **the evolution of the employment and unemployment rate during the two COVID-years** (Figure 3.6). In 2020, the employment rate and unemployment rate remained mostly stable in spite of the significant decline in the economic activity and the number of hours worked. The employment rate decreased from 70.5% in 2019 to 70.0% in 2020 while the unemployment rate increased only slightly from 5.4% in 2019 to 5.6% in 2020. In 2021, the labour market recovered. The employment rate reached its highest recorded level yet at 70.6%, cancelling out any negative effects of COVID. In addition, the unemployment rate amounted to 6.3% in 2021, reaching its highest level since 2017 but still remaining under the peak of 8.6% in 2014 and 2015.

Figure 3.6. Employment (20-64) and unemployment rate (15-64), total, Belgium, 2005-2021 (%)



Source: Labour Force Survey, Eurostat, Statbel. **Note :** break in time series in 2017 and 2021.

In 2022, the labour market and economic activity almost totally recovered from the COVID-19 crisis. However, the conflict in Ukraine is hindering this recovery further because of disrupting supply chains and increasing inflation. In the first quarter of 2022, the situation on the labour market still evolves positively. The employment rate equals to 71,9% in the first quarter and 71,4% in the second quarter, while the unemployment rate increases slightly from 5,4% in the first quarter to 5,7% in the second quarter. Regarding the economic growth in 2022, different forecasts show a limited increase between 2,3% and 2,6%.

3.2.3. Replacement ratios of COVID specific measures: “Generally decent income replacement”

In most cases, **the income support measures provided a decent income replacement**. To get a better idea of the compensation power of these different support measures, we can look at their net income replacement ratios³⁶.

Next, we will discuss the replacement ratio of the temporary unemployment and the bridging right in more depth. Note however that when other, additional income support measures (such as a decrease in the advance tax payment, different federal or regional premiums for the (long-term) temporarily unemployed or the double bridging right for the self-employed) are taken into account, the general income compensation is higher (Derboven et al., 2021; Capéau et al. 2022).

Temporary Unemployment Allowance

According to simulations of the FPS Employment, Labour and Social Dialogue, the net replacement ratios of the temporary unemployment allowance vary between 34,1% and 99,2%, depending on the employment situation, the gross monthly wage and, the household composition. Overall, the net replacement ratio is quite high for very low and low monthly wages and rather low for average and high monthly wages.

For example, for a single person who would in normal circumstances work full-time but is now full-time temporary unemployed, the net replacement ratio is 43,4% for a high monthly wage and 62,5% for an average monthly wage. When the same single person earns a low or a very low monthly wage, this ratio increases to respectively 75,1% and 72,3%.

For a married person with two dependent children, these replacement ratios are lower. For this married person who normally works full-time but is now full-time temporary unemployed, the net replacement ratio amounts to 42,3% for a high monthly wage and 60,4% for an average monthly wage. In the same situation, these percentages increase to 71,9% and 69,7% for respectively a low and a very low monthly wage. (See table 3.1.)

³⁶ The net replacement ratio shows the ratio between the disposable income including a period of temporary unemployment or reliance on a bridging right and the disposable income if the individual continued working during the same period.

Table 3.1. Replacement rates for temporary unemployment benefit corona according to employment status, gross monthly salary (in EUR) and withholding tax rate

For single persons

Replacement ratios for single persons by employment status, gross monthly earnings (in EUR) and amount of withholding tax on wages								
Full-time white-collar worker (40h/week), 50% on temporary unemployment, 50% employed	1625,72 EUR (Guaranteed average minimum monthly income)		2541,31 EUR (67% of the average gross monthly salary)		3793 EUR (Average gross monthly salary)		6334,31 EUR (167% of average gross monthly salary)	
	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%
	88,4%	92,4%	99,2%	105,2%	95,3%	100,3%	83,0%	86,5%
Full-time white-collar worker (40h/week) full on temporary unemployment	1625,72 EUR (Guaranteed average minimum monthly income)		2541,31 EUR (67% of the average gross monthly salary)		3793 EUR (Average gross monthly salary)		6334,31 EUR (167% of average gross monthly salary)	
	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%
	72,3%	83,9%	75,1%	87,2%	62,5%	72,5%	43,4%	50,4%
Half-time white-collar worker (20h/week), fully on temporary unemployment	1625,72 EUR (Guaranteed average minimum monthly income)		2541,31 EUR (67% of the average gross monthly salary)		3793 EUR (Average gross monthly salary)		6334,31 EUR (167% of average gross monthly salary)	
	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%
	69,3%	80,4%	61,0%	70,8%	48,8%	56,6%	35,4%	41,1%
4/5th white-collar worker (32h/week), fully on temporary unemployment	1625,72 EUR (Guaranteed average minimum monthly income)		2541,31 EUR (67% van het gemiddelde brutomaandloon)		3793 EUR (Average gross monthly salary)		6334,31 EUR (167% of average gross monthly salary)	
	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%
	65,8%	76,3%	65,5%	76,0%	55,4%	64,2%	38,7%	44,9%
Two different levels of withholding tax were taken into account when calculating the replacement ratios. Normally, 26.75% withholding tax is deducted from benefits. For benefits for the months May 2020 to December 2020, this deduction was reduced to 15%. The one-off water and energy premium in Flanders was excluded from the calculations.								

For married persons with two dependent children

Replacement ratios for single persons by employment status, gross monthly earnings (in EUR) and amount of withholding tax on wages								
Full-time white-collar worker (40h/week), 50% on temporary unemployment, 50% employed	1625,72 EUR (Guaranteed average minimum monthly income)		2541,31 EUR (67% of the average gross monthly salary)		3793 EUR (Average gross monthly salary)		6334,31 EUR (167% of average gross monthly salary)	
	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%
	85,1%	90,7%	94,7%	100,4%	95,1%	99,9%	83,2%	86,6%
Full-time white-collar worker (40h/week) full on temporary unemployment	1625,72 EUR (Guaranteed average minimum monthly income)		2541,31 EUR (67% of the average gross monthly salary)		3793 EUR (Average gross monthly salary)		6334,31 EUR (167% of average gross monthly salary)	
	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%
	69,7%	80,8%	71,9%	83,5%	60,4%	70,1%	42,3%	49,1%
Half-time white-collar worker (20h/week), fully on temporary unemployment	1625,72 EUR (Guaranteed average minimum monthly income)		2541,31 EUR (67% of the average gross monthly salary)		3793 EUR (Average gross monthly salary)		6334,31 EUR (167% of average gross monthly salary)	
	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%
	69,3%	80,4%	61,3%	71,1%	46,6%	54,0%	34,1%	39,6%
4/5th white-collar worker (32h/week), fully on temporary unemployment	1625,72 EUR (Guaranteed average minimum monthly income)		2541,31 EUR (67% van het gemiddelde brutomaandloon)		3793 EUR (Average gross monthly salary)		6334,31 EUR (167% of average gross monthly salary)	
	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%	Withholding tax of 26,75%	Withholding tax of 15%
	66,3%	76,9%	62,4%	72,4%	53,2%	61,8%	37,7%	43,7%
Two different levels of withholding tax were taken into account when calculating the replacement ratios. Normally, 26.75% withholding tax is deducted from benefits. For benefits for the months May 2020 to December 2020, this deduction was reduced to 15%. The one-off water and energy premium in Flanders was excluded from the calculations.								

Source : FPS Employment, Labour and Social Dialogue, Working Group Social Impact Covid (WG SIC), (FPS SS: translation)

The relatively high replacement rates for temporary unemployment **did not fully protect low wage earners against the impact of the COVID-19-crisis**. For (very) low wages the immediate drop in monthly income, even given the quite high replacement ratios, can still have a significant negative impact on the degree to which these households can make ends meet, especially if there is no financial buffer. This is especially true for **part-time workers** because they start from a lower wage. Consequently, the income loss could be particularly problematic for part-time workers, even more so when their income is the main household income. Last, the **duration of the temporary**

unemployment is important. The longer somebody is temporarily unemployed, the bigger the impact on their income and the income loss (Capéau, et al., 2021).

Given that temporary unemployment leads to income loss, it is important to note that **certain groups were over-represented in temporary unemployment**, both in 2020 and 2021.

First, **some sectors were hit harder** by the crisis and therefore had a relatively higher share of employees in temporary unemployment. Research has shown that indeed, some sectors were more inclined to make use of temporary unemployment compared to others (Vandekerkhove et al., 2022b). There was a higher take-up of temporary unemployment in sectors such as the hotel and catering industry, the cultural, event, and amusement sector and the travel sector (e.g. air traffic and travel agencies), during the first lockdown and to a lesser extent during the second lockdown in 2020 (Vandekerkhove et al., 2022a). Especially these sectors had to deal with far-reaching federal measures, like mandatory closure, which explains their high share of temporary unemployed employees.

Second, the **profile characteristics** of the temporarily unemployed indicate that **certain groups were over-represented in temporary unemployment**. The low-skilled, people with foreign nationality, and people with low average to low wages were overrepresented in temporary unemployment, both in 2020 and 2021. Overall, persons with a more vulnerable labour market profile were more often and longer temporarily unemployed during the COVID-19 crisis.

Third, there are some, **more flexible types of employment**, including temporary work, extra's, flexi's and, student jobs, that might have had no, limited or difficult access to temporary unemployment benefits, although the COVID-19 pandemic also impacted these types of employment. According to Vandekerkhove et al. (2022a), workers in flexible work regimes are partially excluded from temporary unemployment and, in many cases, even lost their jobs during the first two lockdowns. Moreover, the more a company employs temporary and/or student workers, the less the need to rely on temporary unemployment during the first two lockdown periods (Vandekerkhove et al., 2022b). Reducing the number of flexible workers is namely a way for employers to reduce their number of employees to cope with the crisis, besides temporary unemployment (Vandekerkhove et al., 2022a). This explains the significant drop in interim work, student work and other flexible employment types during the first COVID wave and to a lesser extent during the second wave. This means that for this type of workers the access to both the labour market and social protection has been severely limited during the crisis.

Bridging Right

According to a simulation done by the Belgian Federal Planning Bureau, the net replacement ratio of a bridging right for the self-employed on an annual basis is between 37,1% and 99,1% depending on the household composition, the income level and the duration of the dependency on the bridging right. Overall, the net replacement ratio is quite high for low incomes and (slightly) lower for high incomes. Moreover, the longer a self-employed relies on a bridging right, the bigger the impact on his/her/their income. For one month, the net replacement ratio is at least 94,7%, regardless of the income level or household composition. For three months, the impact remains limited, however, we

see slight differences in the ratios between family types and income levels. In this scenario, the impact is greater for singles than for couples³⁷. For singles without children, the replacement ratio falls to 84,1% and for singles with children to 87,8%, both for high incomes. The replacement ratio for couples equals to 91,1% without children and 92,4% with children, also for high incomes. For the other income levels, the replacement ratios are higher. For a period of 12 months, the impact on the disposable income would be considerable, especially for singles and families without children with higher incomes. For low incomes, the replacement ratio varies between 73,7% and 94,4%, depending on the family situation. For higher incomes, this is between 37,1% (singles with a high income) and 70.1% (couples with 2 children and a high income) (See table 3.2.).

Table 3.2. Net replacement rate according to family type and level of income with bridging right for a self-employed person (% comparison with baseline, calculated with parameters valid on 1 January 2020)

For single persons without children and with two dependent children			
LEVEL OF INCOME	67% AVERAGE GROSS INCOME	AVERAGE GROSS INCOME	167% AVERAGE GROSS INCOME
	Single person without children		
1 MONTH	97,8	96,2	94,7
2 MONTHS	95,6	92,5	89,4
3 MONTHS	93,4	89	84,1
12 MONTHS	73,7	56,1	37,1
	Single, two children		
1 MONTH	99,1	97,9	95,8
2 MONTHS	98,1	95,8	91,6
3 MONTHS	97,2	93,6	87,8
12 MONTHS	88,2	76,3	54,2
For married couples without children and with two dependent children			
LEVEL OF INCOME	67% AVERAGE GROSS INCOME	AVERAGE GROSS INCOME	167% AVERAGE GROSS INCOME
	Couple without children		
1 MONTH	99,1	98,3	97,1
2 MONTHS	98,3	96,5	94,1
3 MONTHS	97,4	95	91,1
12 MONTHS	89,8	80,1	64,8
	Couple, 2 children		
1 MONTH	99,6	98,7	97,5
2 MONTHS	99,1	97,4	94,9
3 MONTHS	98,7	96,1	92,4
12 MONTHS	94,4	85,2	70,1

Source : Federal Planning Bureau (FPS SS: translation)

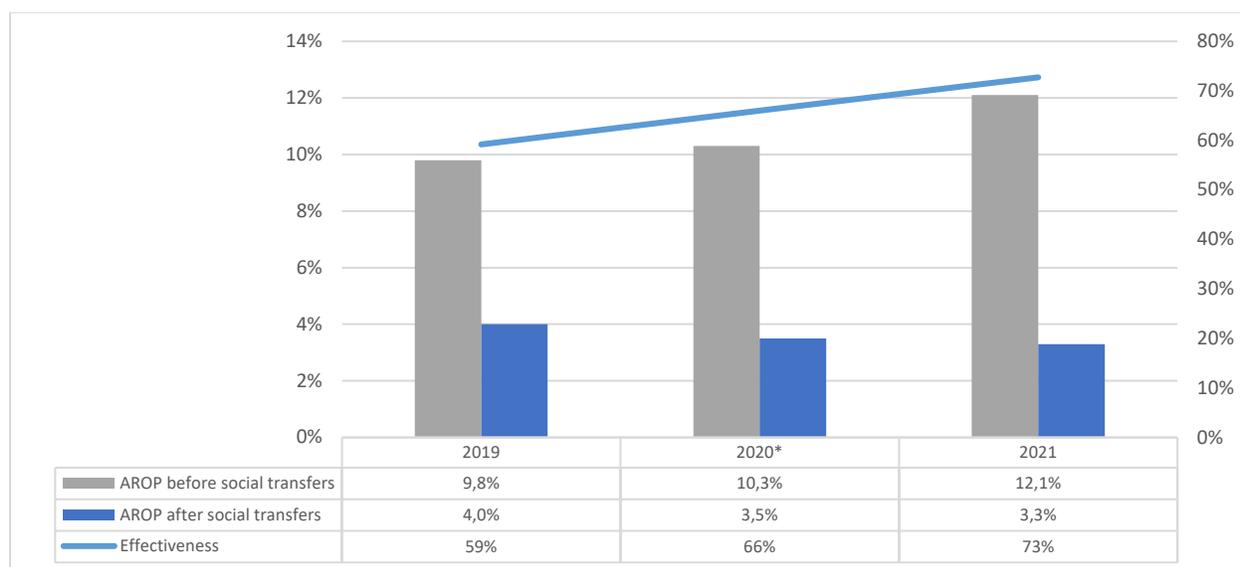
³⁷ It should be noted that the results for couples are results in which it is assumed that the second partner is working on an average income and is not experiencing any loss of income as a result of the COVID-19 crisis.

Even though the bridging right generally ensured a proper income replacement, this was not always the case, especially when the **income level was high** (Capéau et al. 2022) and **the duration of the dependency was long**. Consequently, **the income protection effectiveness** in these cases, **decreases significantly resulting in**, among other things, **a decrease in the median income for the self-employed** by 20% in 2021 compared to 2020 (Statbel, 2022).

3.2.4. Adequacy of social protection: “Overall effective income protection for working people during the COVID-crisis”

The importance of social protection for the employed during the COVID-19 crisis is reflected in the **increase of the adequacy of social transfers**³⁸. The general increase in the AROP before social transfers in 2021 compared to 2019, probably reflects the negative impact on the household income losses suffered by many employees and self-employed due to the COVID-19 crisis. However, the poverty risk after social transfers decreased in 2021 which means that the effectiveness of social transfers to protect the employed against financial poverty, increased (figures 3.7 and 3.8.).

Figure 3.7. At-risk-of-poverty (AROP) before and after social transfers (excl. pensions) for the employees, Belgium, 2019-2021 (%)



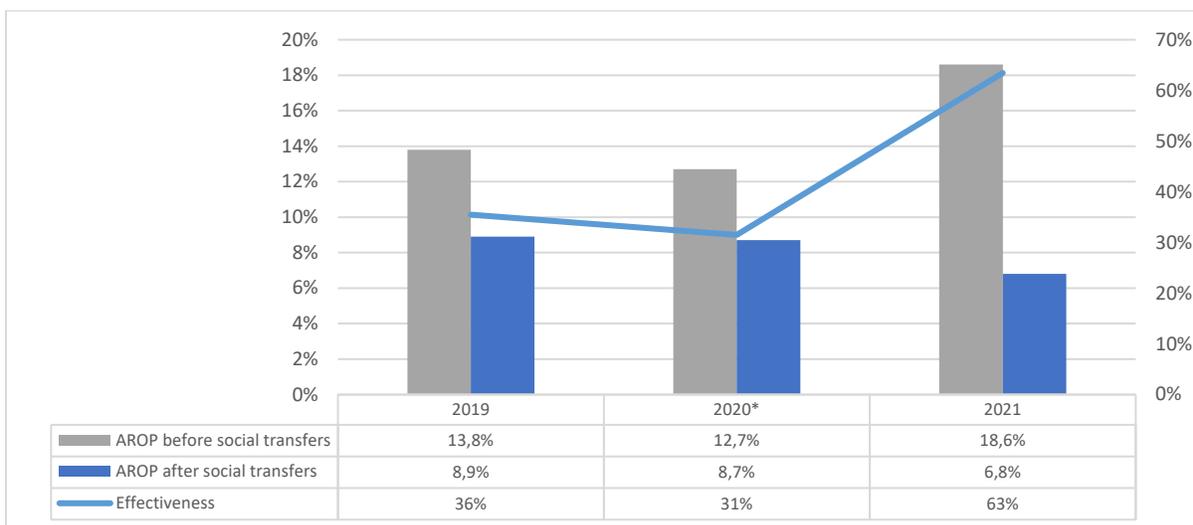
Source : EU-SILC, Statbel, FPS SS.

In 2021, social transfers reduced the at-risk-of-poverty rate from 12% to 3% for the employees and from 19% to 7% for the self-employed. This is equal to a reduction by respectively 73% (versus 59% in 2019) and 63% (versus 36% in 2019) (figures 3.7 and 3.8.). So, the increase in effectiveness of the

³⁸ We measure the adequacy of social protection by comparing the AROP before and after social transfers where the AROP before transfers is the level of poverty in the (hypothetical) case where social transfers would be deducted from the household income.

social transfers is in particular noticeable in the case of the self-employed. The post-transfer at-risk-of-poverty-rate remains, however, higher among the self-employed compared to the employees in 2021 with a difference of 3,6 percentage point.

Figure 3.8. At-risk-of-poverty (AROP) before and after social transfers (excl. pensions) for the self-employed, Belgium, 2019-2021 (%)



Source: EU-SILC, Statbel, FPS SS.

Linking back to the main question of this section, we can conclude that **because of the government efforts to keep people in the labour market and to compensate them as best as possible for their loss of income, the COVID-19 crisis has not led to an overall increase in in-work poverty.** These measures ensured relative stability in employment and in many cases proper income replacement, but not always (e.g. a lower median income for the self-employed in 2021 compared to 2019) (Statbel, 2022). Despite occasional gaps in income protection, we note that the government has succeeded in strengthening the overall effectiveness of social protection for workers in the midst of the COVID-19 crisis.

3.3. HAS THE COVID-19 CRISIS CHANGED THE PRE-CRISIS OBSERVATION OF INCREASING EMPLOYMENT RATE BUT DIFFICULT ACCESS TO THE LABOUR MARKET?

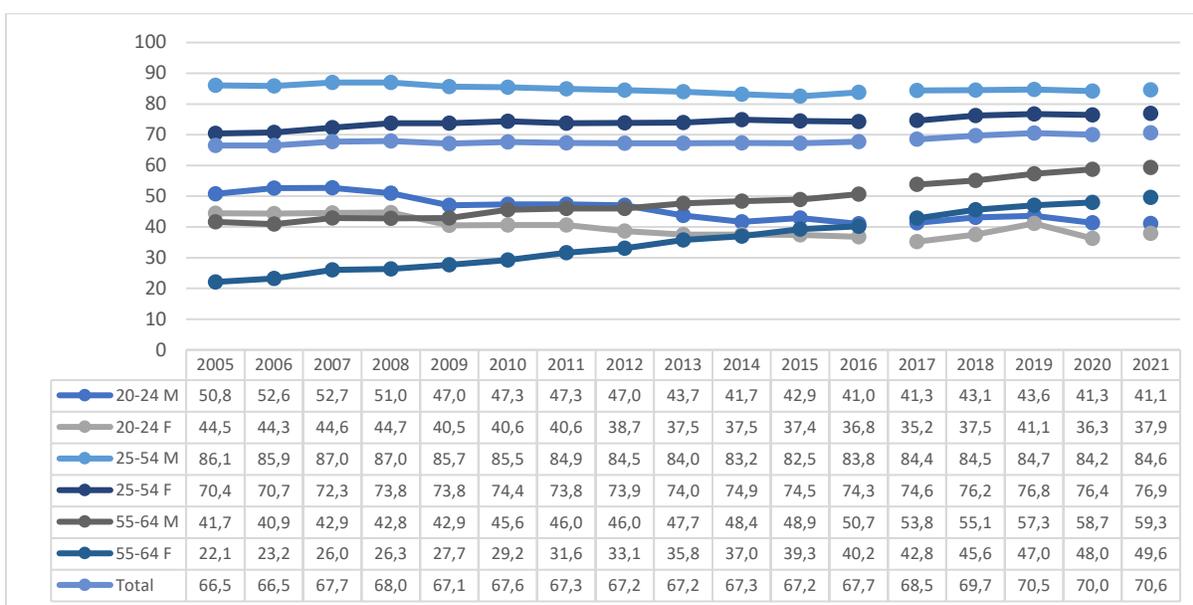
Previous monitoring reports consistently pointed to an overall increasing **employment rate**. The COVID-19 crisis caused a **short and limited setback** (- 0.5 percent point) **in 2020**. But **the increasing pre-COVID trend, continued in 2021**, resulting in the highest recorded employment rate yet (70,6%), still keeping in mind the break in series in 2021.

The **employment rate by age and gender reflect the general trends**, with the exception of the employment rate of the older workers. On the one hand, the employment rate slightly decreased in

2020 for younger (20-24) and prime age workers (25-54), and for both the genders. In 2021, the employment rate for these different groups is again higher compared to 2020, except for younger men.

On the other hand, the employment rate of those aged 55-64 did not decrease in 2020 nor in 2021, reaching its highest level yet (54,5%) in 2021 (Figure A.8. in annex). Remember that the 2030 target is set at 68,8% (as seen in table 1 in the introduction of this report). With this, **the employment rate for the elderly continued the increasing pre-COVID trend in 2020 and 2021**. If there has been a steady increase in the employment rate of older workers (55-64), the rate at the European level remains higher than the Belgian level for the total population. Looking at the Belgian employment rates for workers aged 55-64, we notice that it is still much higher for men (59,3% in 2021) than for women (49,6%). This gap, although decreasing since 2005, is larger in this age group than in the total population.

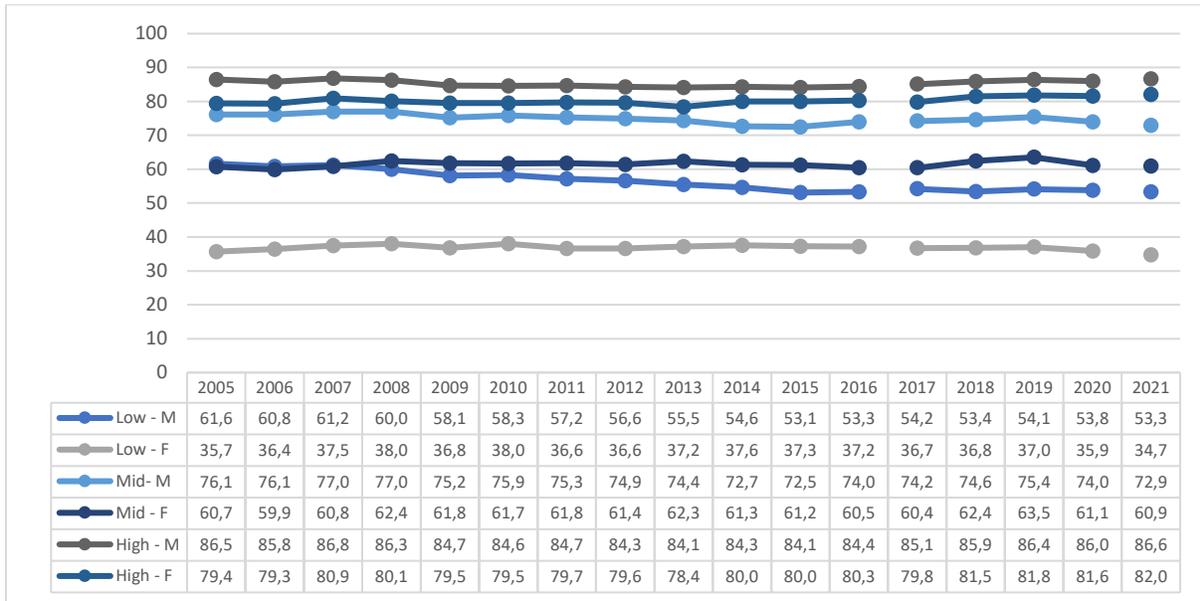
Figure 3.9. Employment rates (20-64) by age and gender, total and specific age categories, Belgium, 2005-2021 (%)



Source: Labour Force Survey, Eurostat, Statbel. **Note :** break in time series in 2017 and 2021.

What has also remained unchanged is **the unfavourable labour market situation of persons with a low educational attainment**. The employment rate of persons with a low and middle educational attainment decreased in both 2020 and 2021. Especially for low and middle educated women, the decrease in their employment rate is significant. On the contrary, the employment rate for those with a high educational attainment increased again in 2021 after a decline in 2020. Moreover, the employment rate of high educated women (82,0%) reached its highest level yet in 2021, while the employment rate for low educated women (34,7%) reached its absolute low in 2021, for the observed period.

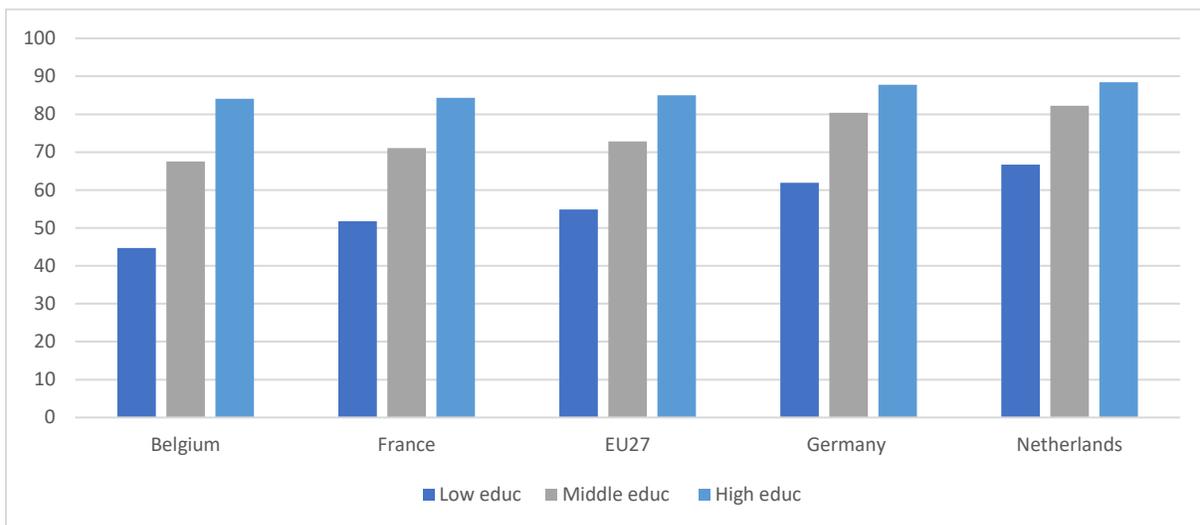
Figure 3.10. Employment rates (20-64) by educational attainment and gender, Belgium, 2005-2021 (%)



Source: Labour Force Survey, Eurostat, Statbel. **Note :** break in time series in 2017 and 2021.

Also in an international perspective, we see that the employment rate of the low educated is still far below the EU27 level and the level of the neighbouring countries in 2021. By contrast, the employment rate for persons with a high educational attainment is only slightly below the EU average (84,1% vs 85,0%) in 2021 (Figure 3.11.).

Figure 3.11. Employment rates (20-64) by educational attainment level, Belgium, EU27 and neighbouring countries, 2021 (%)



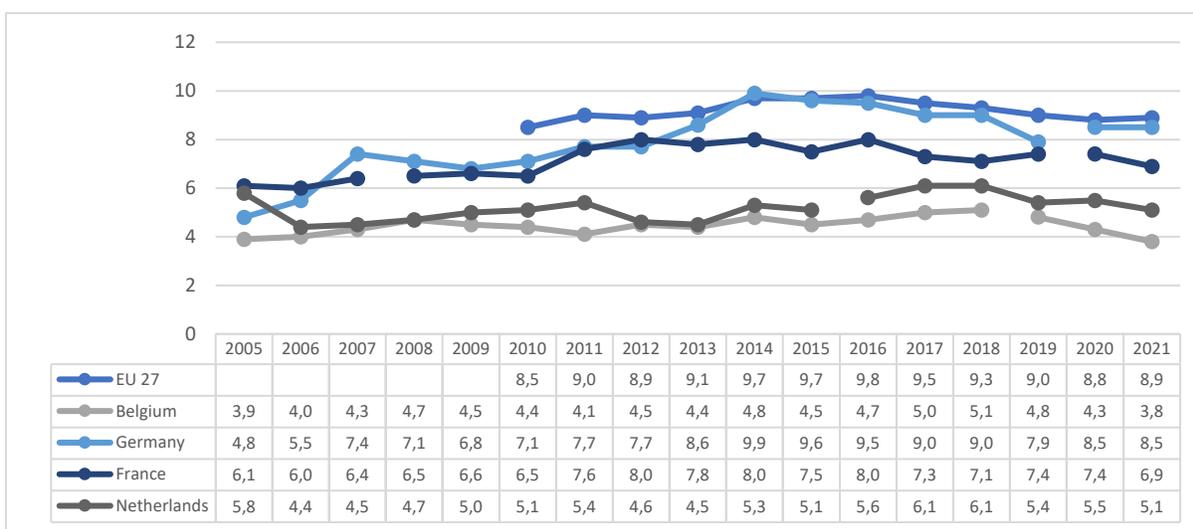
Source: Labour Force Survey, Eurostat, Statbel.

Moreover, relatively low employment rates reflect a difficult access to employment in Belgium for other specific groups as well, like persons with a migrant background (40,1% in 2020 and 43,3% in 2021 for non-EU 27 migrants) or persons with a disability (26,0% in 2020³⁹ and 23% in 2021⁴⁰).

Similarly to the previous monitoring rapport, we can conclude that even though the for Belgium high employment rates resulted in a decrease of the number of persons in a jobless household (although less so during the COVID crisis compared to before), **the level of (quasi-)joblessness remains among the highest in the EU** (see also chapter 2. (e.g. figures 2.2 and 2.13)) and the employment rate of persons with a low educational attainment remains stable at a low level. **Access to the labour market thus remains a key problematic issue.**

Finally, we have to mention, as in the previous rapport, that the in-work poverty rate for Belgium is considerably below the EU-average and below the rate of its neighbouring countries. It increased very slightly between 2013 (4,4%) and 2018 (5,1%). Thereafter it decreased to 3,8% in 2021, which remains low compared to other countries (see figure 3.12).

Figure 3.12. In work poverty (18-64), Belgium and its neighbouring countries (%)



Source: EU-SILC, Eurostat, Statbel. **Note :** break in time series in 2019 for Belgium ; in 2016 for the Netherlands ; in 2020 for Germany and in 2008 and 2020 for France.

³⁹ This employment rate is the employment rate for persons with a disability aged 15 to 64. For comparison the employment rate of the total population aged 15 to 64 equals 64,8% in 2020.
Source: Statbel (2021) retrieved from: <https://statbel.fgov.be/nl/nieuws/3-december-internationale-dag-van-personen-met-een-handicap-0>.

⁴⁰ Source: Statbel (2022) retrieved from: <https://statbel.fgov.be/nl/nieuws/3-december-internationale-dag-van-personen-met-een-handicap-1>

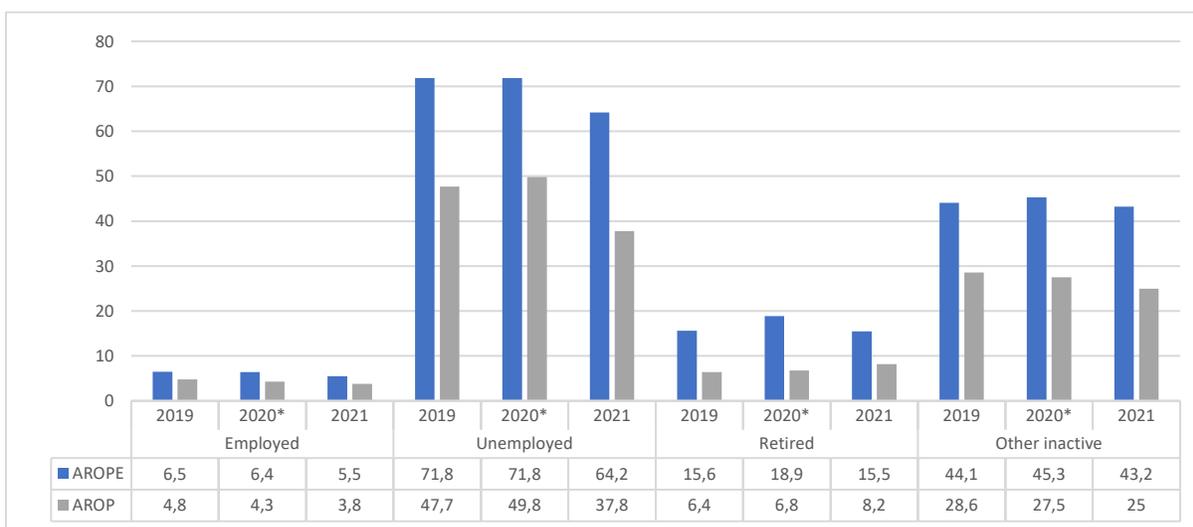
4. THE COVID19 IMPACT ON THE POVERTY AND SOCIAL INCLUSION TRENDS OF THE UNEMPLOYED, PENSIONERS AND OTHER INACTIVE

The previous chapter discussed the recent evolutions on the labour market and the risk of poverty and social exclusion of the employed. In this chapter, we look at **current trends among the unemployed, retired and other inactive**. The chapter starts with an analysis of their risk of poverty and social exclusion (section 2.1), then we look at recent policy measures for this group and their impact on the adequacy of social protection (section 2.2). Section 2.3 outlines the evolution of benefit dependency. In a final section, we look at the impact of the above trends on social spending.

4.1. POVERTY AND SOCIAL INCLUSION

The risk of poverty and social exclusion is much higher among the non-employed than among the employed. The AROPE indicator according to EU-SILC 2021 (incomes 2020) is 5,5% for the employed, as much as 64,2% for the unemployed, 15,5% for the retired, and 43,2% for the other inactive. But the trends since EU-SILC 2019 (reference year for the 2030 target) often go in the same direction: downward (Figure 4.1).

Figure 4.1 AROPE and AROP trends: employed, unemployed, retired and other inactive, Belgium, 2019-2021, (%)



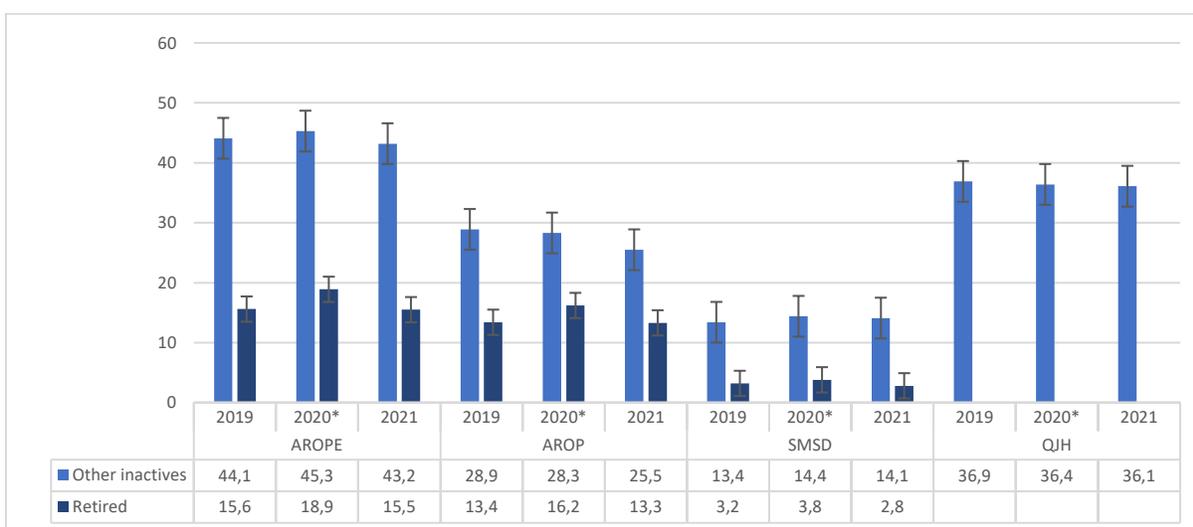
Source: Statbel (AROPE) and EU-SILC, Eurostat, Statbel (AROP).

The poverty risk fell most sharply among the unemployed. The AROPE indicator decreases from 71,8% in EU-SILC 2019 to 64,2% in EU-SILC 2021 for this group. This is mainly a consequence of the **changed profile of the unemployed population during the pandemic**. Due to the huge influx of temporary unemployed, the unemployed population at the time of the COVID crisis consisted less of

persons living in precarious circumstances than otherwise.⁴¹ But despite this, the poverty risk in this group remains very high. And it is expected to increase again after the pandemic along with the re-entry of many temporary unemployed into the labour market.

At first glance, the AROPE indicator for the retired makes strange jumps. In EU-SILC 2020, the AROPE was suddenly a lot higher than in 2019; in 2021, it is back to about the same level as in 2019. The Study Committee on Ageing mentions some methodological measures that have been taken to mitigate the consequences of the pandemic and that may have affected the 2020 result for the elderly (and maybe even the following years given the panel design of the sample) (e.g. a change from face-to-face interviews to interviews by telephone, or a bias in the realised sample due to the (un)availability of certain households). In recent years, the government has invested strongly in the welfare stability of minimum pensions. In this light, the result for EU-SILC 2021 is very surprising: it suggests that the at-risk-of-poverty among the elderly is again higher than in the total population (13,3% vs 12,7%): this has not been the case since 2013.

Figure 4.2 Trends in poverty and social inclusion: retired and other inactive, Belgium, 2019-2021 (%)



Source: Statbel.

The recent trend for the other inactive is in line with the trends for the employed and unemployed. The AROPE indicator fell slightly, from 44,1% in EU-SILC 2019 to 43,2% in EU-SILC 2021. This is due to the decreasing share of quasi jobless households (from 36,9% to 36,1%), but mainly to the substantive drop in the at-risk-of-poverty rate (from 28,9% to 25,5%). There is however no improvement in the rate of severe material and social deprivation (which remains around 14%).

⁴¹ Statbel (19/09/2022). *Risico op armoede of sociale uitsluiting. Cijfers: SILC-indicatoren 2019-2021*. Available in [Dutch](#), [French](#) or [English](#).

4.2. ADEQUACY OF SOCIAL PROTECTION

An important factor in the decline of the at-risk-of-poverty among non-employed has been the **increase in minimum benefits in recent years**⁴². Figure 4.3 shows a gradual but **continuous improvement in the efficiency of social minima since 2018**. This is partly due to the increases in minimum benefits, and partly to the slow growth of median income and thus the poverty risk threshold. In 2021 in particular, median income stagnated while minimum income protection improved.

The increase in minimum benefits that started in 2019 (see our previous report) continued in 2021. On 1 January 2021 (and 2022), social assistance benefit amounts and income support for disabled persons increased by 2,68%, the minimum income guarantee for the elderly by 2,58% and the unemployment insurance minimum by 1,12%. These increases follow the government decision to raise these minima by 10,75% in the period 2021- 2024 (for the minimum pension with a full career even up to 1.500 euros per month). At the same time, the minimum sickness benefit was extended: in 2021, the minimum benefit applies from the 5th month of incapacity for work (previously from the 7th month); from 2022 onwards, the minimum benefit applies from the 4th month of incapacity for work.

On 1 June 2021, the minimums were raised as a result of the distribution of the ‘welfare envelope’, a budget that intends to keep benefit amounts up with the welfare evolution. In addition, in September 2021, social benefits have been indexed by 2% as a result of the price evolution (also in January, March, May and August 2022).

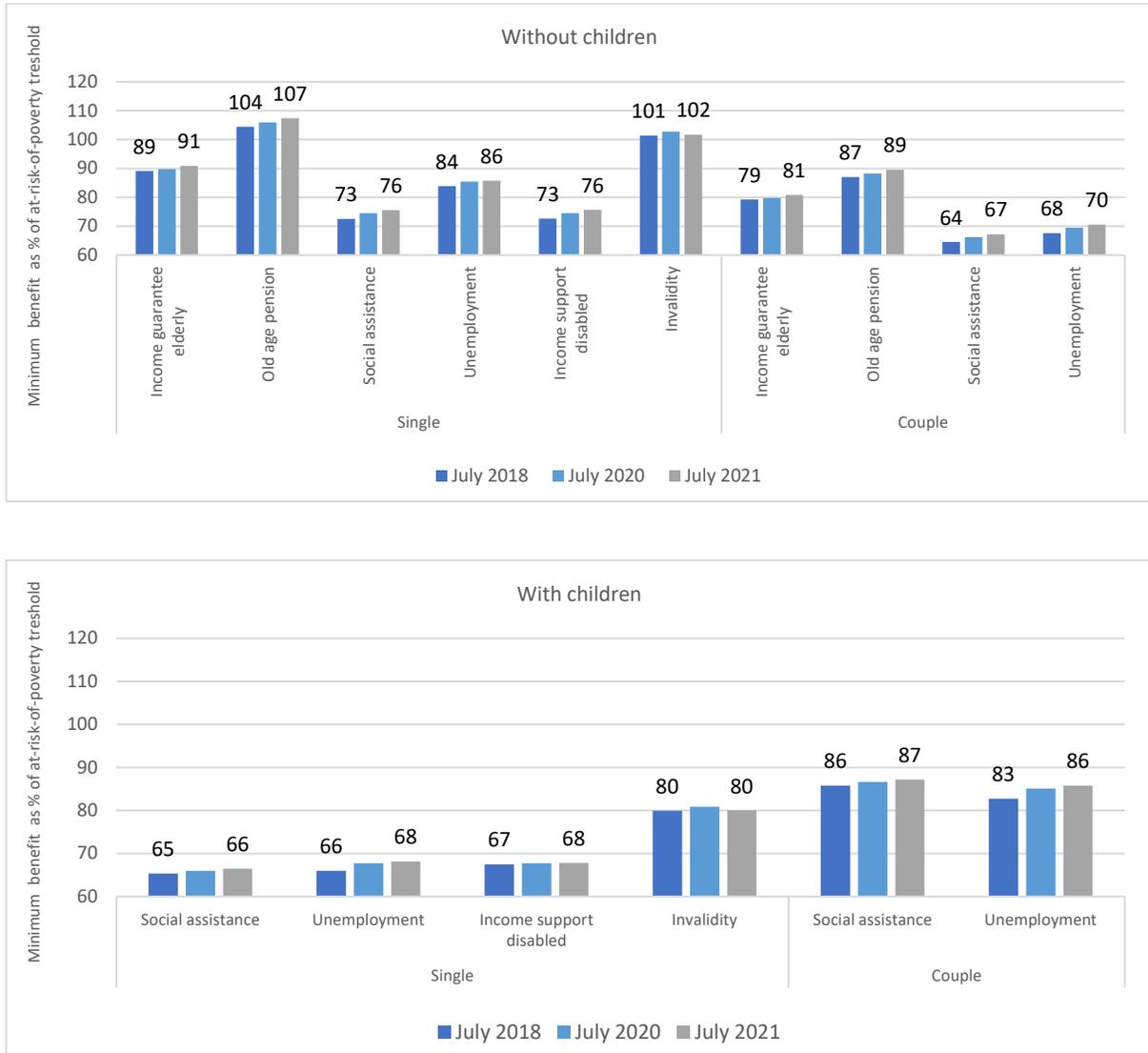
Together **these increases significantly improved the adequacy of social protection**. This is reflected in the ratio of net minimum benefits to the at-risk-of-poverty threshold. The minimum old age pension for a single worker with a full career is estimated to increase from 106% to 107% of the at-risk-of-poverty threshold between July 2020 and July 2021 (see Figure 4.3). The income guarantee for elderly is expected to increase from 90% to 91% of the at-risk-of-poverty threshold for a single person; the social assistance benefit from 75% to 76%. In invalidity insurance, the minima for single person households did not increase sufficiently to keep up with the poverty line, however the right to minimum sickness benefit was extended (see above). The net household incomes of families with children living on minimum benefits have generally increased less rapidly than those for families without children. The largest increases here are found in unemployment.

Despite these increases, most minimum benefits are still well below the poverty threshold. For single parents with 2 young children, income support and minimum unemployment benefits do

⁴² Most minimum benefits are below the poverty line; increases in these minima therefore impact the poverty gap rather than the poverty risk. An impact on the poverty risk is mainly expected from benefit recipients for whom the social minimum is not the only household income, e.g. the welfare recipients who form a household with persons whose means of existence are not taken into account in the calculation of the welfare benefit (e.g. the income of ascendants and descendants are not taken into account for the calculation of the income guarantee for elderly). In social security, the greatest impact is expected on cohabitants and, specifically in the pension sector, on those with incomplete careers.

not even reach 70% of the poverty threshold. Only for single persons with a pension or invalidity benefit are the minimums high enough to lift them above the poverty threshold.

Figure 4.3 Minimum social protection benefits in % of at-risk-of-poverty threshold, for hypothetical households without and with children, Belgium, 2018-2021⁴³



Source: FPS Social Security.

⁴³ The nominator refers to the net household income of benefit recipients, including holiday payments, family allowances, social benefits and personal income taxes, but excluding the monthly corona premium received by benefit recipients in the period July 2020-December 2021. The poverty line for year t is calculated as 60% of the median standardised income according to EU-SILC in year t+1. For 2021, the poverty line is estimated on the basis of EU-SILC 2021 (income 2020) and the HCPI (Harmonised Index of Consumer Prices) as published by Eurostat. Because of this estimate, caution is needed when interpreting the evolution since 2020. The calculation for families with children assumes children aged 2 and 6.

Box 9. Crisis measures aimed at families in precarious living conditions

The text above focuses on the effect of structural increases of minimum benefits since 2018. **In response to the health crisis, a number of additional temporary measures have been taken to strengthen the purchasing power of families in a precarious income situation.** The crisis package of the federal government included the following measures:

- The introduction of an additional monthly benefit amount for recipients of income support (i.e. social assistance, income guarantee for the elderly and income support for the disabled). This benefit amounted to 50 euros from July 2020 to September 2021 and 25 euros from October 2021 to December 2021.
- In addition to extending the right to temporary unemployment (see section 3.2.3 chapter 3), temporary unemployment benefits were raised from 65% to 70% of the previous wage and additional premiums were provided for the long-term temporarily unemployed.
- The degressivity of unemployment benefits was frozen from April 2020 to September 2021, as was the duration of the specific unemployment benefit for school-leavers (the so-called integration allowance).

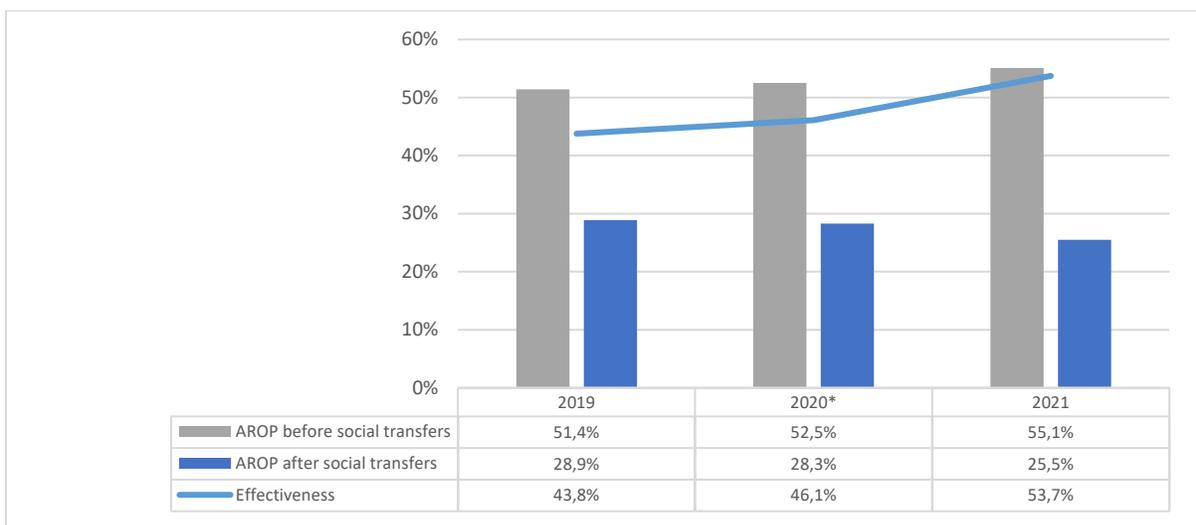
In addition, in 2021, a number of cost-cutting measures were in place that did not so much affect the at-risk-of-poverty rate, but did reduce the likelihood of severe material and social deprivation (for a complete overview, see <https://www.armoedebestrijding.be/themas/covid-19/>)

- To combat energy poverty, the target population eligible for a social tariff for gas and electricity has been significantly widened since February 2021. In addition, the regional authorities took measures to help low-income families with their water and energy bills.
- At the federal level, a scheme for payment deferral for people with a mortgage loan was developed. At the regional level, rent reductions in social housing were provided.
- Both the federal and regional governments increased the budgets available for food aid.

The more adequate minima are reflected in the increase of the adequacy of social protection as measured by comparing the post-transfer poverty risk with the pre-transfer risk (see Figure 4.4). Given that the at-risk-of-poverty figures for the unemployed and retired are difficult to interpret (see Section 4.1), we focus here on the other inactive. While the post-transfer poverty risk for this target group decreased over the past two years, the pre-transfer poverty risk increased. The pre-transfer poverty risk is the level of poverty in the (hypothetical) case where social protection benefits would be deducted from the household income.

The increase in pre-transfer poverty suggests a negative impact of the COVID-crisis on the household income of inactive persons. However, the poverty risk after social transfers decreased which means that the effectiveness of social transfers increased. In EU-SILC 2021 (incomes 2020), social benefits reduced the at-risk-of-poverty rate from 55% to 25%, i.e. a reduction by 54% (versus 44% in EU-SILC 2019).

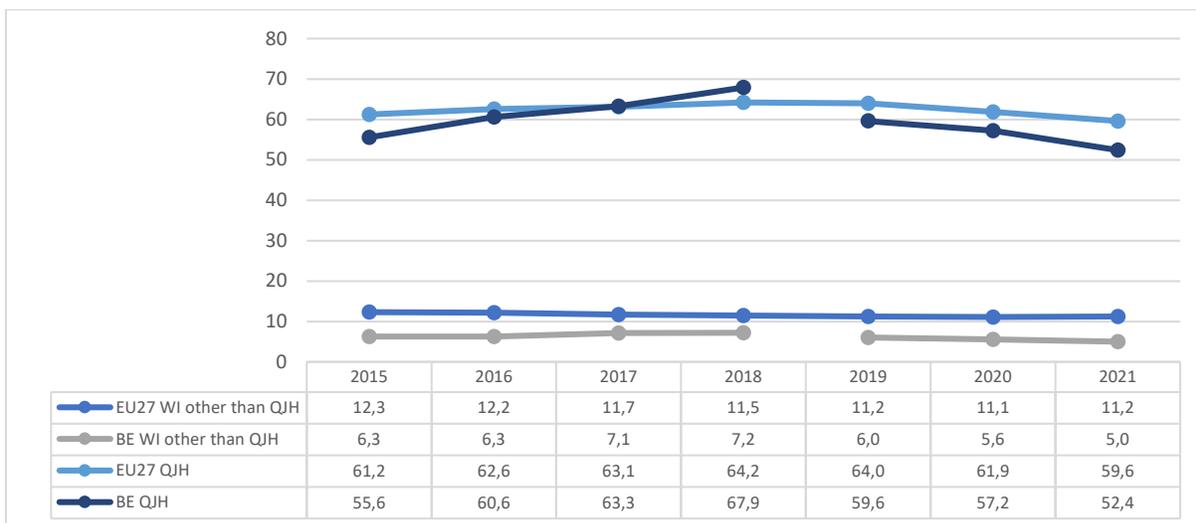
Figure 4.4 At-risk-of-poverty (AROP) before and after social transfers (excl. pensions) for the other inactive, Belgium, 2019-2021 (%)



Source: Statbel.

Finally, the improved adequacy of social protection is also evidenced by **the decreasing at-risk-of-poverty rate of persons in quasi-jobless households** (Figure 4.5). Their at-risk-of-poverty rate fell from 59,6% in EU-SILC 2019 to 52,4% in EU-SILC 2021.

Figure 4.5 At-risk-of-poverty (AROP) by work intensity (18-64), Belgium and EU27, 2015-2021 (%)



Source: EU-SILC, Eurostat, Statbel. Note: break in time series for Belgium in 2019.

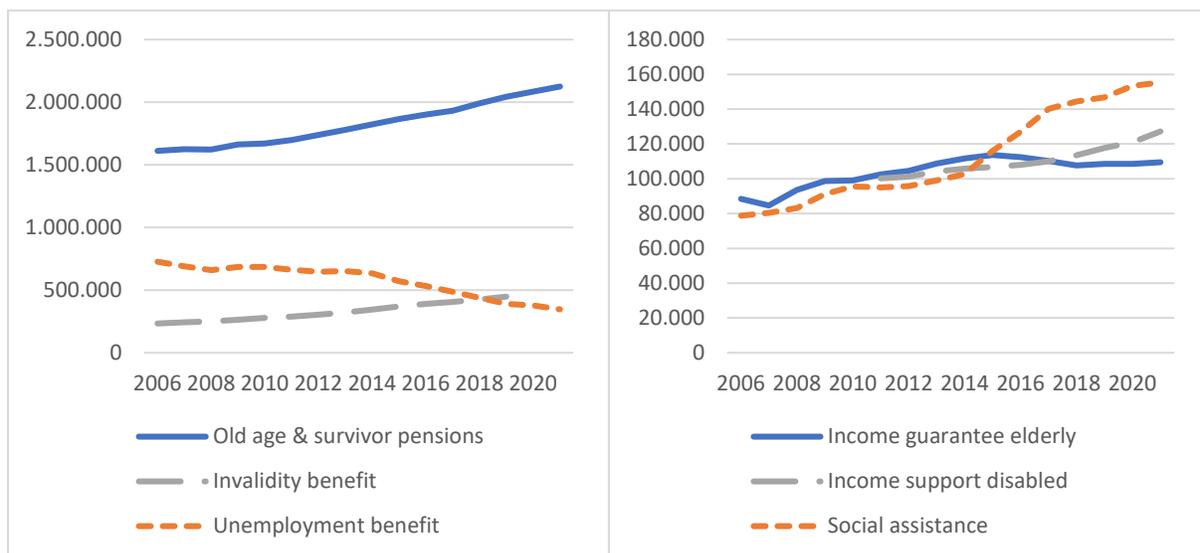
At the EU27 level, one can observe a similar trend. The difference between the at-risk-of-poverty rate of persons in quasi-jobless households and households with higher work intensity is narrowing, although the gap remains immense (in Belgium 52,4% versus 5,0%). This trend contrasts sharply

with the trend before 2019. Between EU-SILC 2015 and EU-SILC 2018, the poverty risk of persons in quasi-jobless households increased from 55,6% to 67,9%, while it remained more or less constant for higher work intensities (refer to box 1). It should be noted however that the at-risk-of-poverty rate for children in (quasi-)jobless households remains above the EU-rate for this group, pointing to effectiveness issues for this category.

4.3. BENEFIT DEPENDENCY

The above trends take place against a background of **increasing benefit dependency**. Increasing benefit dependency is a **structural** fact in the last decade in Belgium. Since 2011, the number of beneficiaries of income support (social assistance, income guarantee for the elderly and income support for the disabled) has increased by 32%.

Figure 4.6 Trends in benefit dependency: number of beneficiaries, 2006-2021, Belgium



Source: National Employment Office (unemployment), National Institute for Health and Disability Insurance (invalidity), Federal public service for Social Integration (social assistance), FPS Social Security (other)

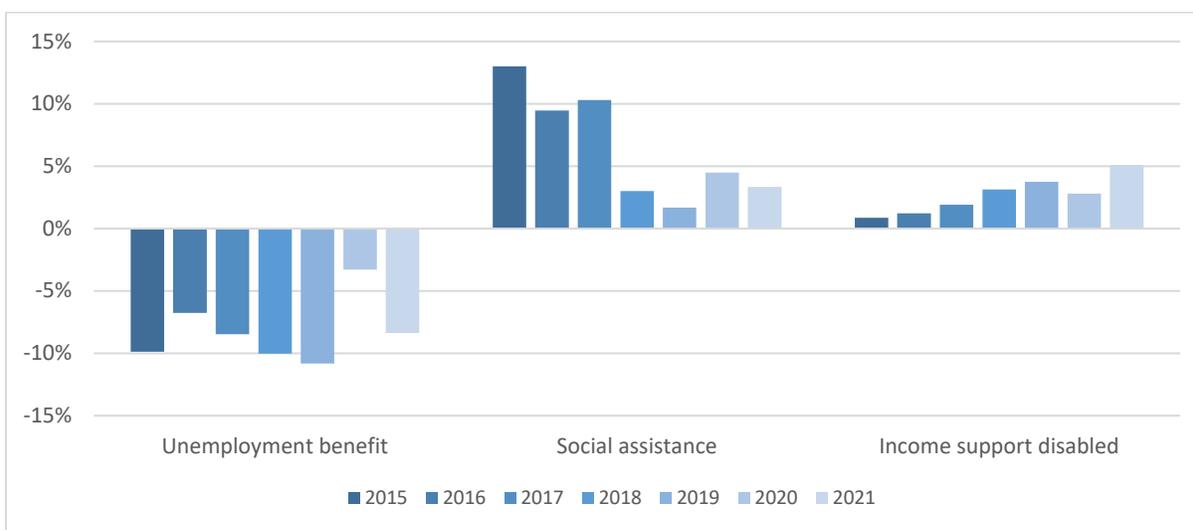
The reasons for the strong growth in the number of people entitled to income support are manifold. In part, they are **social assistance-specific factors**. Cantillon (2016) refers to factors such as increased migration, structural unemployment, individualisation and family destabilisation, and specific policy interventions such as stricter unemployment regulations. But in part, it concerns **general socio-demographic evolutions** that also **caused a growth in the number of social security benefit recipients**, such as the ageing population and the feminisation of the labour force. In some social security branches, the number of beneficiaries grew even more than in the social assistance branch. The number of people receiving disability benefits increased by more than 90% between 2006 and 2019. One of the few social security branches that does not show an upward trend is unemployment. Since 2010, the number of fully unemployed looking for work has been decreasing almost year after year. The National Employment Office (NEO) refers in this respect to both cyclical

factors and policy reforms such as the restriction of the right to integration benefit for school-leavers (NEO Annual Report 2018). This measure, by the way, is one of the policy interventions Cantillon refers to as an explanation for the growth of the social assistance population. Indeed, the NEO shows in a study that the reform of the inclusion allowance has led to an increased inflow into social assistance (NEO Report 2017).

Figure 4.7 focuses on **recent trends in yearly growth percentages**. The impact of COVID is obvious in several ways. First, the decrease in the number of unemployed was much less pronounced in 2020 than in previous years. This comes on top of the temporary rise in the use of temporary unemployment (see chapter 3).

Second, the increase in the number of social assistance recipients was stronger in 2020 than in 2019 or 2018. Although it was less outspoken than the increase of social assistance recipients in the wake of the 2015 migration crisis. Third, the increase of disabled social assistance recipients initially slowed down (probably due to the difficult access to the medical examinations that give access to this scheme), but accelerated again in 2021 (possibly catching up).

Figure 4.7 Trends in benefit dependency: yearly growth percentages, 2015-2021, Belgium



Source: National Employment Office (unemployment), Federal public service for Social Integration (social assistance), FPS Social Security (income support disabled)

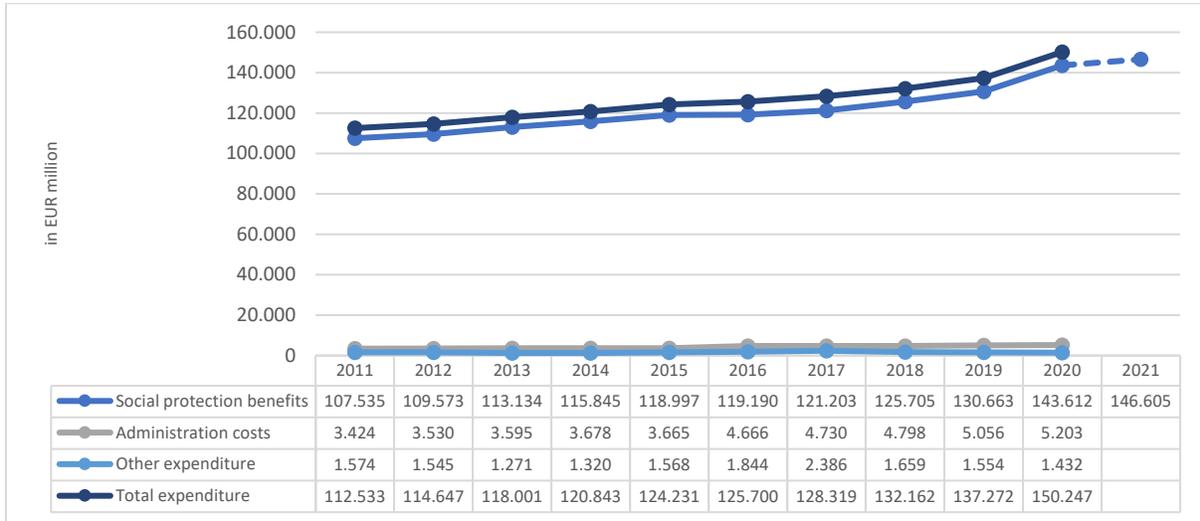
4.4. SOCIAL EXPENDITURE

Both for the employed and the non-employed, the conclusion of this report is that the government effort to cushion the social impact of the COVID crisis for the most vulnerable groups has been quite effective. What was the **impact of this effort on the level of social expenditure?**

In 2020, total social spending in Belgium was around €150.2 billion (See Figure 4.8). Compared to 2019, when total spending amounted to €137.3 billion, this represents a 9,5% increase. This growth

rate is the highest in the period 2011 – 2020, during which the annual percentage increase was usually between 1% and 4%.

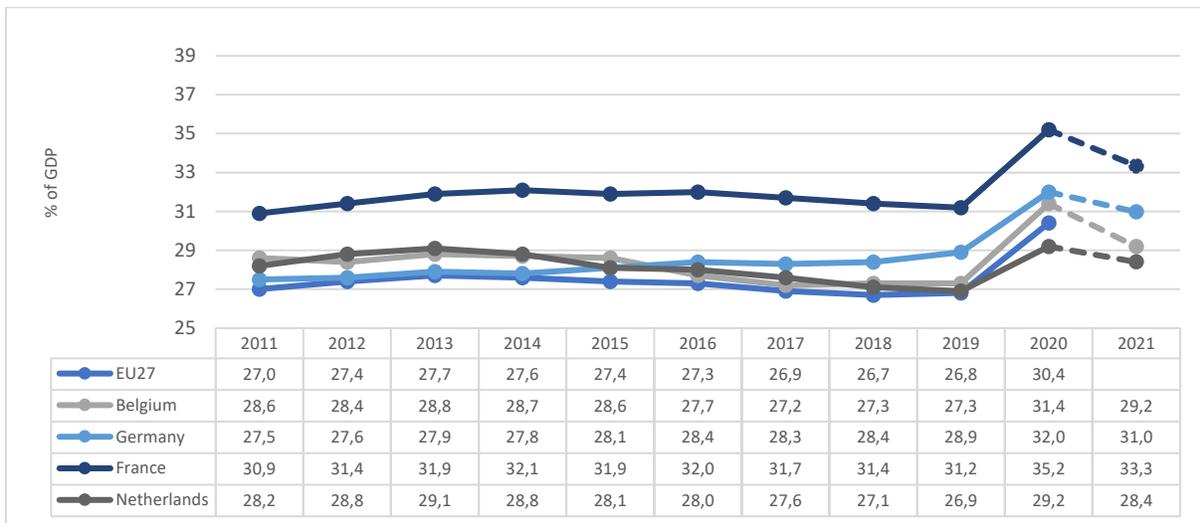
Figure 4.8. Total social protection expenditure , 2011 – 2021, Belgium (in EUR million)



Source: ESSPROS, FPS Social Security, early estimates Eurostat.

Figure 4.8 also shows the provisional figure for 2021, albeit only for social protection benefits⁴⁴. While spending on social protection benefits continues to increase between 2020 and 2021, the increase flattens out. This is also reflected in the growth rate: with a percentage increase of 2,1%, it leans more towards the years before 2020.

Figure 4.9. Social protection benefits expenditure, 2011 – 2021, Belgium (% of GDP)



Source: ESSPROS, early estimates Eurostat.

⁴⁴ The early estimates for ESSPROS only take the spending for social protection benefits into account, not the administration costs or other expenditure. This means that total expenditure for 2021 cannot be calculated. More information can be found [on the website of Eurostat](#).

Figure 4.9 shows the evolution of the expenditure on social protection benefits as a percentage of gross domestic product (GDP). As mentioned earlier, the early estimates for 2021 only cover spending on social protection benefits. This means that, if we want to take 2021 into account, we can only focus on a part of total social protection expenditure.⁴⁵

We note that all countries experience a similar evolution in 2020, namely a **sharp increase in spending as a percentage of GDP**. Early estimates indicate a decline in 2021, and this in contrast to the absolute increase reported earlier in figure 4.8. This is because GDP has increased more than spending on social protection benefits, due to the recovery of the economy in 2021. Because of these similar evolutions in 2020 and 2021, Belgium's position vis-à-vis its neighbours does not change. While spending in Belgium is slightly higher than the EU average, it is lower than the percentages for France and Germany. The percentage for the Netherlands is (slightly) below that for Belgium.

⁴⁵ It is, however, the largest part of total expenditure and a focus on social protection benefits only does not affect the analysis or conclusions.

5. SUMMARY AND KEY MESSAGES OF THE ANALYSIS OF THE EU SOCIAL INDICATORS FOR BELGIUM

5.1. INTRODUCTION

This 2022 report on the monitoring of the social situation and social protection in Belgium is a new edition in a series of reports that were launched in the context of the National Reform Programmes of the Europe 2020 strategy. Meanwhile, following the Action Plan on the European Pillar of Social Rights, three headline targets for 2030 were defined at the Porto Social Summit in May 2021. This report focuses on the third headline target which aims to reduce the number of people at-risk-of-poverty or social exclusion by at least 15 million by 2030. The contribution of Belgium to this target has been defined as a reduction of at least 279.000 people in the number of people at-risk-of-poverty or social exclusion (AROPE) between 2019 and 2030. In percentage points, this amounts to a reduction of 2.9 ppt. The sub target on child poverty *and social exclusion* aims for a decrease of (at least) 93.000 children in poverty or social exclusion in Belgium.

The 2022 report was challenging to prepare due to a number of important methodological issues related to the Belgian version of the EU-SILC and changes in the definitions of the sub-indicators. These issues are fully explained in the introduction of this report (**Chapter 1**).

Chapter 2 assesses the likelihood of Belgium reaching the 2030 target. We discuss trends in AROPE and sub-indicators, including the trends for specific groups such as the elderly and the low-skilled. We analyze the impact of the COVID-19 crisis focusing on short term trends and discuss them against the background of the long-term evolution. Following the logic of the EU social indicators framework, the analysis is extended to other social indicators than the AROPE and its sub-indicators. The overall conclusion of this chapter is that a rise in poverty, social exclusion and income inequality has been prevented during the COVID-19 pandemic. In chapters 3 and 4, we discuss the government interventions that have safeguarded the lowest incomes during the health crisis, and their impact on the effectiveness of social protection, first for the employed, then for the non-employed.

Chapter 3 focuses on the recent poverty trends of the employed and analyses the impact of the pandemic on the Belgian economy and the labour market. The income replacement measures taken to protect the employed against income losses due to lockdown and quarantine measures are also discussed. Chapter 3 is to a large extent based on the work of the Working Group Social Impact Covid-19 (WG SIC). The WG SIC is a collaboration between the Public Social Security Institutions, the Ministries of Work, Social Integration and Social Security, The Belgian Statistical Office, the Federal Planning Bureau and the National Bank.⁴⁶

Chapter 4 analyses the recent trends in poverty and social exclusion of the unemployed, retired and other inactive. Here we discuss the measures taken to increase the level of the minimum income

⁴⁶ For more information, see <https://socialsecurity.belgium.be/nl/sociaal-beleid-mee-vorm-geven/sociale-impact-covid-19>.

protection during the sanitary crises and their impact on the adequacy of social protection and social expenditures.

5.2. THE EUROPE 2030 TARGET ON THE REDUCTION OF THE NUMBER OF PEOPLE AT-RISK-OF-POVERTY OR SOCIAL EXCLUSION: RECENT TRENDS

In Belgium, AROPE has declined in the direction of the 2030 target. Despite the health crisis and associated lockdowns and economic damage, poverty, social exclusion and income inequality have not increased in Belgium. In fact, the number of persons at risk of poverty and social exclusion (AROPE) has decreased by 119 000 persons between EU-SILC 2019 and EU-SILC 2021 (incomes 2018-2020), thanks to both a decline in the share of (quasi-)jobless households (QJH) and the at-risk-of-poverty rate (AROP)⁴⁷. In relative terms, AROPE decreased from 20% in EU-SILC 2019 to 18,8% in EU-SILC 2021; AROP decreased from 14,8% to 12,7%; the QJH from 12,8% to 11,9%. The third sub-indicator on which the AROPE is based, the severe material and social deprivation (SMSD) rate, remained almost stable since EU-SILC 2019, at 6,3% of the Belgian population.

At the same time, strong progress was made on the sub target on child poverty and social exclusion. The sub target aims for a decrease of (at least) 93.000 children in poverty or social exclusion in Belgium. Since 2019, the number of the 0 to 17-years-olds in AROPE has moved from 554.000 to 502.000 in 2021. This is a decrease of no less than 52 000 children. In relative terms, this is a decline from 23% to 20,5%.

Other social indicators have also moved in the right direction. Income inequality has also diminished. Both the income quintile ratio (S80/S20) and the GINI coefficient suggest that income inequality has been declining in Belgium since 2019. The income quintile ratio decreased from 3.61 in EU-SILC 2019 to 3.42 in EU-SILC 2021.

Social indicators are more stable at EU27-level. Compared to the other EU Member States, the risk of poverty and social exclusion is relatively low in Belgium, according to EU-SILC 2021 (18,8% versus 21,7% in EU27). The Netherlands is the only neighbouring country with an even lower AROPE (16,6%). This is entirely due to the low risk-of-poverty in Belgium (AROP). The share of quasi-jobless households is relatively high (11,9% versus 8,9% in EU 27). Also note that the positive trend in poverty, social exclusion and income inequality since 2019 did not occur in all EU Member States. Both at EU27 level and in our neighbouring countries, the AROPE and income quintile ratio remained relatively stable.

Not only in an European perspective, but also in the longer-term perspective, the decline of poverty and social exclusion in Belgium is quite surprising. Although there was a slightly decreasing trend as from 2016-17, the improvements in the AROPE indicator between 2005 and 2018 remained limited.

⁴⁷ Note that the EU_SILC surveys the income of the previous year (e.g. EU-SILC 2021 surveys the income in 2020). The analysis of the short-term trend is not easy given a number of methodological issues. Apart from the usual cautions that apply when interpreting survey data, there is the fact that the Belgian version of the European SILC saw a number of important changes and/or impacts from the COVID-19 crisis (see box 2 chapter 1).

In Belgium, especially incomes in the lowest deciles were safeguarded. Underlying the recent evolution in AROPE is the different evolution of incomes per decile. Since EU-SILC 2019, incomes have increased particularly in the lowest income deciles, while middle household incomes more or less stagnated, and high incomes dropped.

This does not mean that all vulnerable groups have seen their living conditions improve. By level of education, we see that the divergent trend of the past continues. Between 2019 and 2021, the AROPE evolved for the low-skilled from 34,3 to 35,9% while the one for the middle-skilled remained stable at 19,2% and higher-skilled even declined slightly from 8,7% to 8,2%. The growing number of social assistance recipients during the COVID-19 crisis also points to the fact that the income situation of many households in precarious circumstances deteriorated. Also life satisfaction and well-being indicators showed worrying trends in 2020. Finally, the high-risk categories in 2021 remain the same as in previous years. It concerns the unemployed, other inactive persons, persons with a migrant background, single parents, tenants, and those with a low education. Although the decrease of the poverty risk was much stronger among tenants than among home owners, the AROPE of tenants is in Belgium substantially above the EU-average (see Figures A.3. and A.4. in annex).

5.3. THE IMPACT OF THE COVID-19 CRISIS ON THE LABOUR MARKET

The COVID-19 crisis has had a strong economic impact. In 2020, the economy contracted by 5,7%, as a result of the decline in real activity in the Belgian economy while in 2021, the economy recovered and GDP grew by 6,1%. Mainly at the beginning of the crisis, companies had to stop their activities and a part of the working population found themselves out of work, ending up in a more precarious (financial) situation.

Support measures were taken to mitigate the negative COVID-effects on the employed. During the COVID-19 crisis, the possibilities for employees to fall back on temporary unemployment allowances, and for the self-employed to receive a bridging right, were extended. At the peak in April 2020, there were about 414.000 self-employed who received a bridging right and 1.232.841 persons with a temporary unemployment allowance or roughly 700.000 full-time equivalents. The take-up of temporary unemployment was particularly high in sectors such as the hotel and catering industry, the cultural, event, and amusement sector and the travel sector. These sectors had to deal with far-reaching federal measures, like mandatory closure.

Thanks to these measures, the COVID-19 crisis has not resulted in overall job destruction in the private sector, nor in a significant increase in the number of bankruptcies among the self-employed. In 2020, the employment rate and unemployment rate remained mostly stable in spite of the significant decline in the economic activity and the number of hours worked. In 2021, the labour market recovered and the employment rate reached its highest recorded level yet at 70,6% (73,1% for EU27). The unemployment rate amounted to 6,3% in 2021 (7% for EU27), reaching its highest level since 2017 but still remaining under the peak of 8,6% in 2014 and 2015.

Even in the midst of the sanitary crisis, Belgium continued to show positive results in terms of active ageing. The employment rate of those aged 55-64 kept rising, reaching its highest level yet in

2021. However, compared to many other European member states, the employment rate in the 55-64 age category is still low (54,5% compared to 60,5% in the EU27).

In most cases, the income support measures during the COVID-19 crisis provided a decent income replacement. According to simulations of the FPS Employment, Labour and Social Dialogue, the net replacement ratios of the temporary unemployment allowance vary between 34,1% and 99,2%, depending on the employment situation, the gross monthly wage and the household composition. Overall, the net replacement ratio is quite high for very low and low monthly wages and rather low for average and high monthly wages.

But there are exceptions. The relatively high replacement rates for temporary unemployment did not fully protect low wage earners against the impact of the COVID-19-crisis. First, more flexible types of employment, including temporary work, flexi jobs and student jobs, usually have no, limited or difficult access to temporary unemployment benefits, although the COVID-19 pandemic also seriously impacted these types of employment. Second, the duration of the temporary unemployment is important. The longer somebody is temporarily unemployed, the bigger the impact on their income and the income loss (Capéau, et al., 2021). Third, for (very) low wages the immediate drop in monthly income, even given the quite high replacement ratios, can still have a significant negative impact on the degree to which these households can make ends meet, especially if there is no financial buffer. This is problematic because persons with a more vulnerable labour market profile were more often and longer temporarily unemployed during the COVID-19 crisis. The low-skilled, people with a foreign nationality, and people with low average to low wages were overrepresented in temporary unemployment, both in 2020 and 2021.

Also for the self-employed who were entitled to the bridging right, the net replacement ratios were generally quite high for low incomes and (slightly) lower for high incomes. But here too there are exceptions that are less well protected, especially when the income level was high (Capéau et al. 2022) or the duration of the dependency was long.

Notwithstanding, the effectiveness of social protection measures for workers was particularly high, not only in terms of job retention but also in terms of poverty reduction. In 2021, social transfers reduced the at-risk-of-poverty rate from 12% to 3% for employees and from 19% to 7% for the self-employed. This is equal to a reduction by respectively 73% and 63%. These percentages are a lot higher than in 2019.

In-work poverty in Belgium also decreased from 4,8% in EU-SILC 2019 to 3,9% in EU-SILC 2020. This is well below the European average of 8,9%.

A number of indicators suggest that the self-employed were hit harder by the crisis than employees. In chapter 2, we mention the strong income losses recorded by self-employed individuals during the pandemic according to the consumer survey of the National Bank of Belgium. This observation is in line with research showing that relatively more self-employed individuals were affected by the confinement measures, compared to employees (Capéau et al. 2022). The EU-SILC shows a decrease in the median income for the self-employed by 20% in 2021 compared to 2020 (Statbel, 2022). This can be problematic as the effectiveness for social protection is lower for the self-employed than for employees, as shown above.

Finally, chapter 3 shows **the continuing precarious situation of low-skilled people on the Belgian labour market**. Among the low-skilled in Belgium, 44,7% are in work, while it goes up to 84,1% among the high-skilled (LFS 2021). This gap is much wider than in many other European countries. In the EU27, 66,9% of the low-skilled are in work, and 81,7% of the high-skilled. Nor is there any sign of improvement. The employment rate of persons with a low and middle educational attainment decreased in both 2020 and 2021, especially among women, while the employment rate for those with a high educational attainment increased again in 2021.

5.4. THE IMPACT OF THE COVID-19 CRISIS ON THE UNEMPLOYED, RETIRED AND OTHER INACTIVE

The risk of poverty and social exclusion is much higher among those not in work than among the employed. The AROPE indicator according to EU-SILC 2021 (incomes 2020) is 5,5% for the employed, as much as 64,2% for the unemployed, 15,5% for the retired, and 43,2% for the other inactive. Although there are methodological issues with the evolution of the AROPE of the unemployed and the elderly, the figures indicate a decline in AROPE since EU-SILC 2019, especially among the unemployed and the other inactive.

An important factor in the decline of the at-risk-of-poverty among non-employed has been the increase in minimum benefits in recent years. Chapter 4 shows a gradual but continuous improvement in the efficiency of social minima since 2018. This is partly due to the increases in minimum benefits, and partly to the slow growth of median income and thus the poverty risk threshold. In 2021 in particular, median income stagnated while minimum income protection improved. In addition to these increases in income support, specific measures were taken to improve the living conditions of precarious families, in response to the health crisis. For example, the population eligible for a social tariff for gas and electricity has been significantly widened since February 2021.

Despite the increases, most minimum benefits are still well below the poverty threshold. For single parents with 2 young children, income support and minimum unemployment benefits do not even reach 70% of the poverty threshold. Only for single persons with a pension or invalidity benefit are the minimums high enough to lift them above the poverty threshold. **The improvement in minimum income protection is reflected in the increase of the adequacy of social protection** as measured by comparing the post-transfer poverty risk with the pre-transfer risk. The increase in pre-transfer poverty suggests a negative impact of the COVID-crisis on the household income of inactive persons. However, the poverty risk after social transfers decreased which means that the effectiveness of social transfers increased.

The improved adequacy of social protection is also evidenced by the decreasing at-risk-of-poverty rate of persons in quasi-jobless households. Their at-risk-of-poverty rate fell from 59,6% in EU-SILC 2019 to 52,4% in EU-SILC 2021. At the EU27 level, one can observe a similar trend. The difference between the at-risk-of-poverty rate of persons in quasi-jobless households and households with higher work intensity is narrowing, although the gap remains immense (in Belgium

52,4% versus 5%). It is noteworthy that notwithstanding a decrease, the poverty risk for children in a (quasi-)jobless household remains higher than the EU-average.

The above trends take place against a background of increasing benefit dependency.

Increasing benefit dependency is a structural fact in the last decade in Belgium. Since 2011, the number of beneficiaries of income support (social assistance, income guarantee for the elderly and income support for the disabled) has increased by 32%. In some social security branches, the number of beneficiaries grew even more than in the social assistance branch. The number of people receiving disability benefits increased by more than 90% between 2006 and 2019. One of the few social security branches that does not show an upward trend is unemployment. The health crisis had a clear impact on the number of social assistance recipients. Growth rates increased in both 2020 and 2021. In 2022, the number of working-age social assistance beneficiaries stabilised.

The increase in the number of beneficiaries and the improvement in minimum benefits have both contributed to a significant increase in social spending.

Total social protection expenditure increased strongly between 2019 and 2020, with an increase of 9,5% (from 137.3 billion in 2019 to 150.2 in 2020). This increase is the highest in the last decade, where the annual percentage increase was usually between 1 and 4%. Although the early estimates for 2021 published by Eurostat only take social protection benefits into account (and not total expenditure), we see that the increase flattens out. With a growth rate of 2,1%, the evolution between 2020 and 2021 leans more towards the years before the pandemic. Our neighbouring countries experienced similar evolutions, meaning that Belgium's position vis-à-vis others did not change. While spending in Belgium (in % of GDP) is slightly higher than the EU-average, it is lower than the percentages for France and Germany and (slightly) above the percentage for the Netherlands.

5.5. AFTER THE COVID-19 CRISIS

The automatic stabilizers and additional support measures during the COVID-19 pandemic succeeded not only in preventing an increase of poverty, but even in reducing it, also contributing to a swift economic recovery early 2022.

In the current context of uncertainty in view of the international political and economic situation, it is even more difficult than in more stable times to predict upcoming evolutions. It is uncertain whether the decrease in AROPE will continue after the COVID-19-crisis. Before the start of the Ukraine crisis, it was expected that the median income would increase again after the COVID-19-crisis, and consequently also the number of persons under the poverty threshold would increase. Another reason why the observed decrease in the AROPE was expected to be temporary, was the temporary nature of the crisis measures. However, meanwhile simplified procedures for temporary unemployment and the bridging right have been extended until the end of June 2022, some even until the end of 2022. But the level of dependency on these two measures is far below the COVID-peak in 2020. In addition, scarce data seem to indicate that the reduced energy tariff for low income households effectively prevents an excessive burden on household income, although the situation can be more difficult for households that don't qualify for this measure. The system of indexation of

social allowances and wages is also an important tool to support purchasing power. Although such measures help to cushion the worst effects, the Ukraine crisis has strengthened the anticipation of increasing poverty and social exclusion in the near future. Even if protective measures seem to work well in general it can be expected that poor and low income households are more affected by continued high inflation, even if this is set to decrease to some extent. Furthermore, prospects for a recession might also impact on socio-economic developments.

Notwithstanding the favorable trends in social indicators during the exceptional past period, the indicators also point to persistent structural challenges. There is a large amount of convergence among, national and international, institutions regarding the socio-economic challenges in Belgium. Relatively high inactivity and benefit dependency mirror a difficult access to employment for specific groups: low-skilled, persons with a migrant background, persons with a disability. At the same time social protection expenditures at the same level or below those of peer countries result in general in relatively low levels of minimum income protection. Housing, and sometimes health situations, aggravate living conditions of low income/benefit dependent households. In view of the 2030 target on the reduction of poverty or social exclusion tackling both the employment situation of weaker groups and strengthening further social allowances are key. As a study by the Herman Deleeck Centre for Social Policy on the theoretical impact of the 2030 employment targets on poverty rates, has shown, whether or not employment growth is situated among weaker social groups is a key element for its impact on poverty.

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GLOSSARY

In this section, we list certain definitions available on the website of Eurostat for some of the indicators and terms frequently used in this report⁴⁸.

At risk of poverty or social exclusion, abbreviated as **AROPE**⁴⁹, corresponds to the sum of persons who are either at risk of poverty, or severely materially and socially deprived or living in a household with a very low work intensity. People are included only once even if they are in more than one of the situations mentioned above. The AROPE rate is the share of the total population which is at risk of poverty or social exclusion. It is the main indicator to monitor the EU 2030 target on poverty and social exclusion and was the headline indicator to monitor the EU 2020 Strategy poverty target.

As we stated in the introduction of this report, the AROPE indicator has been modified in 2021 according to the new EU 2030 target, adjusting the SMD and the QJH.

The **at-risk-of-poverty rate**⁵⁰ is the share of people with an equivalised disposable income (after social transfer) below the at-risk-of-poverty threshold, which is set at 60 % of the national median equivalised disposable income after social transfers.

The **at-risk-of-poverty rate before social transfers** is calculated as the share of people having an equivalised disposable income before social transfers that is below the at-risk-of-poverty threshold calculated after social transfers. Pensions, such as old-age and survivors' (widows' and widowers') benefits, are counted as income (before social transfers) and not as social transfers. This indicator examines the hypothetical non-existence of social transfers.

Disposable income⁵¹ : includes all income from work (employee wages and earnings from self-employment); private income from investment and property; transfers between households; all social transfers received in cash including old-age pensions.

⁴⁸ These are therefore the exact definitions given by Eurostat and available at : [Category:Living conditions glossary - Statistics Explained \(europa.eu\)](#).

Statbel also provides a glossary with a series of definitions associated with SILC, available at : <https://statbel.fgov.be/en/themes/households/poverty-and-livingconditions/plus>.

⁴⁹ [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:At_risk_of_poverty_or_social_exclusion_\(AROPE\)](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:At_risk_of_poverty_or_social_exclusion_(AROPE)).

⁵⁰ https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:At-risk-of-poverty_rate.

⁵¹ Available at :

https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Disposable_income.

Equivalised income⁵² is a measure of household income that takes account of the differences in a household's size and composition, and thus is equivalised or made equivalent for all household sizes and compositions. It is used for the calculation of poverty and social exclusion indicators.

Material deprivation⁵³ is defined as the enforced inability (rather than the *choice* not to do so) to pay unexpected expenses, afford a one-week annual holiday away from home, a meal involving meat, chicken or fish every second day, the adequate heating of a dwelling, durable goods like a washing machine, colour television, telephone or car, being confronted with payment arrears (mortgage or rent, utility bills, hire purchase instalments or other loan payments).

The **material deprivation rate** is an EU-SILC indicator that means the inability to afford some items considered by most people to be desirable or even necessary to lead an adequate life. The indicator distinguishes between individuals who cannot afford a certain good or service, and those who do not have this good or service for another reason, e.g. because they do not want or do not need it. It was one of the components that defined the at-risk-of-poverty-or-social-exclusion rate (AROPE) according to the Europe 2020 strategy.

Severe material deprivation rate is defined as the enforced inability to pay for at least four of the considered items.

The **work intensity**⁵⁴ of a household is the ratio of the total number of months that all working-age household members have worked during the income reference year and the total number of months the same household members theoretically could have worked in the same period.

A **jobless household**⁵⁵ is defined as a household in which no working-age adult is employed.

The **quasi-jobless** indicator measures the absence of employment at the household level. It concerns people from 0-64 years living in households where the adults (those aged 18-64, but excluding students aged 18-24 and people who are retired according to their self-defined current economic status or who receive any pension (except survivors pension), as well as people in the age bracket 60-64 who are inactive and living in a household where the main income is pensions) worked a working time equal or less than 20% of their total combined work-time potential during the previous year. Households composed only of children, of students aged less than 25 and/or people aged 65 or more are excluded from the indicator calculation.

⁵² Available at :
https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Equivalised_income.

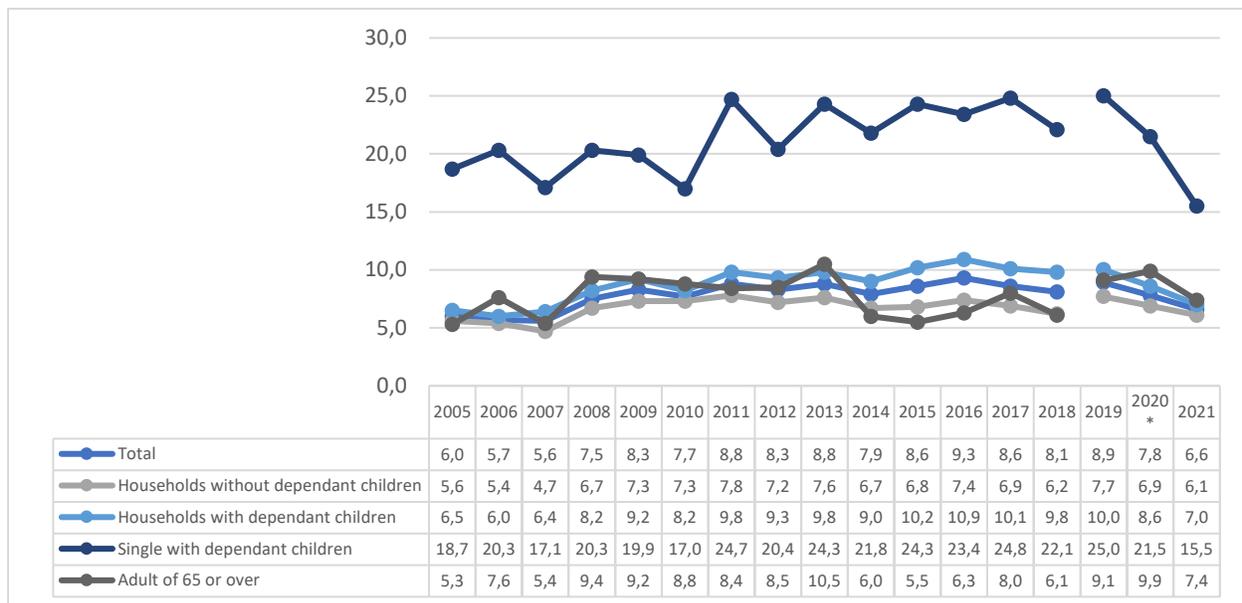
⁵³ Available at :
https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Material_deprivation.

⁵⁴ Available at :
https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Persons_living_in_households_with_low_work_intensity.

⁵⁵ Available at :
https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Jobless_households.

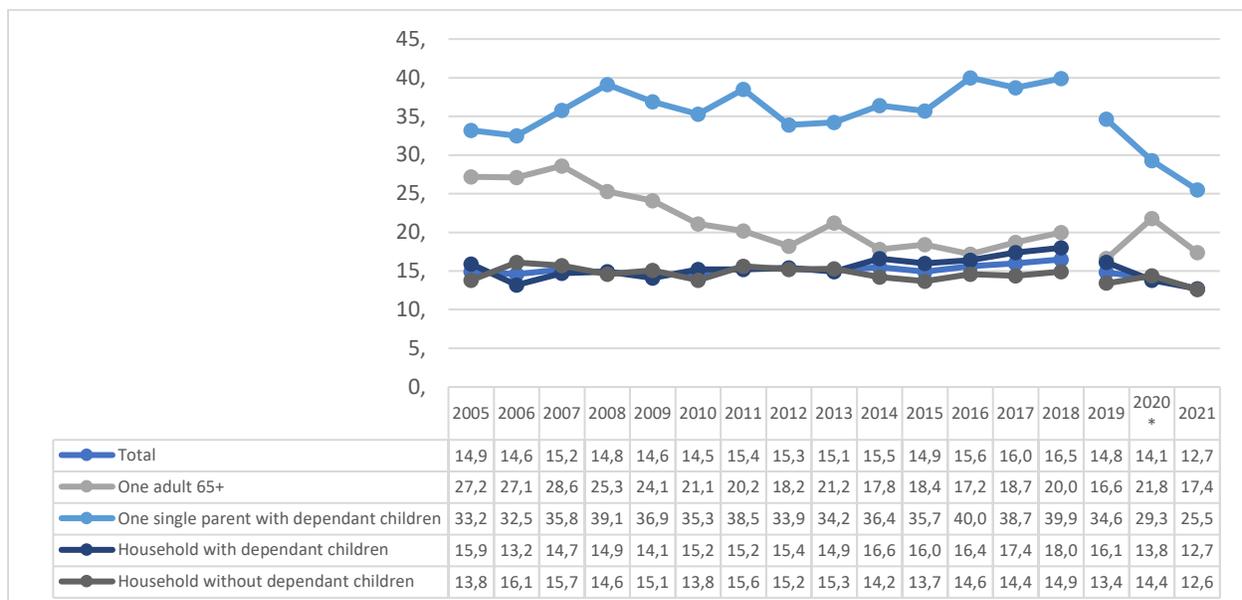
ANNEX : FIGURES AND TABLES

Figure A.1. Subjective poverty by household type, Belgium, 2005-2021 (%) : great difficulty to make ends meet



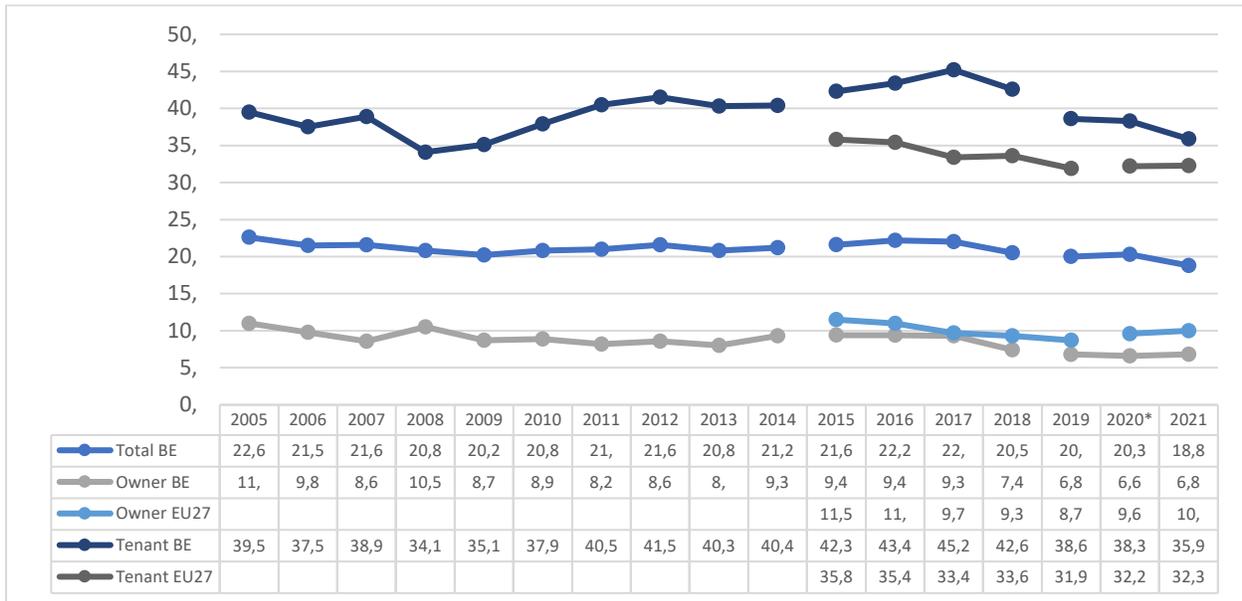
Source: EU-SILC, Eurostat, Statbel. Note : break in time series in 2019.

Figure A.2. AROP by household type, Belgium, 2005-2021 (%)



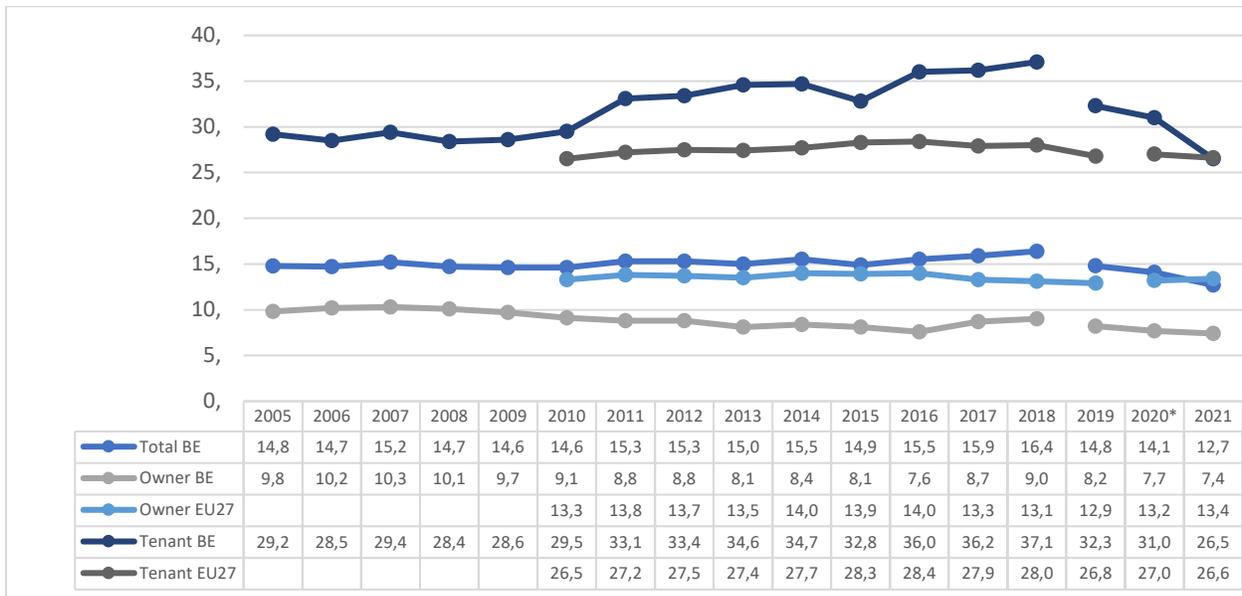
Source: EU-SILC, Eurostat, Statbel. Note : break in time series in 2019.

Figure A.3. AROPE by tenure status and EU27, 2005-2021 (%)



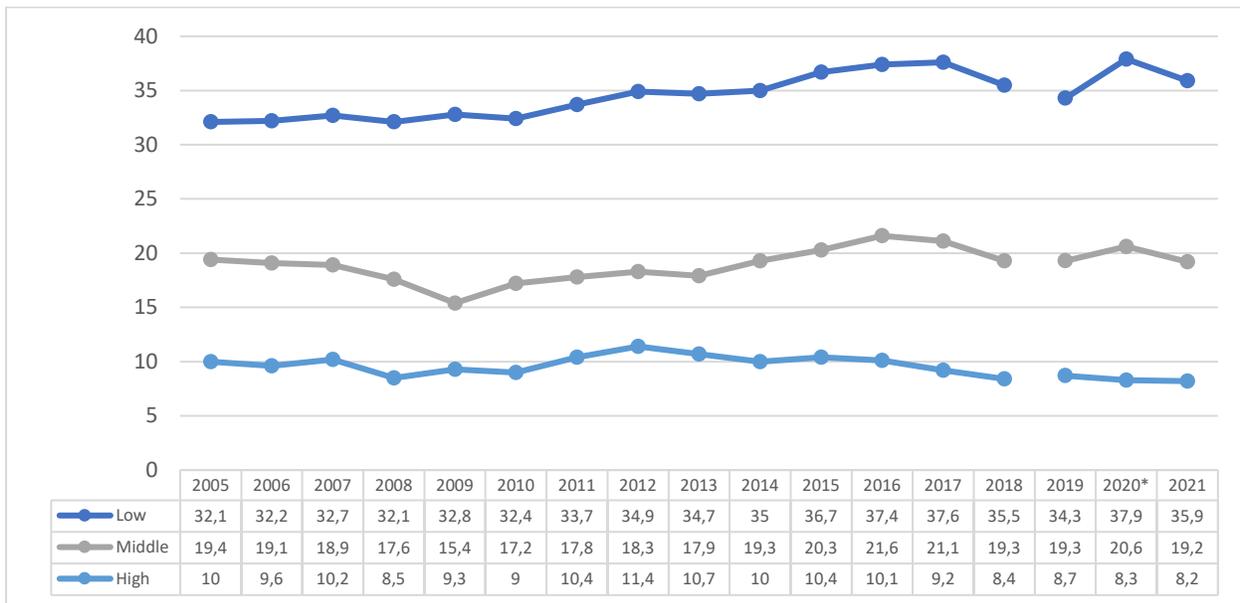
Source: EU-SILC, Eurostat, Statbel. **Note :** for methodological explanations for BE, see footnote 15.

Figure A.4. AROP by tenure status, Belgium and EU27, 2005-2021 (%)



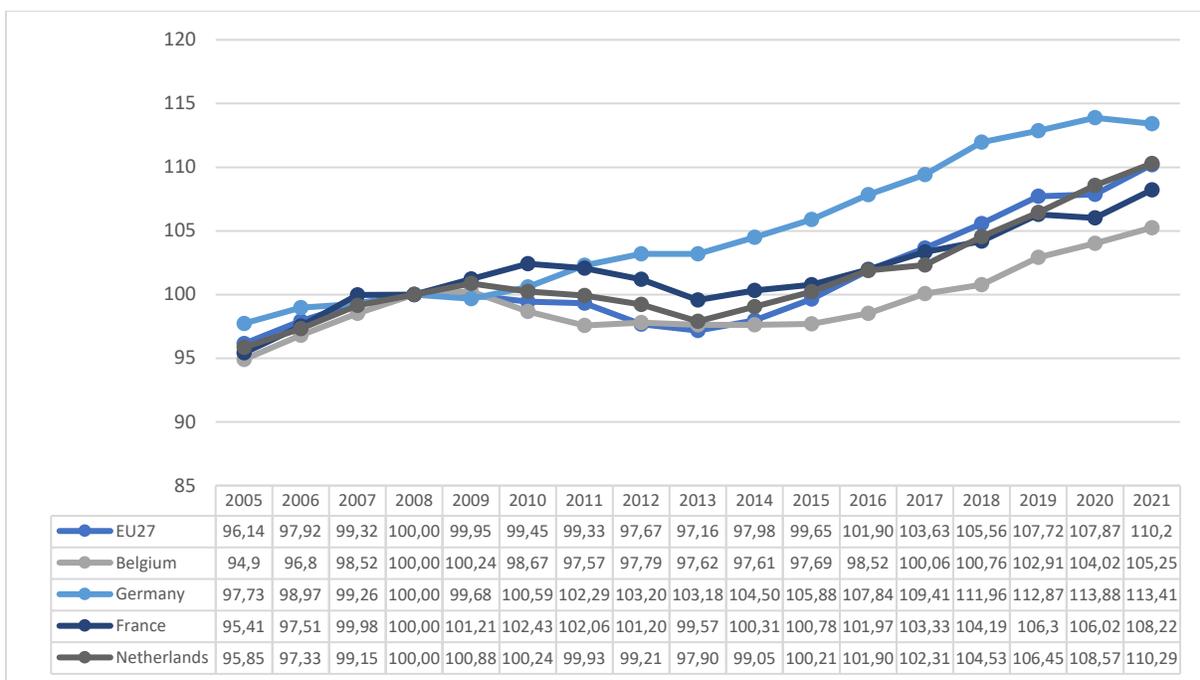
Source: EU-SILC, Eurostat, Statbel. **Note :** break in time series for Belgium in 2019.

Figure A.5. AROP by level of education (18-64), Belgium, 2005-2021 (%)



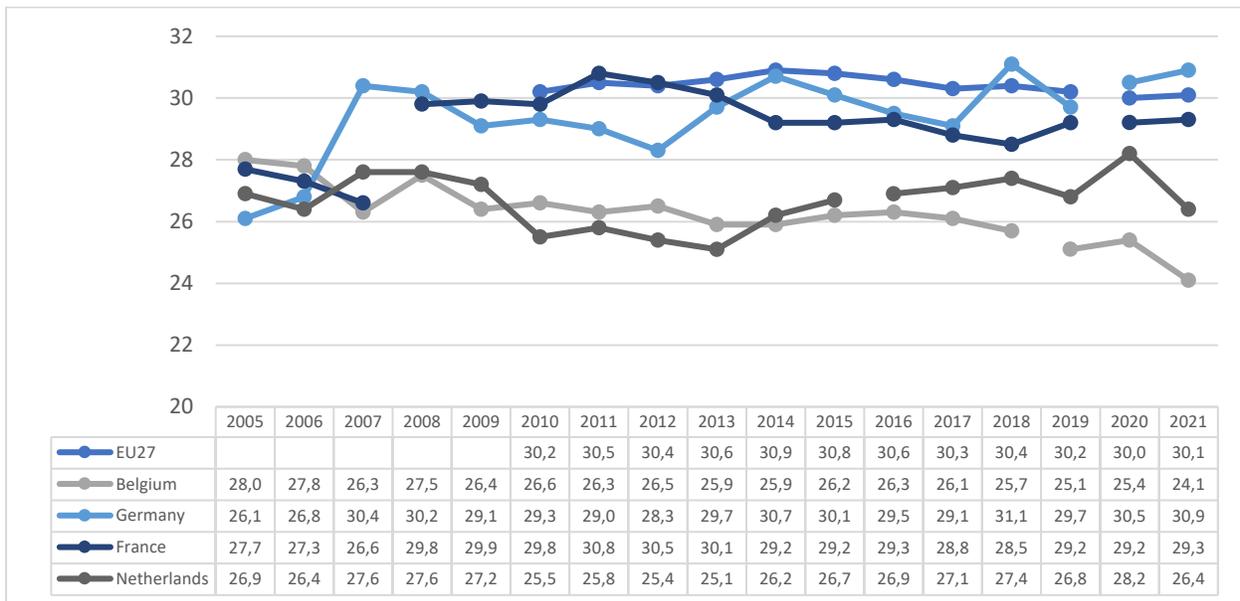
Source: EU-SILC, Eurostat, Statbel. Note : break in time series in 2019.

Figure A.6. Real gross disposable income of households per capita (index = 2008), BE, EU27 and neighbouring countries, 2008-2021



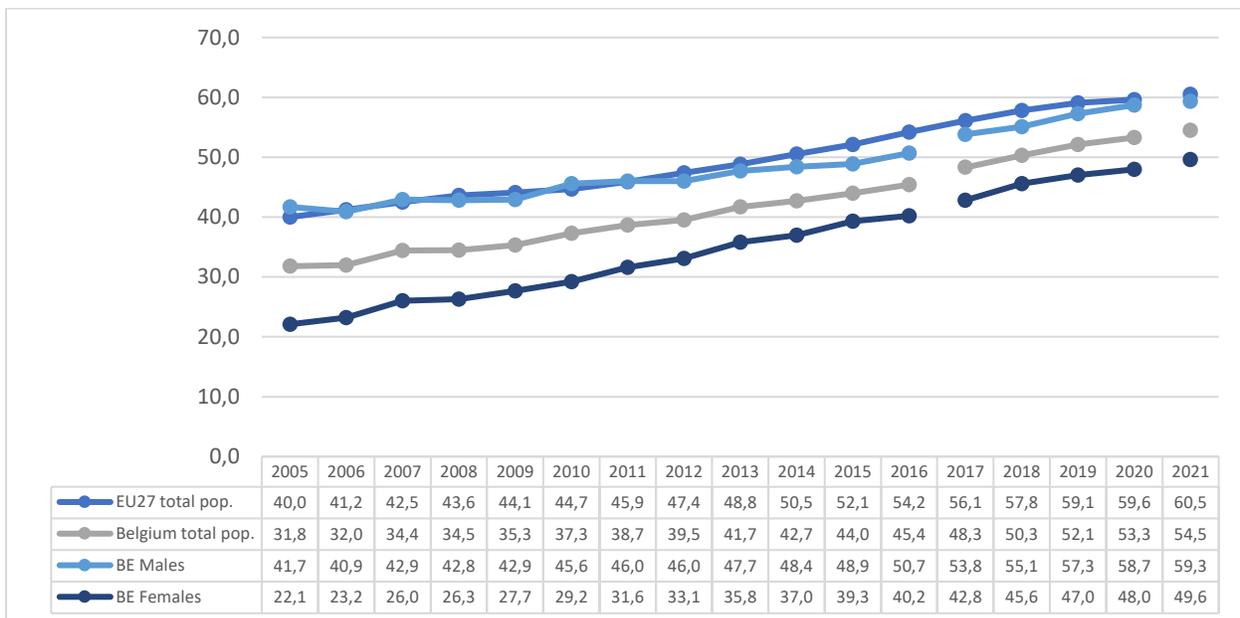
Source: National accounts, Eurostat.

Figure A.7. GINI Index, Belgium and neighboring countries, 2005-2021 (%)



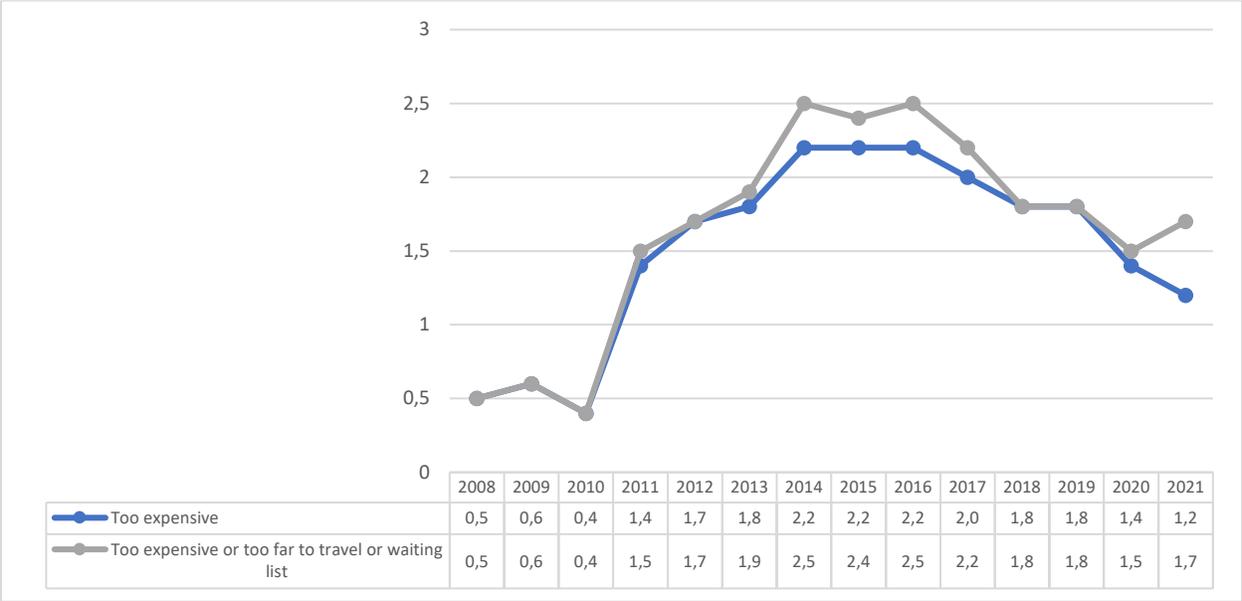
Source: EU-SILC, Eurostat, Statbel. **Note :** break in time series in 2019 for Belgium ; in 2020 for EU27 and Germany; in 2016 for the Netherlands; in 2008 and 2020 for France.

Figure A.8. Employment rate of older workers (55-64), Belgium, 2005-2021 (%)



Source: Labour Force Survey, Eurostat, Statbel. **Note :** break in time series in 2017 and 2021 for Belgium and in 2021 for EU27.

Figure A.9. Self-reported unmet needs for medical examination by sex, age, main reason declared and income quintile, Belgium, 2008-2021 (%)



Source: EU-SILC, Eurostat, Statbel. **Note :** break in time series in 2019



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