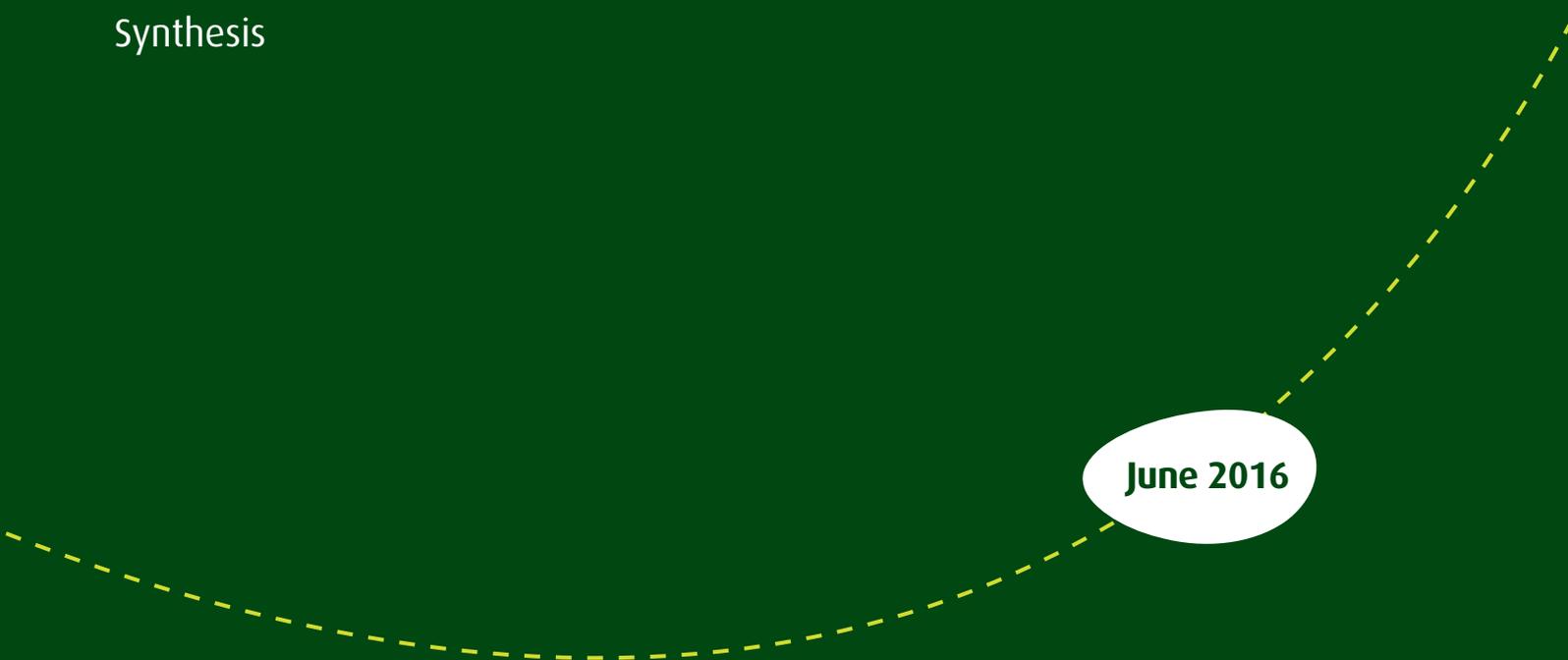


# The Evolution of the Social Situation and Social Protection in Belgium: **Increasing divergences**

Monitoring the social situation in Belgium and the progress towards the social objectives and the priorities of the National Reform Programme

Synthesis



June 2016

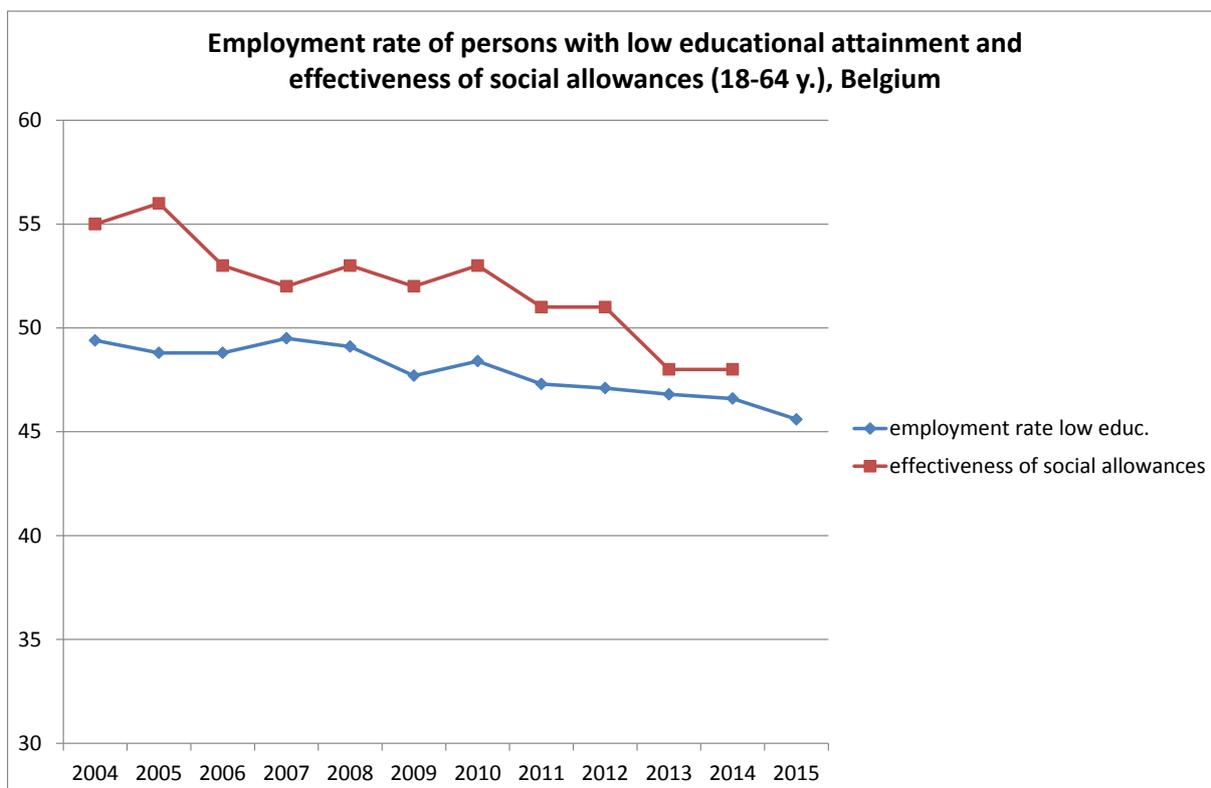
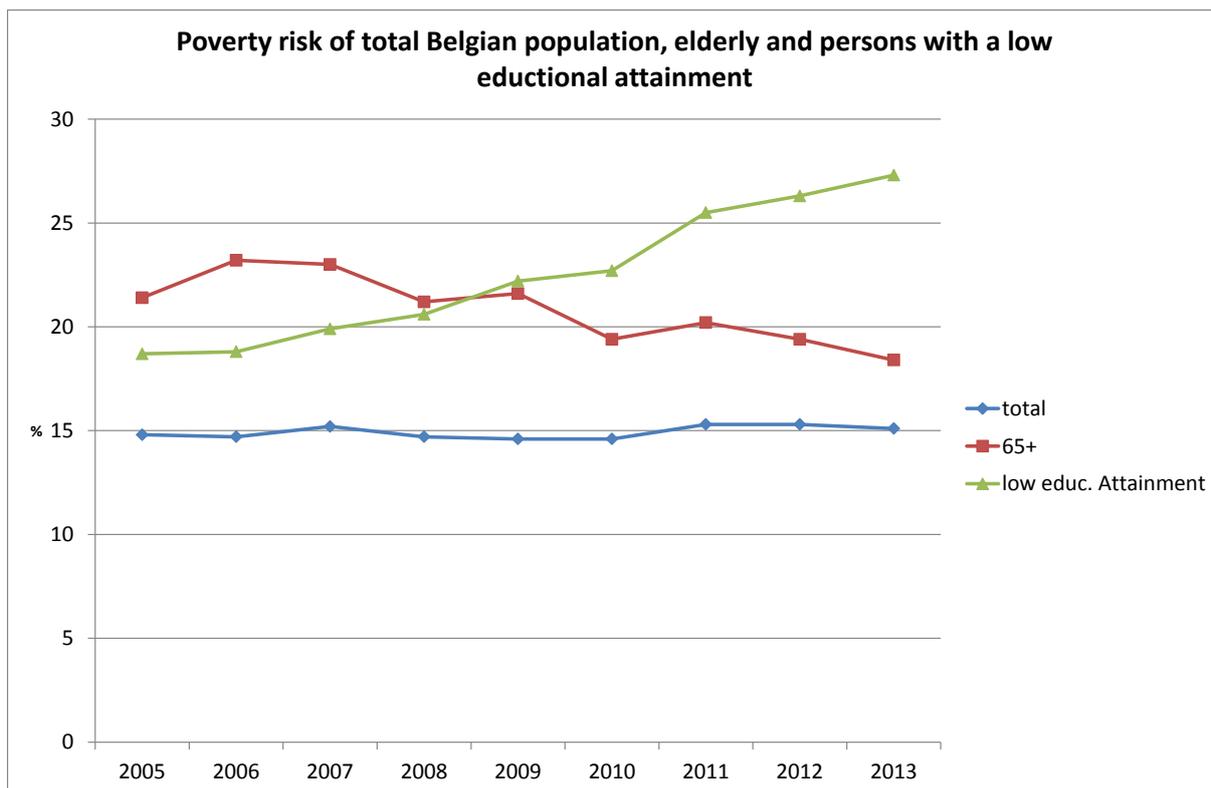


# **The evolution of the social situation and social protection in Belgium 2016 : Increasing divergences**

**Monitoring the social situation in Belgium and the progress towards the social objectives and the priorities of the National Reform Programme**

## KEY MESSAGES OF THE ANALYSIS OF THE EU SOCIAL INDICATORS

- This study builds on the earlier analysis showing that, below stable social indicators for the population at large, there are diverging trends for different population categories. The poverty risk for elderly has decreased, while the poverty risk for the low skilled at working age has sharply increased.
- The decrease of the poverty risk has been stronger for elderly woman than for elderly man. The decrease can be attributed to an improvement of the lowest pensions. The average level of pensions and income of elderly relative to younger age cohorts has remained stable.
- The increase in the poverty risk among the working age population is situated exclusively among weaker social categories: the low skilled, quasi-jobless households, tenants.
- The employment rate of the low skilled has further decreased according to the latest LFS annual figures. This gradual decrease over the last years is now becoming substantial and has occurred simultaneously with a decreasing effectiveness of social transfers for the working age population. This finding points to deeply structural causes of decreasing labour market access for the low-skilled labour. A decreased earnings capacity, polarization of (un)employment over households and decreased adequacy of social protection for the non-elderly population are the main causes for the increased poverty risk for the low-skilled population.
- There is an increase in unmet need for both medical and dental care in the lowest income quintile over the last 3 years, pointing to possible increasing health accessibility issues. Although some caution is needed due to relatively low sample sizes, this needs to be monitored closely.
- Child poverty has remained relatively stable, but consistently above the overall population poverty rate. On other dimensions of child well-being, Belgium scores moderately or unfavourably according to OECD and UNICEF studies.
- In general, the analysis of the EU social indicators jointly with other recent studies for Belgium seem to point to increasing or above EU-average inequalities on a number of domains: poverty, employment, health care accessibility, education, child health and well-being, the position of people with a migrant background, together with steep socio-spatial cleavages between regions and between city neighbourhoods. These findings justify concern about the social situation and social cohesion, despite the apparent overall stability in the social indicators and the positive evolution among the elderly.



Note : effectiveness of social allowances: reduction of pre-transfer poverty due to social allowances in % of pre-transfer poverty

## SUMMARY AND CONCLUDING REMARKS

While no new EU-SILC 2015 data were available yet for this report, since the autumn update on the evolution of poverty risks, based on EU-SILC 2014 data<sup>1</sup>, this report extends the analysis, adds findings based on the recent labour force survey 2015 data and complements the analysis of the EU social indicators with findings from other recent studies. The main aim of this study is to support and contextualize the monitoring of the Europe 2020 target on the reduction of poverty and social exclusion in the context of the National Reform Programme.

Overall the social indicators show a rather stable social situation in Belgium over the last years. The employment rate remains quasi constant at 67,2%. Also the unemployment rate remained constant at 8.5%. Both Gross Household disposable income and median equivalent household income remained stable. Income inequality remained stable as well..

As regards the Europe 2020 target on the reduction of poverty and social exclusion there is a standstill since the start of the strategy. The small fluctuations over the years are not statistically significant. This implies that the trend of the Europe 2020 social target remains off-track compared with the targeted objective.

The overall stability hides divergent trends for different population categories. The poverty risk of the elderly has decreased, but this positive evolution is offset by substantially increased poverty risks for the low skilled at active age.

The poverty risk of the **elderly population** decreased from 23% in 2006 to 16% in 2014. This is only just above the overall population level which implies an historic low for this age category. As the median income level of the elderly compared to the median income level of the younger cohort and average pensions relative to average labour incomes remained stable, the reduction of the poverty risk can be assumed to be due to an increase in the low(est) pensions. The increasing adequacy of social protection among the elderly and the finding that the poverty risk decreased considerably more among single elderly woman compared to man seem to confirm this. Notwithstanding the positive trend it should be noted that there remains a sizable poverty level among elderly. The Ageing Committee's study shows that the sustainability outlook of pensions has improved compared to earlier figures, both due to government measures and changes in the methodology of the forecasts.

Trends among the **active age population** are more alarming. The central finding here is the significant divergences that occurred between weaker categories and the rest of the active population. The increase in the poverty risk among the low skilled (from 19% in 2005 to 28% in 2014) captures the essence of the problem. Key drivers of this evolution are (1) decreasing accessibility (or segmentation) of the labour market, and , (2) decreasing adequacy of social allowances. These findings based on the EU social indicators are confirmed by national studies. These studies point to:

- Decreasing adequacy of social allowances for the active population due to increased degressivity in unemployment allowances (Van Lancker et. al., 2015) and allowances not keeping up with price evolutions of basic necessities (Storms et.al. 2015).

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<sup>1</sup> Federal Public Service Social Security (2015), Evolution de la situation sociale en Belgique. Actualisation sur base des données de l'enquête EU-SILC 2014

- (increasing) inequality in access to the labour market:
  - o Polarization of work between insiders (work rich) and outsiders (work poor) households (Vandenbroucke and Colruy, 2015)
  - o Big gaps (relative to EU) according to migration status (FPS Employment and Centre for Equal opportunities, 2015)
  - o Increasing difference in exit rates from unemployment for school leavers by educational level (Federal Planning Bureau, 2015)

Labour Force Survey data point to a gradual decrease in the employment rate of the low skilled. This trend continued in 2015 according to the recently released Labour Force Survey 2015 data. While the overall employment rate remained stable at around 67,5%, the employment rate of the low skilled decrease from 49% in 2007 to 45% in 2015. This trend is specifically worrying as the gap with EU-employment rates was already the largest for this category. It is noteworthy that this trend occurred together with the trend of decreasing adequacy of social allowances for the working age population. Although other factors can interfere in this relation, the simultaneous occurrence of both trends can be considered to point to the challenging, structural, nature of the issue at hand, which can be assumed to be related to the productivity/earnings capacity of the low skilled.

As social policy levers are dispersed among **different policy levels** in Belgium, it is relevant to note that the basic trends, observed at the Belgian level, can also be observed on the level of Flanders and Wallonia, even if large differences exist between the regions in terms of poverty and employment levels. Looking at the urban level, a recent study points to strong socio-spatial segregations in Belgian cities with a strong accumulation of negative characteristics in deprived neighbourhoods and, on the other hand, more affluent neighbourhoods (mostly suburbs) which are isolated from socio-demographic dynamics.

As noted in earlier studies, when looking at poverty trends by **housing** tenure, it can be observed that the increase in poverty risk is exclusively situated among tenants.

The Belgian **Health system Performance** Report 2015 presents a mixed picture. A relatively high share of the population is in good health and there is a relatively high satisfaction in contacts with the health system. The 'quality of health' indicators are mostly situated around EU15 averages with some indicators scoring better and others worse. Preventive care does not always meets international targets and some indicators of health promotion and life-style show poor results. Some mental health (care) indicators are alarming (e.g. suicide rates remain high). EU-SILC 2014 show a marked increase in the percentage of people in the first income quintile who indicate an unmet need for medical care and dental care. This could point to increased accessibility problems and necessitates a close observation when new figures become available.

While EU-SILC figures show no clear up- or downward trend over the observation period 2004-2014, the **child-poverty** rate remains consistently above the overall population rate. Studies point to relatively large inequalities among Belgian children in different domains. The PISA studies show consistently that Belgium combines a high general performance with a relatively high degree of social

inequality in educational outcomes (eg. PISA 2012). Recently, UNICEF confirmed this finding, pointing to the fact that, notwithstanding a decreasing trend over the different PISA rounds, 'for Belgium (...) the achievement gap between the median and the 10th percentile is significantly higher than the OECD average' (UNICEF, 2016).

Furthermore, the same UNICEF report on 'Fairness for Children', shows:

- A stable moderate position for Belgium on bottom-end income inequality for children (measured as the distance between the 10<sup>th</sup> and 50<sup>th</sup> percentiles);
- A moderate, but increased bottom-end inequality in self-reported health among Belgian children
- An unfavourable and increased bottom-end inequality in life satisfaction among Belgian children

In **conclusion**, this elaboration of the analysis offers additional insights in the evolution of the social situation in Belgium.

Firstly, the continuation of the declining trend in the employment rate of the low skilled, as shown by the new Labour Force Survey 2015 data, is important. This decline in the rate is now becoming sizable and, although further EU-SILC data should be awaited, one can expect that this will negatively impact on other, income related, indicators and on the divergence between different social categories among the active population. The fact that the decline in the employment rate of the low skilled can be observed at the national level but also in Flanders and Wallonia, and the fact that this decline is happening simultaneously with a slightly decreasing adequacy of social protection allowances for the population at active age, point to the deeply structural character of the problem.

Secondly, the further analysis of EU social indicators and the addition of other recent studies broadly supports the earlier findings on the diverging trends among the active population, but it also seems to point to more wide ranging social issues. Taking a broad view on both the EU-indicators and the additional national studies, seems to point to a conclusion that there are increasing indications of growing inequalities or above EU-average inequalities among the active population and children, while overall income inequality remains low. Poverty, employment, health care accessibility, education, child health, the position of people with a migrant background are domains on which such observations can be made. Furthermore, there appear to be steep socio-spatial divergences, both between Regions and between city neighbourhoods<sup>2</sup>. The fact that a number of negative developments are concentrated among groups with an already weaker social profile, together with these socio-spatial divergences can entail significant challenges for the social cohesion in Belgium.

Under these conditions, bringing about an evolution in the direction of the Europe 2020 target on the reduction of poverty and social exclusion can be expected to become increasingly difficult, even with the positive evolution of decreasing poverty rates among elderly.

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<sup>2</sup> It is useful to note that this conclusion is in line with the assessment of the evolution of the social situation as 'aworrying' by the Federal Planning Bureau in the context of an analysis of additional indicators to complement GDP (Federal Planning Bureau, 2016).









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Administratief Centrum Kruidtuin

Finance Tower

Kruidtuinlaan 50, box 115

1000 Brussels

[www.socialsecurity.fgov.be](http://www.socialsecurity.fgov.be)

[dg-strat@minsoc.fed.be](mailto:dg-strat@minsoc.fed.be)

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