CSB
WORKING PAPER

centreforsocialpolicy.eu October 2012 No 12 / 09

The Active Welfare State Revisited

Frank Vandenbroucke

University of Antwerp
Herman Deleeck Centre for Social Policy
Sint-Jacobstraat 2
B – 2000 Antwerp
fax +32(0)3 265 57 98

The Active Welfare State Revisited

Frank Vandenbroucke

Working Paper No. 12 / 09

October 2012

ABSTRACT

This paper revisits social policy developments in Belgium in the decade 2000-2010 on the basis of stylized facts with regard to spending, employment, the social policy caseload, dependency rates and poverty. With regard to spending it focuses on the long-term evolution in Belgian public social spending and the extent to which the observed spending pattern accommodated the perceived emergence of new social risks. By means of 'budgetary effort indicators', the analysis disentangles the impact of demographic evolutions from deliberate shifts in broad policy priorities. In addition, the paper addresses some critical points in the performance of the Belgian welfare state, such as the rising number of children at risk of poverty, the need to anticipate long-term demographic ageing, and (briefly) the need for structural changes in parts of the health care system. I conclude that preparing the next wave of social reform is imperative for this country.

Corresponding author:
Frank Vandenbroucke
frank.vandenbroucke@kuleuven.be

KULeuven
Onderzoeksgroep Economie en Overheid
Naamsestraat 69 - bus 3565
B-3000 Leuven

Introduction

This paper revisits social policy developments in Belgium in the decade 2000-2010 on the basis of stylized facts with regard to spending, employment, the social policy caseload, dependency rates and poverty.[1] In addition, it addresses some critical points in the performance of the Belgian welfare state, such as the rising number of children at risk of poverty, the need to anticipate long-term demographic ageing, and (very briefly) the need for structural changes in parts of the health care system. As the reader may be aware, I, the author, played an active policymaking role during part of the period under consideration; hence the evaluation based on facts and figures is occasionally complemented with a more intuitive assessment, grounded on that experience. Social policy is always in flux. I conclude from the overview in this paper that preparing the next wave of reform is imperative; that preparation should be guided by a set of clear long-term objectives for the Belgian welfare system and evidence-based judgment.

In the first section, I provide an outline of the prevailing policy orientations in the years 2000-2010. To this end, I refer to policy insights and terminology that emerged in the 1990s, notably the distinction between 'new' and 'old' social risks and the concomitant need for 'a new welfare state'.

The past decade should be understood as a chapter in the longer, ongoing story of the Belgian welfare state.[2] Section 2 describes the long-term evolution in Belgian social spending and the extent to which the observed spending pattern succeeded in accommodating the perceived emergence of new social risks. By means of 'budgetary effort indicators', the analysis disentangles the impact of demographic evolutions from deliberate shifts in broad policy priorities. Did spending on new social programmes replace spending on traditional social security schemes? And if such 'crowding out' did occur, was it a phenomenon of the 2000s or rather part of a longer-term trend?

This paper focuses on cash benefits, employment and financial poverty. However, since health care spending was an important driver of social

---

1 A shorter version of this paper, focusing on the retrospective part, is published in Françoise Thys, Etienne de Callataÿ and Christian Valenduc (eds.), *The History of Belgian Public Finance*, Volume VII, 2000-2010. Leuven: Universitaire Pers Leuven, 2012.

2 For a more thorough discussion of the evolution of the Belgian welfare state, see Deleeck (2001); for a survey of reforms, see Vleminckx (2011); Hemerijck and Marx (2010). For a survey of recent developments and challenges, see the reports on Belgium by Segaert (2009, 2010) for the EU ASISP network. Jones (2008) provides an interesting account of the political dimension of economic and social adjustment in Belgium (and the Netherlands).

spending in the 2000s, section 3 summarily sketches some of the central topics in health care policy during the previous decade.

As explained below, the Belgian governments of the 2000s tried to reconcile two strategic orientations that were deemed to embody the 'active welfare state': to maintain and improve where possible the adequacy of social benefits; and to enhance employment incentives in order to increase employment rates. In section 4, I present a stylized overview of the policy inputs that were to serve these strategic orientations, notably with regard to benefits, employment incentives and activation. Sections 5, 6 and 7 discuss the policy outcomes. In section 5, I sketch the long-term evolution of the social policy caseload and the evolution in 'benefit dependency'. Section 6 focuses on labour market participation, while section 7 discusses poverty outcomes and whether or not the Belgian welfare state performed 'efficiently' in this respect. In making this assessment, I focus in particular on child poverty. The literature of the 1990s on the 'new welfare state' emphasizes the need to invest in children, linking child poverty to the emergence of new social risks. Hence, whether or not Belgian policy was successful in this respect constitutes an important litmus test in this retrospective exercise. Other than that, there are worrying signs with regard to child poverty in Belgium, which warrant a reconsideration of our policy priorities.

Section 8 briefly revisits the problem of ageing and pension reform. Section 9 concludes that preparing the next wave of social reform is imperative for this country.

1. 'New' and 'old' social risks and the social policy orientations of the 2000s: a stylized presentation

Since the mid-1990s, a vast body of literature has emerged on the need to develop a 'new welfare state'.[3] Three core ideas resonate in these publications: the advent of new social risks, the notion of social investment, and the development of services. Unemployment, old age, ill health, sickness and disability, and the financial burden of raising children, are seen as constituting the 'old' risks, which welfare states have catered for increasingly well since the Second World War. In the category of new social risks, one might list the following (Bonoli, 2006): (i) the impossibility to reconcile family responsibility and paid labour; (ii) single parenthood; (iii) long-term care dependency of a family member; (iv) low or inadequate schooling; (v) insufficient coverage by social security due

[3] For a canonical statement, see Esping-Andersen et al. (2002), and for a recent restatement of arguments in this vein, see Morel et al. (2012). Hemerijck (2013) provides an assessment of welfare reform that is framed in the terms of (and largely sympathetic to) this literature.

to, for example, lack of access to adequately insured insider positions in the labour market.[4] The second core notion - social investment - acknowledges that rather than to remediate the impacts of social risks retrospectively, it is preferable to prevent them from occurring in the first place, for example through training and activation of jobseekers, or by investing in education and lifelong learning. Both goals – addressing new social risks and activation – imply that welfare states need to develop services, such as child care or counselling and training, alongside benefits. The Bismarckian welfare state model, to which Belgium historically belongs, is considered to be 'cash-heavy', in the sense that it gives priority to cash transfers over social services. The Scandinavian welfare states, by contrast, are service-heavy. Hence, a deliberate orientation of policy towards 'capacitating' service provision may be put forward as the third core idea. The notion of the 'new welfare state' implies the dual ambition of modernizing the welfare state, so that it would cope more satisfactorily with the new risks and needs in contemporary societies, and of ensuring its financial sustainability.

The argument in favour of a shift towards social investment and capacitating services is not unchallenged in the scholarly debate. Cantillon argues that social spending may have become less 'pro-poor' because 'new policies budgets' (i.e. budgets catering for the 'new risks') tend to flow to higher income groups, whilst the opposite is true for important parts of the traditional cash transfers. She explains this by the fact that, first, these new budgets are work-related and thus strongly income-related, and, second, because they make welfare states more service-oriented; services are considered to be less redistributive than cash transfers (Cantillon, 2011; for a discussion of this thesis see Vandenbroucke and Vleminckx, 2011). Cantillon's argument echoes a fundamental tenet in Deleeck's *oeuvre*, well explained in his 1983 book on the 'Matthew effect' (Deleeck et al., 1983): social services and education (and, related to this, part of the child benefit budget) tend to serve the middle class more than the lower class, whilst income replacement functions of the welfare state tend to serve the lower class. The overall equilibrium that is so created may be necessary for reasons of political legitimacy. Yet, policy should see to it that Matthew effects do not tilt the balance in favour of the middle class – thus one might summarize what exercised Herman Deleeck in much of his social research.[5] In section 2 of

[4] Here, I cite the 'risks' as listed by Bonoli (2006: 5-8). The term 'risks', which is ubiquitous in the literature, is in my opinion somewhat misleading, as it often (but not always) concerns situations that people control themselves on the basis of their needs, rather than risks that may or may not 'strike' them. Perhaps 'new risks and needs' is a more accurate phrase.

[5] 'Het totaal beeld toont een verdeling waarbij per slot van rekening de onderste lagen resp. de niet-actieven totaal meer opnemen aan vervangingsinkomens en de hogere lagen resp. de actieven totaal meer opnemen uit collectieve goederen en diensten (…). Zulk totaalbeeld, hierboven verklaard aan de hand van structurele en culturele

this paper, I examine to what extent Belgian social spending shifted towards 'new risks' and service delivery in general (including health care) over the last 25 years. It is not possible to assess the distributive impact of this shift in this paper, but that remains a crucial question for further research (see Cantillon and Vandenbroucke, forthcoming).

In 1999, the Verhofstadt government set itself the task of turning Belgium into what it called an 'active welfare state'. To an extent, this notion was akin to that of the 'new welfare state' proposed in the literature.[6] Its aim was to combine 'new risk' and preventative policies, notably through activation, while also emphasizing the need to maintain adequate social benefits to cater for traditional social risks (Vandenbroucke, 1999; Vandenbroucke and Vleminckx, 2011). Hence, the active welfare state was an attempt to redefine and change the orientation of social policy by developing a complementary strategy: rather than to replace the traditional functions of the welfare state, the aim was to improve them and to add new ones.

As in other Bismarckian welfare states, Belgium's employment and social policy is historically characterized by status-preserving distinctions, such as those between blue-collar and white-collar workers and between self-employed persons, employees and statutory civil servants. Would the ambition to improve traditional social programmes entail a radical departure from this legacy? Certainly in the course of the past decade, the self-employed have obtained virtually identical child benefit rights[7] and health care reimbursement as employees and civil servants; pensions and incapacity benefits for the self-employed have also been significantly upgraded. These alignments were a driver of additional social expenditure without corresponding extra revenue.[8] Specific professional groups, such as artists and *onthaalmoeders/gardiennes d'enfants* in the child care

---

factoren van differentiële opname van enerzijds vervangingsinkomens en anderzijds collectieve goederen en diensten, kan eveneens verklaard worden vanuit het politieke en sociale besluitvormingsproces. De hogere belastingsdruk ten nadele van de hogere lagen kan door dezen enkel duurzaam aanvaard worden in de mate dat zij, in ruil hiervoor, een stelsel van sociale voorzieningen ontwikkeld zien dat hen een voldoende aandeel in het profijt van de overheid laat opnemen' (Deleeck et al., 1983: 371). For Deleeck's final assessment of the Matthew effect, see Deleeck, 2001: 342-343.

6 To an extent, the notion of an 'active welfare state' may have been inspired by this literature; concurrently, it had some ideational influence beyond Belgian politics, notably because the Verhofstadt I government promoted its conceptualization of social policy at the EU level, as an actor in the launch of the Open Method of Coordination on Social Inclusion in 2000. For instance, the influential book *Why We Need a New Welfare State* (Esping-Andersen et al., 2002) was the outcome of a project sponsored by the Belgian Government.

7 There is still a difference in the basic amount and the age supplement for a child with rank 1, which should be eliminated before the constitutional changes agreed by the Di Rupo government are implemented.

8 However, in health care, contribution rates for the self-employed were increased.

sector, have obtained social security coverage in a pragmatic way. Thus, Belgian social security has become pragmatically universal in terms of access. It could be argued that, in so doing, it at once succeeded in countering the fifth in my list of new social risks, that is the risk of inadequate social coverage. Nonetheless, such *ad hoc* measures could not alter the fundamentally Bismarckian legacy of the status-based pillars of Belgium's social security design.

Although there was mutual influence, in its conception the active welfare state was not a copy-paste of the new welfare state proposed in the literature. True, activation became a key objective to the Verhofstadt II government; health care policy was inspired by the observation that new social risk profiles had emerged;[9] and policies to reconcile family care with labour market participation were high on the agenda (as they had been since the 1990s). But no explicit reference was made in political discourse to 'new' and 'old' risks. In fact, overcoming status-based differentiation within traditional social programmes featured more prominently on the political agenda than the notions of 'new-versus-old-risks' or 'services-versus-cash'. With hindsight, the policies pursued by Verhofstadt I (1999-2003) may be summarized in the following strategic orientations:

i. maintain and improve where possible the adequacy of social benefits;
ii. create employment incentives, not by lowering benefits, but by lowering taxes on earned income and lowering personal social security contributions at the bottom end of the wage scale;
iii. bolster competitiveness and labour demand by lowering employers' social security contributions, substituting general revenue for Bismarckian contributions;[10]

---

[9] The growing prevalence of chronic illness was an explicit priority in the health care agenda, with regard to both financial support for the chronically ill and quality of care (specific problems related to chronic illness were already put on the agenda during the Dehaene II government, but the issue only took centre stage under Verhofstadt I). In the same vein, one might refer to the emphasis on expansion, upgrading and renewal in institutionalized elderly care, as funded under the federal health care budget, at the beginning of the decade. The organization of the *Zorgverzekering* by the Flemish Community, introduced in 2001, can also be seen as a response to an archetypal new social risk, long-term care dependency. However, the *Zorgverzekering* reflects a mixture of semi-Bismarckian (it is a cash benefit, partially based on contributions) and semi-Beveridgean (it offers a flat rate benefit to those who qualify) elements, which does not answer the emphasis on service delivery in much of the literature on the new welfare state. I consider it as a sub-optimal policy choice, since it was rather driven by the need to create a breakthrough in Flemish Community social policy with a visible 'social security' aspect, than by considerations of policy efficiency, but space forbids to pursue this argument here.

[10] The government also pledged that the financial equilibrium of the social security system for employees would be assured, which implied that (possible) deficits caused by decreasing contributions would be compensated with alternative funding mechanisms.

iv. guarantee universal access to social security and better protection for the self-employed by pragmatic *ad hoc* measures;
v. accommodate the 'rebound' of health care spending after health care austerity in the 1990s;
vi. firmly establish the fundamental guarantee for future pensioners in the first pillar, but develop a sector-based second pillar with a view to democratizing access.

In a similar vein, one might say that the Verhofstadt II government (2003-2007) added two orientations:

i. implement a model of activation by 'close monitoring' of the unemployed;
ii. tackle the issue of early labour market exit.

Simultaneously, the government would strive for budget surpluses to prepare for the cost of ageing; this option was institutionalized with the establishment of the so-called *Silver Fund*.[11] The key challenge, of course, was how to successfully reconcile these '8+1' orientations.

The above representation of the policy orientations that dominated in the 2000s (as it turned out, they would continue to feature strongly in the post-Verhofstadt years of 2008-2010) inevitably involves a degree of *hineininterpretieren*. It is not the case that all measures taken during the decade had been programmed politically from the outset. For instance, the initial measures taken to improve benefits (orientation 1, supra) were relatively modest compared to the more substantial benefit improvements implemented in the second half of the decade[12], under pressure of the trade unions and the mobilization against the so-called *Generation Pact.* In the course of the Verhofstadt governments, the policy orientations were moulded in increasingly close interaction with the employers organizations and the trade unions. Furthermore, the above list of orientations that dominated policymaking in the 2000s should not create the impression that these objectives were totally new; with regard to the lowering of employers' social security contributions, for example, the Verhofstadt I government was accelerating and reinforcing a policy line that had previously been launched by the Dehaene II government (Adnet, 2002: 165). Nonetheless, in principle at least, the '8+1' orientations adequately reflect the policy package of the 2000s.

---

[11] The Silver Fund was a scheme whereby budget surpluses were set aside in a separate account for later use; this way, it had to become transparent and credible that budgetary surpluses were being used to anticipate on (or serve as pre-funding for) the future cost of ageing.

[12] In this respect, the 'social super-ministerial council' of 2004 in Raversijde may be seen as a turning point. Subsequently, the *Generation Pact*, which was first presented to Parliament in October 2005, led to the formal entrenchment of a linkage between benefits and the standard of living (by the provision of a yearly budget that allowed such a linkage).

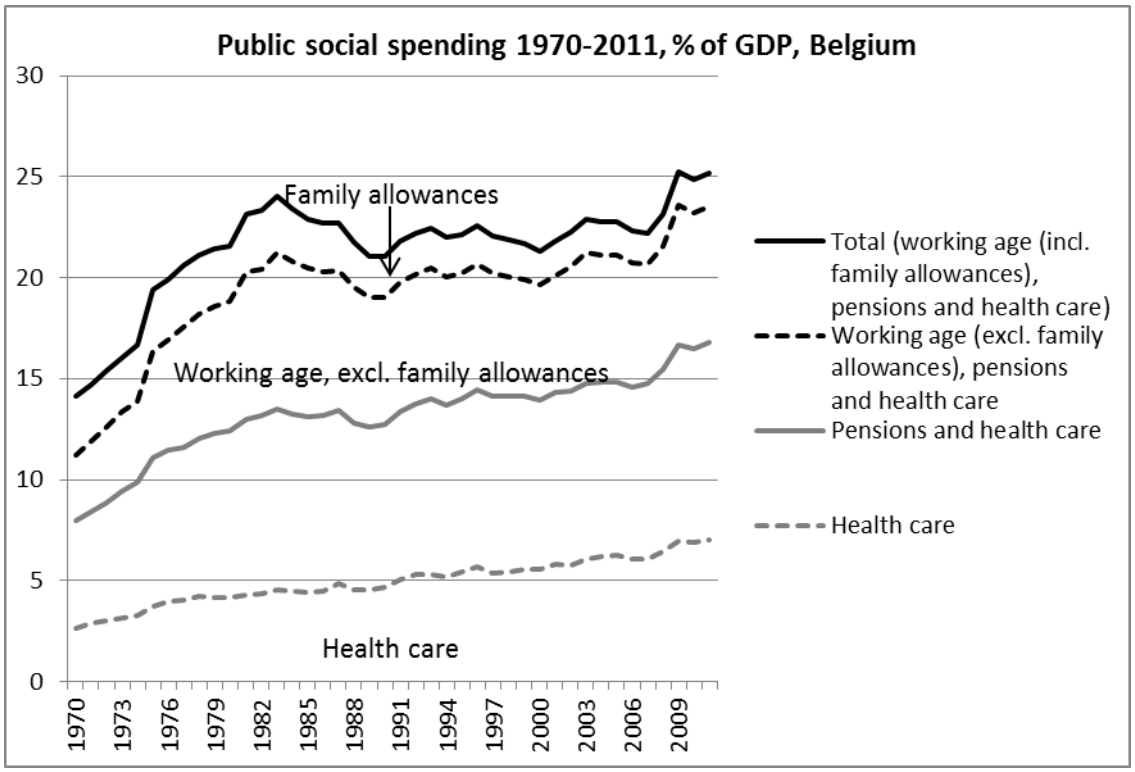
Rather than to present a detailed discussion of individual policy measures, I propose an assessment on the basis of stylized facts on spending, employment and poverty. This allows cross-country comparison and it is conducive to an understanding of the past decade as a chapter in longer-term developments in the Belgian welfare state. The question that presents itself is not just whether or to what extent successive governments were able to deliver on the promise of the active welfare state and the '8+1' orientations listed above; additionally, it is whether or not the Belgian welfare state, prior to the onset of the financial crisis and after the spectacular increase in benefit dependency in the second half of the 1970s and the 1980s, was gradually approaching a new and sustainable 'equilibrium', with lower but stabilized benefit ratios (average benefits divided by average wages for employees or by average earned income for the self-employed) and stable benefit dependency ratios. I will leave aside the issue of second-pillar pensions and restrict the discussion on health care to some general remarks.

2. Social spending: stability and change

2.1. The long-term evolution of social spending

Figure 1 shows the development of social spending over the last 42 years, based on data of the NAI-NBB. Relative to GDP, public social spending increased spectacularly between 1970 and 1983, from 14.2% to 24% of GDP; it then declined and remained more or less stable until 2007. The structure of spending changed considerably: child benefits represented a much larger share of total spending in 1970 than today.

Figure 1: Public social spending 1970-2011, % of GDP, Belgium.



'Early retirement pensions and career termination' and 'Other' are included in the category 'Working age'.
Source: own calculations, NBB

The 2008 financial crisis had a considerable impact: spending increased with 3 percentage points, reaching 25.2% in 2011.[13] This is explained for the most part by the automatic stabilizing effect of welfare state transfers, which either increase (unemployment benefits) or do not decrease when GDP decreases (child benefits, pensions …); only a minor effect can be traced to policy measures such as changes in generosity and leniency towards the temporarily unemployed. Thus, public social spending in Belgium has reached an unprecedented high level.

[13] We cannot compare these data, based on the NBB, with either OECD SOCX, used in the next section, or with the Eurostat ESSPROS data, which only go to 2009. ESSPROS and OECD SOCX are more comprehensive in their definition of social spending. In 2009, social spending (relative to GDP) was 3.7 ppt higher than it had been in 2007, according to ESSPROS. This considerable increase is comparable to the weighted average for the EU15, when using ESSPROS as base of comparison, and slightly more substantial than in Belgium's three neighbouring countries (+ 3.1 ppt).

2.2. Accommodating 'new' and 'old' social risks, and the impact of demography

I now turn to a more detailed survey of the period 1985-2007, on the basis of the OECD Social Expenditure Database (OECD SOCX), which allows a fine-grained comparison of Belgian public social spending with spending in other countries.[14] Over this period, OECD SOCX also illustrates the relative stability of public social spending in Belgium, relative to GDP. So conceived, Belgian public spending seems the archetype of the 'immovable object' as described by Pierson in his seminal work on the non-retrenchment of welfare states (Pierson, 2001). Since the OECD SOCX definition of social spending is more comprehensive than the definition applied by the NAI-NBB, as used in Figure 1, the levels of spending are somewhat larger. In 1985, public social spending amounted to 26% of GDP; it then declined to 24.6% in 1989, increased again to 26.9% in 1993, declined to 25.4% in 2000, and increased to 26.3% in 2007, the latest year available in OECD SOCX. Hence, within the overall context of stability, two periods stand out as periods of relative expansion relative to GDP: 1989-93 and 2000-2007. The turning points (1989, 1993, 2000) may be explained in part by the economic environment: unemployment declined between 1985 and 1992; in the recession year of 1993 it increased and remained high until 1998, and then it declined from 1999 onwards. However, policy changes no doubt also played an important role: we had years of budgetary austerity until 1988, followed by *le retour du cœur* in 1989-1991; and renewed budgetary austerity under the Dehaene government in the 1990s in order that Belgium would meet the Maastricht euro-entry criteria and could prepare for the cost of ageing.

I use OECD SOCX to compare the extent to which the pattern of Belgian social spending accommodated 'new social risks' with evolutions in other welfare states. To this end, I divide public social spending into five categories, four of which may be seen to reflect traditional risks, whilst the fifth category may be associated with new risks:[15]

---

[14] Vandenbroucke and Vleminckx (2011) and Meeusen and Nys (2012) provide comparable data on other welfare states on the basis of OECD SOCX, using the same methodology. With regard to Belgium one has to focus on *public* social spending when using OECD SOCX, which uses a rather restricted conception of 'public' (in comparison with Eurostat ESSPROS). In OECD SOCX, in the function 'old age', the category 'private spending' contains elements of spending that are not included in the data on private social spending which Eurostat includes in its public social protection spending statistics (amongst others, individual life insurance is included in OECD SOCX 'private social spending', but not in ESSPROS as published by Eurostat); this explains why 'private and public social spending' increases very rapidly in Belgium over the 2000s, according to OECD SOCX, which is not the case in ESSPROS's (larger) notion of 'public spending'.

[15] The exercise serves as a cross-country comparison, rather than a precise description of the development of Belgian social spending as such. A more fine-grained analysis

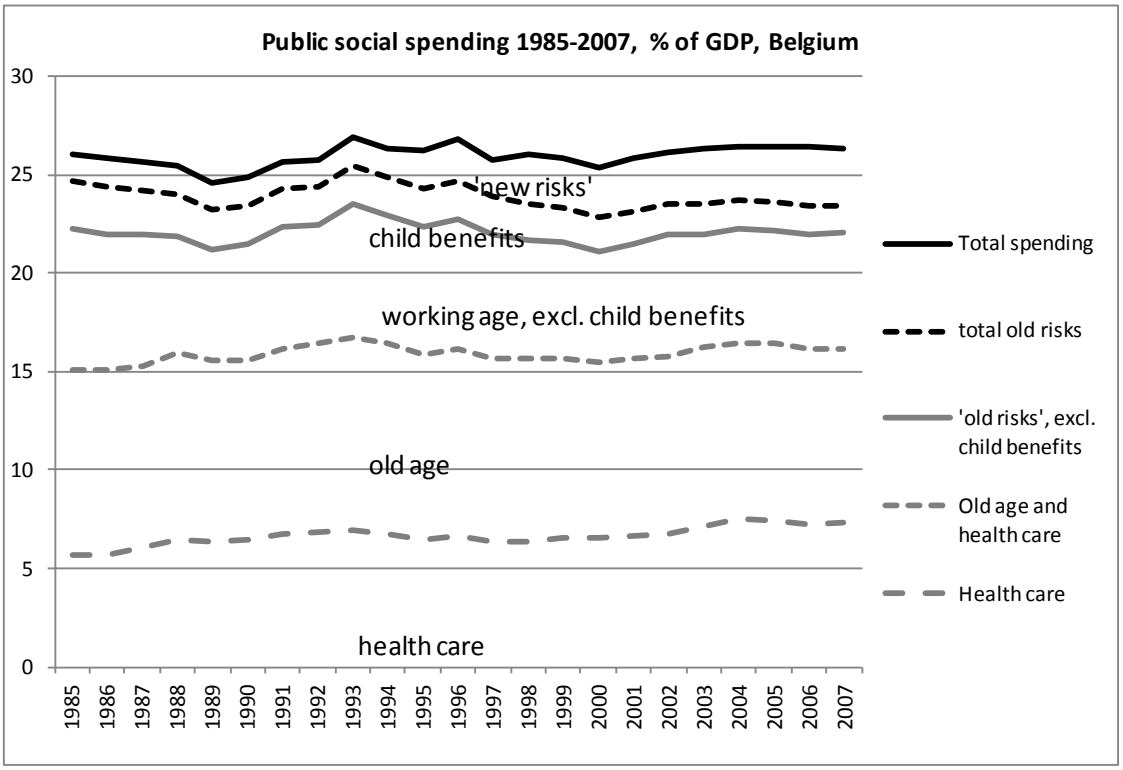
i. health care;
ii. old age (including survivor) programmes;
iii. benefits for families of working age, including unemployment benefits, work incapacity benefits, housing benefits, social assistance… but excluding child benefits and programmes categorized as 'new';
iv. child benefits, including other family allowances in cash;
v. 'new programmes', such as child care, active labour market policies[16], maternity and parental leave (but not other leave systems), and elderly care not included in health care.

Figure 2 provides the public spending data for Belgium for each of these categories.

of the Belgian data would show that some programmes covering 'new risks', such as care for frail elderly or part of the expanding 'career break' or 'leave' systems, are classified under 'traditional' programmes (respectively health care and unemployment benefits). But even in the context of cross-country comparisons, some circumspection is called for; De Deken (forthcoming) lists difficulties one should be aware of when partitioning social spending data on the basis of the 'risk' categories as defined by Bonoli.

[16] OECD includes the following expenditures in active labour market programmes: expenditures on public employment services and administration; training; job-rotation and job-sharing; employment incentives; supported employment and rehabilitation; direct job creation; start-up incentives.

Figure 2: Public social spending as a % of GDP, 1985-2007, Belgium.



Source: own calculations based on OECD SOCX

In Table 1, I use the 'turning points' in spending (1989, 1993, 2000) to organize my data, and also add the year 2007.

Table 1: Public spending on 'old' and 'new' welfare programs in Belgium (% GDP)

	1985	1989	1993	2000	2007
Health care	5.7	6.4	7.0	6.6	7.3
Old age (incl. survivors)	9.3	9.2	9.8	8.9	8.9
Working age benefits, excl. child ben.	9.6	7.7	8.7	7.4	7.3
(of which unemployment)	*3.3*	*2.6*	*3.2*	*2.8*	*3.1*
Child benefits	2,4	2.0	2.0	1.7	1.4
Maternity and parental leave	0.1	0.1	0.2	0.2	0.2
Elderly care, not in health	0.0	0.0	0.0	0.4	0.5
Child care	0.1	0.1	0.2	0.8	0.9
ALMP	1.2	1.1	1.1	1.2	1.2
Total 'old risks'	24.7	23.3	25.5	22.8	23.5
Total 'new risks'	1.4	1.3	1.4	2.6	2.9
Total public spending (old and new)	26.0	24.6	26.9	25.4	26.3

Source: own calculations based on OECD SOCX

'New spending' increased in Belgium during the 1990s and subsequently stabilized. By 2000, the level of 'new spending' more or less approached the unweighted average of spending on similar schemes by our neighbours, post-unification Germany, France and the Netherlands. (Below, I refer to this benchmark as 'our neighbours'; obviously, this average conceals different trajectories in the three countries concerned. Meeusen and Nys (2012) provide the detailed data on these welfare

states.) So conceived, Belgium's spending profile was modernized during the 1990s rather than during the 2000s: at first sight, active labour market policy, a hallmark of social investment, was basically flat relative to GDP over the period considered; the main expansion of child care spending happened between 1993 and 2000. At least, that is what the aggregate budgetary figures indicate; below I will however qualify this observation. At the same time, this implies that, as a share of GDP, spending related to *traditional* social risks decreased more between 1993 and 2000 than total spending. In other words, to the extent that spending on 'old programmes' was replaced by spending on 'new programmes', on the level of aggregate spending figures as I present them here, this happened in the 1990s, rather than in the 2000s.

With regard to traditional social spending, the overall Belgian trajectory of the 1980s and 1990s was more or less similar to the average trajectory recorded by our neighbours, but the internal dynamics were somewhat different. Between 1993 and 2000, the sum of health care spending and old-age spending, relative to GDP, was reduced marginally more in Belgium than in our neighbours. Old-age spending decelerated for three reasons: the declining weight of survivor pensions, declining global benefit ratios (as discussed below, with some qualifications), and the 1996 pension reform, which introduced stricter career requirements for early statutory retirement and increased the statutory pension age of women from 60 to 65 years. The latter measure was implemented between 1996 to 2009, inducing a remarkable reversal of trends. In the private employee sector, the number of retirees had increased by 16,915 per annum between 1985 and 1991. Between 1991 and 1997 the yearly increase had further accelerated to 22,259 per annum, fuelled by the ill-guided decision to abolish the reduction coefficients for early retirement in the employee sector in 1991.[17] Between 1997 and 2007, the yearly increase declined to 7,654, after which it began to accelerate again for demographic reasons. Although postponement mainly concerned relatively smaller pensions, the 1996 reform thus contained pension spending (Festjens, 1997, forecast a reduction of the pension budget by 0.5% of GDP and of the number of retirees by 168,500 by 2010). But it also induced a shift from pension spending to spending on other benefits, such as unemployment benefits and unemployment-based early exit schemes. Herremans (2006) estimates that the main impact of the first phase of the 1996 reform was a shift from retirement to other forms of inactivity; one cannot however exclude that it ultimately also contributed to the growing

[17] Until 1991, early retirement, i.e. retirement before the statutory pensionable age of 65, was penalized by a reduction coefficient of 5% per annum (by way of example: retirement at 60 entailed a reduction of 25%). For employees, these reduction coefficients were abolished; for the self-employed, they were maintained. The logic behind this decision was the abolishment of the so-called '*brugrustpensioenen*', an early exit scheme that constituted a separate entry into early retirement.

employment rates of women in the 60-64 age bracket in the course of the 2000s.

Verhofstadt I considered it necessary to improve minimum pensions and to upgrade older retirees' pensions in order to reconnect them, at least to some extent, with rising living standards. Relative to GDP, public pension spending remained on the same level between 2000 and 2007.

OECD SOCX registers a spectacular increase of 43.2% in the volume of public health care spending between 1986 and 1992, followed by a virtual standstill over the next six years (+ 4.4% between 1992 and 1998). Between 1998 and 2004, health spending again increased by 33.9%. This S-shaped growth curve seems to confirm Cutler's (2002) thesis: governments may, for a number of years, succeed in suppressing the growth of health care spending below a trend that is driven largely by progress in medical technology, but then they will inevitably experience a 'rebound' (I return to this issue below).[18] In 2000, health care spending was marginally below the level of our neighbours (- 0.2 ppt); by 2007 it was marginally higher (+ 0.2 ppt).

In 1993, spending on working-age benefits, excluding child benefits, was slightly higher in Belgium than in the neighbouring countries (a difference of 0.5 ppt). It was also reduced comparatively less during those years of austerity (the difference increased to 1.1 ppt by 2000 and 1.6 ppt by 2007). Hence, the expansion of spending in the 2000s may be seen, at least in part, as the result of an inevitable rebound or 'return to trend' in both health care spending and old-age spending in Belgium, while spending on working-age benefits remained at a comparatively high level, which is characteristic of our welfare state. Thus, spending on working age benefits amounted to 7.3% of GDP in the relatively prosperous year of 2007: surprisingly, this level is comparable to the figures for 1993 and 1985, years characterized by considerable economic distress. Belgium spends more on unemployment benefits than other welfare states do; this is partly explained by the fact that Belgian unemployment benefits and

[18] 'Countries that imposed expenditure constraints generally experienced about a decade of lower cost growth. But after that time, spending growth increased. This happened in the United Kingdom in the 1970s (after slow growth in the 1960s, in Canada in the 1980s (after slow growth in the 1970s), and in Germany and Japan in the 1990s (after slow growth in the 1980s). The reason for this rebound is the underlying dynamic of medical technology. Expenditure caps did not eliminate technological change; they just suppressed some of their manifestations. But ultimately, the technology was adopted and led to increased spending. This is clearest in the case of price reductions. As noted above, a large share of the savings from expenditure caps was in lower prices paid to doctors. But quantity growth is a far more important driver of long run cost increase than is price growth. Thus, price cuts are an inherently limited way to reduce spending increases. When prices are falling, spending growth will slow, but growth will then resume when price cuts cease.' (Cutler, 2002: 898).

related early exit schemes serve social groups that benefit from work incapacity benefits (and/or social assistance or retirement pensions) in other welfare states. This structural policy difference between Belgium and other welfare states will become quite apparent when I consider the social caseload. However, with regard to the level of spending, these caseload differences can only explain the specificity of Belgium to a limited extent: in 2007, spending on unemployment benefits was 1.8 ppt higher than in the neighbouring countries; public spending on all other 'working-age benefits' was only 0.3 ppt lower. In other words, Belgium emerges as a heavy spender on working-age benefits *in globo*, particularly in terms of working-age *cash* benefits. Since general career break or leave systems count as unemployment benefits, the expansion of these systems may offer part of the explanation; however, they explain but a relatively small part of spending registered here.[19]

Over the last 30 years, there has been a steady erosion of child benefits: in 1980 2.8% of GDP was spent on child benefits; by 2007, this proportion had diminished to 1.4%.

Obviously, changes in demography are important drivers of spending on pensions and child benefits (just as unemployment has an impact on spending on unemployment benefits and, presumably, on spending on active labour market policies). To assess the impact of needs created by demography (or unemployment), I calculate ratios of 'spending per capita' on GDP per capita:

$$\frac{\left[\frac{\text{spending in euro}}{\text{demographic target group}}\right]}{\left[\frac{\text{GDP}}{\text{total population}}\right]}$$

Table 2 provides the indices for each of the spending 'turning points' selected on the basis of Figure 2, using the ratios for 1985 as benchmark. I call these indices 'budgetary effort indices'.

[19] RVA/ONEM figures indicate that leave systems (*loopbaanonderbreking/interruption carrière* and *tijdskrediet/crédit temps*) amounted to 0.08% of GDP in 1993, 0.09% in 2000, and 0.19% in 2007. For an interesting comparative discussion of the Belgian unemployment system, see De Deken (2012).

Table 2: Budgetary effort indices (1985=100), Belgium

	1985	1989	1993	2000	2007
((Old age spending)/(Pop. 65+)) /(GDP/CAP)	100	92	93	78	77
((Child care)/(Pop. <5))/(GDP/CAP)	100	89	134	667	775
(ALMP/unemployed)/(GDP/CAP)	100	129	93	172	163
((Family allowances)/(Pop. < 20))/(GDP/CAP)	100	89	89	77	68

Source: own calculations based on OECD

The budgetary effort index for old-age spending decreased over most of the period under review, but the decline was most marked between 1993 and 2000; between 2000 and 2007, it was marginal. For the reasons explained earlier, total old-age spending as a proportion of GDP did not follow the evolution in the share of elderly persons in the population in the second half of the 1990s. Improvements in pensions levels from 2000 onwards checked this downward trend. Does this budgetary effort index inform us about changes in the implicit intergenerational focus of social policy? First of all, there is a *caveat* with regard to the denominator in my ratios: GDP per capita reflects *all* sources of income, not just earned income by employees and the self-employed, and it is positively affected by rising employment rates, even if average earnings do not increase. Hence, a declining effort index does not presuppose a deterioration in benefit ratios (average benefits divided by average wages for employees or by average earned income for the self-employed), i.e. it does not necessarily imply a deterioration in the quality of the underlying insurance contract from an individual perspective. Second, the intergenerational interpretation depends on the valuation of a pension for an individual retiree. Today, the elderly live longer than they used to in the 1980s and hence they claim pensions longer; an identical pension (or, an identical benefit ratio, for that matter) may therefore be interpreted as an improvement in terms of the pension *capital* a contemporary 65-year-old may *expect* to receive, compared to what he or she may have expected to receive 20 years ago. Whether or not the impact of longevity on pension capital should be regarded as objective progress in individual well-being is a moot question. I am inclined to say that the increasing pension capital, in combination with increased longevity, constitutes an objective source of individual progress in well-being (Vandenbroucke, 2012).

The figures for child benefits in Table 2 highlight their steady erosion, due in part to the fact that child benefits are not adjusted to the standard of living and in part to a decline in household size. Budgetary savings introduced by the gradual reduction in 'age allowances' from 1997 were compensated for in the 2000s by the introduction of a premium for children with lone parents, a new system for disabled children, and a so-called 'yearly allowance'; the overall outcome was that the dispersion of benefit levels increased, making the system more selective (RKW, 2011). Using the population share of individuals under the age of 20 as a benchmark, I find that, for 2007, the ratio of 'spending per child' to GDP

per capita amounted to only 68% of the corresponding ratio for 1985.[20] By contrast, spending on child care increased spectacularly in the 1990s if I use the population share of young children as a benchmark. The expansion of child care was both a precondition for and a consequence of the feminization of the labour market, as documented below for the 2000s.

Similarly, spending on active labour market policies (ALMP) did not match the evolution in the number of people in work during the first half of the 1990s, but subsequently increased relative to the number of unemployed: the ratio of 'ALMP spending per unemployed' to GDP per capita was considerably higher in the 2000s than it had been in the 1990s. This qualifies my earlier observation about spending trends in the 1990s and the 2000s: so conceived, there is evidence of a turn to social investment spending in the 2000s, but not at the expense of traditional social spending. Except in the field of family policy, the Belgian policy model was one of 'adding' new functions rather than 'replacing' existing ones. Moreover, the aggregate ALMP figures conceal an important shift from occupational programmes ('direct job creation') in the 1980s to employment assistance in the 2000s (for a discussion of the evolution of ALMP budgets in Belgium and its regions, see De Klerck and Van Wichelen, 2008). In comparative literature on ALMP, direct job creation is considered less effective than training of the unemployed (which did not increase according to OECD SOCX) and activation-oriented employment assistance (which did increase).

Belgian social spending gradually became more service-oriented during the 1990s. The share of 'in-kind benefits' increased from 23% in 1985 to 34% in 2000, and subsequently stabilized. The service share remained rather low in comparison with Northern and Anglo-Saxon welfare states. In fact, there never was an explicit policy debate, let alone a strategic orientation, with regard to the 'cash/services' balance in Belgian policy. As explained in Vandenbroucke (2010), this regrettable lacuna in strategic thinking is to some extent related to institutional tensions within the Belgian polity.

[20] Given the expansion of higher education, one would expect young adults to obtain a larger share in child benefits. However, this appears not to be the case. On the basis of available spending data, I conclude that the indices in Table 2 hardly change if child benefits for young adults are excluded.

3. Health care

3.1. The growth norm for health care spending

After the inauguration of the Verhofstadt I government, the growth of health care spending became a controversial issue. The government accommodated a rebound after years of spending limits, but under political supervision: in practice, the permitted growth rate would be negotiated between the coalition partners on an annual basis. This approach offered the advantage that strong pressure could be exerted on the main actors within the health care system (medical and paramedical professions, hospital managers, sickness funds) to accept a *quid pro quo*, i.e. to accept that high rates of growth would have to be deserved on the basis of a steady drive for greater internal efficiency and modernization. This culminated in the '*2002 Agenda for Change in Health Care'*, which emphasized a striving for efficiency and individual responsibility on the part of health care professionals and hospitals, made operational via the introduction of non-linear correction mechanisms in place of the linear correction mechanisms that had often been applied in the 1990s. The notion of individual responsibility implied the recognition of unjustified divergences in medical practice, sometimes – though not always – between North and South or along regional lines. At the same time, it signified an acknowledgment that, even if these differences were partially predicated on a North-South or a regional divide, the remedy was not to 'split up the system', but to encourage greater individual responsibility for choices in health care. Another important chapter in the *2002 Agenda for Change in Health Care* concerned the role of the General Practitioner (GP) in Belgian health care, a topic that was subsequently worked out in detail in a special report by Dr. Karel Van de Meulebroeke. Thus, the *2002 Agenda* signalled the start of consistent efforts to enhance the role of general medicine. In 2002, the government further established the *Belgian Health Care Knowledge Centre* (*Federaal Kenniscentrum voor de Gezondheidszorg*) for the purpose of evidence-based policymaking.

In 2004, the dynamics of policymaking changed, as the Verhofstadt II government introduced a 'health care growth norm' of 4.5% per annum (in volume). This was the unfortunate result of some political controversy over health care spending in the run-up to the elections; unfortunate, because it diminished the pressure on health care actors to work efficiently. That is not to say that subsequently no efforts were made to contain spending. But the immediate effect of the statutory growth norm was that the drive for evidence-based financial management in health care was slowed down rather than accelerated.

My argument, at this point, is not that the growth rate of health care spending must not be higher than the growth rate of GDP. On the contrary, in the long run, it is not only perfectly legitimate that an

increasing share of income should be spent on health; it is also what one would rationally expect, given the importance individuals attach to healthy life years (Hall and Jones, 2007; Murphy and Topel, 2006). Increasing health care spending may well be the most important source of budgetary pressure facing welfare states in the future, and for good reasons. My argument, therefore, is that 4.5% was too high as a mid-term growth norm. Moreover, I would argue that fixing *any* growth rate for an indefinite period of time is bad policy practice.

3.2. The 2002 Agenda: ten years on

With hindsight, the *2002 Agenda* was perhaps most successful in terms of a revalorization of general medicine. Meeus and Van Aubel (2012) provide a concise and interesting 'check up' of the performance of general medicine in Belgium. In the 45-54 age bracket, nominal median income of GPs increased by 77% between 2000 and 2009, which was considerably more than for other subgroups within the medical profession. Productivity also increased, with more patients per GP (on average + 25% per FTE GP), a much larger proportion of patients with a General Medical File (GMF, from 13% to 54% of GPs' patients), a decline in home visits for non-urgent cases … There is also clear evidence of a gradual but significant shift in funding mechanisms, from a 'fee-for-service' system to a mixed system: whilst in 2000, 97.4% of the remuneration of GPs consisted in 'fee-for-service' payments in the traditional sense, by 2012 around 20% consisted in other types of remuneration, including capitation-like payments under the GMF system, lump sum support for accreditation, ICT, administration and infrastructure, funding for the organization of local consultation, …[21] That is not to say that all is well with general medicine: given the age profile of GPs, maintaining the workforce will present a serious challenge in the near future. Meeus and Van Aubel also document persistent problems of appropriateness and efficiency in health care, including in relation to first-line medical care (e.g. breast cancer screening, prescription of antibiotics, clinical biology, medical imaging…).

The latter observation is part of a broader issue: ten years on from the *2002 Agenda,* the overall picture in terms of the efficiency and appropriateness of Belgian health care is mixed. The newly established *Federal Health Care Knowledge Centre*, which has turned out to be a dynamic institution, issued a first overall 'performance assessment' for Belgian health care in 2010, summarizing its provisional findings as follows:
"In general, the Belgian health care system's performance seems to be good in terms of accessibility; moderate to good in terms of safety;

[21] Figures provided by Ri De Ridder, RIZIV.

moderate in terms of effectiveness of preventive care, appropriateness of care, efficiency and sustainability; but low in terms of effectiveness of curative care and continuity, based on the selected indicators and available data. [the latter observation was reported with much caution because of data limitations] (…) [S]ome indicators suggest that the Belgian healthcare system is increasingly efficient (e.g. more day care, use of clinical pathways, etc.), although other indicators show other signals (e.g. indicators of appropriateness)." (Vlayen et al., 2010: 102).

Over the years, there have been some successful implementations of schemes designed to promote responsible and efficient health care choices, informed by evidence-based medicine (e.g. the lump sum reimbursement system for drugs prescribed in hospitals). With regard to pharmaceuticals, the introduction of 'reference prices' to encourage the prescription of generic drugs, accompanied by various measures to change prescription behaviour, also had a major cumulative impact. In general, measures aimed at increasing pressure on prices of pharmaceuticals have been successful (the share of low-cost medication delivered in ambulatory settings increased dramatically between 2000 and 2010), more so than measures aimed at controlling the volumes of pharmaceuticals consumed. With a view to greater efficiency and appropriateness, a number of campaigns based on 'good practice' guidelines have been implemented by the *National Council for the Promotion of Quality* (also created in 2002; Gerkens and Merkur, 2010: 61 and 110), but their overall impact is hard to gauge, with some initiatives clearly more successful than others. So far, no effective instruments would appear to have been put in place that exert real pressure on individuals to change ostensibly bad medical practice and induce compliance with general guidelines.

In the hospital sector, an 'a posteriori' recuperation system was introduced for the purpose of rectifying undue differences in the use of diagnostic techniques and various medico-technical services in the context of standard interventions, such as appendectomy (Merkens and Gerkur, 2010: 56-59). Under this system, known as the 'reference amount' system, individual hospitals exhibiting an outlier profile in respect of the provision of a specified set of medical services are asked to refund health care costs generated in excess of a 'reference amount'. It took a long time before this system, in which a lot of political capital had been invested in the aftermath of the *2002 Agenda*, was finally implemented. Moreover, it was confined to a limited set of standard interventions and medical services. Consequently, it has failed to genuinely challenge the disparity in practice observed up to this day in some hospitals: given the successive rounds of cost recuperation implemented thus far, it is hard to discern significant changes in practice. The introduction of the 'reference amounts' coincided with a heated inner-circle debate on whether one should opt for 'a posteriori' correction of overconsumption (by reclaiming excess cost) or for a prospective system, based on the allocation to

hospitals of 'all-in budgets' for interventions relating to standard interventions. Strong resistance against the latter system blocked that option (although it was ultimately inserted as a possibility in the legislation). Obviously, introducing prospective all-in budgets for standard interventions would have constituted an important interference with the dual financing system that is currently applied in the hospital sector, and which involves a combination of fees per medical service and direct funding of hospitals on the basis of pathologies treated. We still live with this cumbersome dual system today which was bound to be challenged if the drive for responsible practice in the hospital sector had been pursued more forcefully.

The overall lesson to be learned is that progress in terms of appropriateness and efficiency requires a combination of convincing medical evidence, translated into guidelines and campaigns, and tangible changes in financial incentives. In general medicine, an incremental process of reform has proven successful, as it has allowed additional budgets to be used in an innovative way that is gradually changing the financial basis and organization of first-line medical care (albeit more so in the North than in the South of the country). In the hospital sector, a radical departure from the current dual financing system towards prospective all-in budgets seems indispensable; this, however, is a harder nut to crack. It raises the fundamental question of whether the current consultation and bargaining system (the so-called 'medico-mut') is capable of playing a constructive role in such a process of transformation.

3.3. Financial accessibility of health care spending

Historically, Belgian health care has been organized on the basis of a fee-for-service approach, involving relatively important out-of-pocket payments for patients. According to the OECD Health Data for 2010, out-of-pocket expenditures by private households amounted to 19.4% of total health expenditure in Belgium, compared to 5.5% in the Netherlands, 7.6% in France, 9.4% in the UK, 12.4% in Germany, 17.9% in Sweden, and 25.1% in Switzerland. In Belgium, co-payments (i.e. the difference between the prices of reimbursable services or products and the actual amount that is reimbursed) constitute a substantial part of total out-of-pocket payments, though other components, such as 'supplements' have become increasingly important. This does not mean that there is notably less solidarity in the domain of health risks in Belgium than in the Netherlands or France: the structure of co-payments is highly differentiated and their impact is mitigated by preferential reimbursement; consequently, the actual share of expenditures born by patients with chronic or severe health conditions and/or with low incomes is, on average, lower or even much lower than the population average of 19.4% cited above. One detailed comparative assessment of the Dutch system

reveals that it scores best in terms of 'health risk solidarity', but that Belgium is still ranked a 'good second', ahead of France, Sweden and Switzerland, when it comes to chronic heart disease, for example (Houkes et al., 2008). Nevertheless, given the increasing prevalence of chronic disease, limiting the impact of co-payments was an important concern from 1999 onwards. Relative to public health care spending, patient co-payments declined from 9.3% in 1999 to 6.8% in 2009. In real terms, the average co-payment per inhabitant increased hardly at all over those ten years. These figures take into account the impact of the Maximum Billing (MAB) system, a cap on the total yearly amount of co-payments based on the household budget, which was introduced in 2002. The MAB combines selectivity and universality, suggesting that the juxtaposition of 'selectivity' versus 'universality' in abstract debates may be misguided: the MAB formula is based on income selectivity, yet, as a protective device against the accumulation of co-payments, it also helps people with higher incomes.[22]

Out-of-pocket payments, other than the official co-payments, did increase during the 2000s, but this development would appear to have been checked by measures against supplements in the second half of the decade (De Wolf et al., 2011). On the basis of the OECD Health data and the data provided by *Assuralia*, it seems that out-of-pocket payments developed more or less on a par with total spending on health care during the 2000s (remaining around 20% over 2003-2010, according to the OECD). Hence, out-of-pocket health care spending increased relative to family budgets, but there was no relative shift from public to private funding at the macro level. That is not to say, though, that 'supplements' do not continue to pose serious problems of equity and fairness in sections of the health care system.

Notwithstanding the relative 'containment' of out-of-pocket payments at the macro level, the Belgian Health Surveys point at a growing group of people who postpone medical care for financial reasons, from 9.7% of respondents in 2004 to 13.6% by 2008. The analysis shows that this is a complex phenomenon, often associated with a relatively poor financial background and substantial health care needs and expenses, but also with a lack of adequate social relations and the realities of an urban context such as Brussels (Mimilidis and Demarest, 2012). One possible answer to this problem is the compulsory application of the 'third payer' principle for patients belonging to weaker social groups (thereby eliminating the need for the patient to prefund part of the reimbursement), a measure that is overdue. Apart from such financial measures, improving health care organization and health promotion would appear to be the key challenges.

[22] For an evaluation of the Maximum Billing system in health care, see Schokkaert *et al.* (2008).

In this section, the focus has been on the affordability of health care. Financial accessibility is however not a sufficient condition for equity in the domain of health; lack of space forbids me to elaborate here upon the persistent inequality in health status between people belonging to different social groups (Van Oyen et al., 2011).

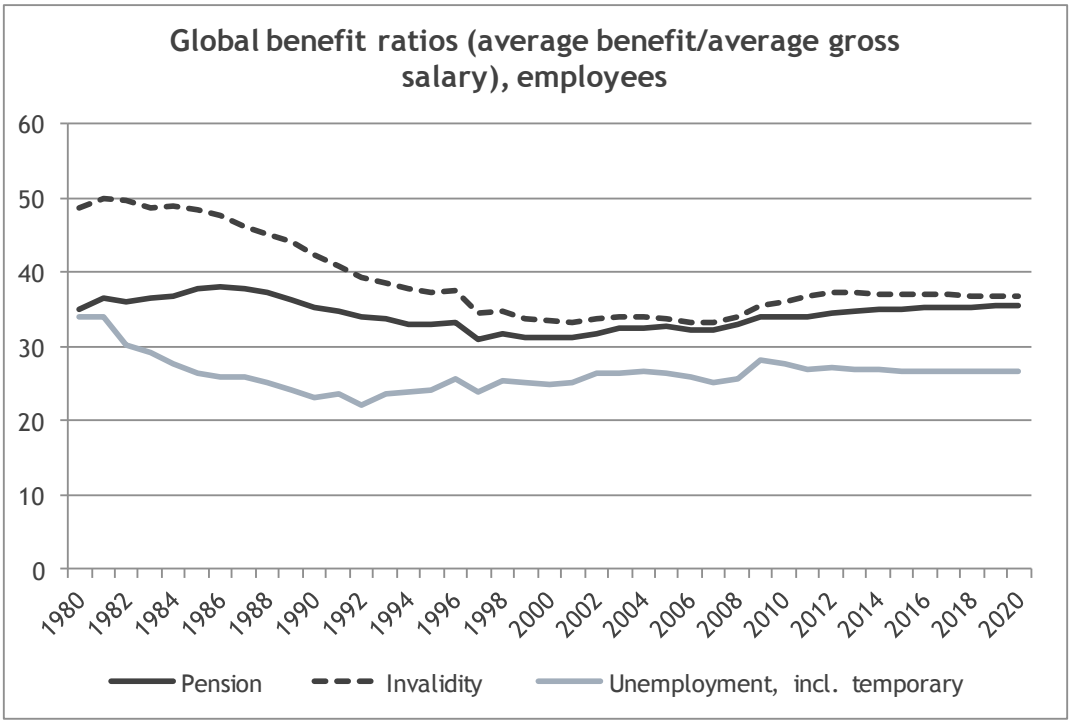
4. The adequacy of social protection, employment incentives and activation

The Belgian governments of the 2000s have tried to reconcile two strategic orientations typifying the 'active welfare state': to maintain and improve where possible the adequacy of social benefits; and to enhance employment incentives in order to increase employment rates. In this section, I gather data to assess the policy inputs that were to serve these strategic orientations. The focus is, first and foremost, on income replacement (section 4.1). Obviously, any assessment of the adequacy of social protection must also take due account of health care aspects, as discussed in the previous section, and family allowances. My focus on the income side of the social protection equation should not make us forget the cost compensation side; in section 4.2., the impact of child benefits is taken on board in an overall evaluation of the adequacy of 'benefit packages'; at the same time, section 4.2. provides indicators of the extent to which financial incentives to make the transition to employment have improved, or, in other words, the extent to which successive governments have been able to mitigate inactivity traps. Increasing financial employment incentives is but one dimension of activation; in section 4.3., I briefly discuss the activation turn in unemployment policy.

4.1. Benefit ratios: stabilization and partial repair after two decades of decline

In this section, I first discuss social security and then broaden the scope to social assistance. Figure 3 shows the evolution and a forecast till 2020 of global benefit ratios in the social security system for private-sector employees for three broad categories of spending: retirement pensions, invalidity (i.e. long-term work incapacity due to illness) and unemployment (including temporary unemployment), drawing on research by the Belgian Federal Planning Bureau (FPB) (De Vil *et al.,* 2011).

Figure 3: Global benefit ratios (average benefit in % of average gross salary), employees



Source: De Vil (2011), Figure 1, p. 29

Benefit ratios are calculated by dividing average spending per beneficiary by gross average wages. Since they do not take into account the taxes and personal social security contributions on wages, their level is less informative than their evolution. By the same token, this evolution should however be interpreted with due caution. The benefit ratios in Figure 3 are general, since they do not take into account changes in specific sub-categories of the social security branches and compositional shifts, such as the increase in the share of retired women. Nevertheless, Figure 3 shows that the decline of benefit ratios that started in the 1980s had leveled off by 2000 and was subsequently even partially reversed.

The observation that a long period of retrenchment in benefit ratios had ended by the year 2000 is confirmed by the FPB's calculations for specific sub-categories of social security branches. Taken separately, the benefit ratios for male and female retirees declined during the 1990s, though not by much; in the second half of the 2000s, they increased again. By 2009, they were higher than they had been in 1980 for all sub-categories. The FPB also documents a marked improvement in the benefit ratio of pensions for male self-employed workers, gradually during the 1990s and spectacularly by 2009: this reflects the considerable increases in minimum pensions for self-employed workers in the 2000s. Similarly, a separate analysis of benefit ratios for different categories of invalidity benefits shows that a considerable decline came to an end, and was subsequently reversed. For self-employed workers, invalidity benefits were also considerably improved. A more detailed analysis of unemployment

benefits shows that the decline in benefit ratios had been halted by the end of the 1990s and they then began to improve, in consequence of measures by the Verhofstadt governments aimed at increasing replacement rates (for singles and *cohabitants*, i.e. partners not considered household heads) and maximums in the unemployment branch of the system. In the second half of the 2000s, the so-called 'social super-ministerial council' at Raversijde and, subsequently, the *Generation Pact* created momentum for improving benefits. Mobilization by the trade unions played an important role in this respect. In the wake of the *Generation Pact*, the principle of linking benefits to the standard of living was formally entrenched, by means of a yearly budgetary provision. The impact of these decisions over the years 2007-2009 is clearly visible in Figure 3.

An often used benchmark for the evolution of social assistance benefits is Net National Income per capita (NNI/cap). Although NNI/cap makes more sense as a benchmark for residual income assistance than average gross wages, one should be aware that NNI/cap diverges from wages, as it is affected by other sources of income and by changes in the employment/population ratio. Relative to NNI/cap, social assistance benefit levels for the non-elderly were historically high during the 1980s. As a matter of fact, Belgian social security policy increasingly focused on minimum income protection in the 1970s and 1980s, by structuring benefits on the basis of the household status of beneficiaries and by giving priority to minimum benefits, both in social security and in social assistance. The drive to improve social security minimum benefits came to a halt early in the 1980s, whilst social assistance benefits continued to be improved. In the 1990s, however, social assistance minimums also began to erode, relative to NNI (Cantillon et al., 2003). Marx (2009) considers the imperative to maintain a hierarchy between minimum wages and minimum benefits as one of main reasons why the drive for minimum income protection stalled. The Verhofstadt governments marked a break with efforts to improve social security minimums, social assistance minimums and benefits in general; as will be shown below, increasing *net* minimum wages was key to that trend change. The agenda was, however, broader than minimum income protection. Next to the aim to re-establish a link between benefits and standard of living, notably for older beneficiaries, some measures were driven by the aspiration to restore insurance principles rather than to improve minimums (however limited the budgetary leeway for returning to insurance principles), for example in the domain of unemployment insurance.

The introduction of the *Inkomensgarantie voor Ouderen* (*Garantie de Revenus aux Personnes âgées*) in 2001 (which replaced the *Gewaarborgd Inkomen voor Bejaarden/Revenu Garanti aux Personnes âgées*) entailed a modernization of means-tested minimum income assistance for the elderly, and signalled the start of a considerable improvement relative to NNI/cap, notably in 2006. Hence, in the domain of old age and survivors,

improving residual minimum income protection re-emerged as an important policy focus *per se*. With regard to the non-elderly population, the picture is more nuanced. Goedemé et al (2012) conclude in their synthesis of minimum income protection in the 2000s that important changes to and improvements in minimum income protection were implemented, but less so for the population deemed fit to work than for the elderly and incapacitated. Moreover, the difference between social security and assistance benefits decreased (as had been the case in earlier periods, a trend one might characterize as 'residualization'), in this instance particularly for the elderly. In the next section, I elaborate on income protection for the non-elderly, including for those at the low end of the labour market.

4.2. The adequacy of minimum wages and benefits for household types, and employment incentives

Benefit ratios provide an indication of the adequacy of benefits from an individual insurance perspective, but in order to determine the adequacy of benefits for households, notably with a view to avoiding poverty, one needs to assess the impact of benefit packages on the net disposable income of households. Table 3 provides information on the evolution of net disposable incomes of four types of households at working age (singles; lone parents; single earner households, i.e. couples with one income and no children; single earners with children, i.e. couples with one income and two children) in six different situations: working full-time at minimum wage; long-term unemployed[23] on minimum benefit; long-term unemployed on maximum benefit (below I use 'unemployment' as a shortcut for long-term unemployment); invalidity on minimum benefit; invalidity on maximum benefit; and social assistance (*leefloon/revenu d'intégration sociale*). The evolution is summarized by the real increase between 1999 and 2010 in net disposable household income, which takes into account all relevant benefits including child benefits, personal social security contributions, taxes, and the cost of child care for the lone parent (below, I use 'household income' or 'income' as a shortcut). To evaluate these figures, the real increase in NNI/cap and average gross wages is added (real changes are nominal changes corrected for the general consumer price index). In addition, both for 1999 and 2010, household income is expressed as a ratio of household income when the household is living on a minimum wage. These ratios provide a rough indication of the financial incentive for the households in question to find a job at minimum wage. When the ratios *decrease* over time, the financial employment incentive *increases*.

[23] This means longer than one year.

Thus, Table 3 allows us to assess whether policy orientation (i) and policy orientation (ii), as defined in Section 1, have been successfully implemented; that is, whether it has been possible to simultaneously improve the adequacy of benefits and create individual employment incentives.

Table 3: Adequacy of benefit packages for household types 1999-2010

Net disposable household income (incl. child benefit and child care cost for lone parent) **Real increase 1999-2010** *and ratio (% of net disposable household income when minimum wage)*							
		minimum wage	unemploym. minimum	unemploym. maximum	invalidity minimum	invalidity maximum	social assistance
single	increase 1999-2010	**14%**	**24%**	**36%**	**16%**	**23%**	**11%**
	ratio 1999	*100%*	*63%*	*70%*	*80%*	*109%*	*60%*
	ratio 2010	*100%*	*68%*	*84%*	*81%*	*117%*	*59%*
lone parent	increase 1999-2010	**20%**	**4%**	**4%**	**11%**	**6%**	**13%**
	ratio 1999	*100%*	*93%*	*103%*	*106%*	*143%*	*87%*
	ratio 2010	*100%*	*81%*	*89%*	*98%*	*128%*	*82%*
single earner, no children	increase 1999-2010	**20%**	**5%**	**6%**	**16%**	**9%**	**11%**
	ratio 1999	*100%*	*79%*	*90%*	*90%*	*139%*	*72%*
	ratio 2010	*100%*	*69%*	*79%*	*87%*	*127%*	*67%*
single earner, 2 children	increase 1999-2010	**22%**	**9%**	**9%**	**16%**	**9%**	**13%**
	ratio 1999	*100%*	*83%*	*91%*	*94%*	*134%*	*77%*
	ratio 2010	*100%*	*74%*	*82%*	*90%*	*120%*	*72%*
NNI per capita, corrected for CPI		**7.57%**					
average gross wages, corrected for CPI		**1.49%**					

Note: Simulations for the household income on a minimum wage basis take into account the fact that child benefit supplements are continued during 24 months of employment (if the income conditions are met), a measure which did not exist in 1999.

Source: simulations provided by *Centrum voor Sociaal Beleid Herman Deleeck* (STASIM model), with thanks to Kristel Bogaerts

Four conclusions can be drawn from Table 3:

i. The income of all household types increased more than NNI/cap, except in three cases where the income increase was marginally lower than the increase in NNI/cap: unemployed lone parents and unemployed single-earner households without children, and lone parents on maximum invalidity benefit. However, all these household types saw their purchasing power increase to some extent. Relative to NNI/cap, the overall picture is one of a reversal of the erosive trends observed in the 1990s.

ii. The income increase for households living on a minimum wage was significantly higher than the increase in NNI/cap; the gain in purchasing power for this household type was substantial (mainly due to the 'workbonus').

iii. The incentive to find a job at minimum wage became greater for all household types living on benefits, except for singles. For singles, the incentive became smaller, except for singles on minimum

invalidity benefits and singles on social assistance, where it remained unchanged. However, compared to other household types, the financial incentive to find a job was still greater for singles. These figures corroborate more detailed studies of the evolution of unemployment traps over the last decade (Bogaerts, 2008; Nevejan, 2009, 2011).

iv. The financial incentive to find a job remained weak for lone parents.

In general, this shows that the strategic orientation of successive governments since 1999 to reduce inactivity traps, not by decreasing incomes for households living on benefits (neither in absolute terms, nor relative to NNI/cap) but by increasing *net* purchasing power for households living on a minimum wage, has been implemented. The reduction of inactivity traps is to a large extent the result of successive cuts in personal social security contributions for low wages from 1999 onwards, and – in Flanders – the reduction of child care costs (and, in the second instance, tax reform). However, these measures have led to high marginal tax and social contribution rates on wages above the minimum level (Nevejan, 2009: 35). Hence, inactivity traps may have been replaced, in part, by wage traps – not in any absolute sense, but, in this sense that the net gain of gross wage increases may be rather limited in the low wage segment.[24]

On a critical note, the inactivity trap for the part-time employed has increased, as shown by Bogaerts (2008). Appendix 1 provides an update and expansion of Bogaerts's findings, in respect of the transitions from non-employment to part-time employment and from part-time employment to full-time employment, for the same household types as in Table 3. The following conclusions can be drawn:

i. Successive reforms in the *Inkomensgarantie-uitkering* (IGU) have ultimately not enhanced the financial incentive for fully unemployed workers to move into a part-time job with a top-up under the IGU (but may be seen as having made the system more equitable in terms of its relative compensation for different degrees of work effort);

ii. The financial incentive to move from part-time employment (with IGU top-up) into full-time employment has been slightly enhanced for lone parents and single earners, but remains very weak, or even non-existent in the case of lone parents;

iii. The creation of the *leefloon* destroyed the existing incentive for single earners without children to move from social assistance to a combination of a part-time job and social assistance, as explained in Bogaerts (2008), but at the same time it increased the incentive for

[24] The discontinuation of child benefit supplements when the wage exceeds a certain level may add to this.

the transition from a part-time job to a full-time job for single earners without children depending on social assistance.

With regard to part-time employment, it seems very hard to reconcile two legitimate yet contradictory preoccupations: first, that people who fall into unemployment from a full-time job should be insured for the loss of a full-time income; second, that people who are full-time unemployed should be motivated financially to take up a part-time job, and subsequently to move from part-time to full-time work. Fine-tuning the tax and benefit system applying to part-time work cannot *as such* resolve this conundrum (cf. infra).

In 2002, the financial incentive for someone living on invalidity benefits to move into part-time work (according to the so-called 'progressive re-employment scheme') was improved. The boost to the financial incentive, notably for individuals living on minimum invalidity benefits, was considerable, but does not seem to have had much impact (see Bogaerts *et al*., 2009, for a survey of problems with regard to the activation of individuals in work incapacity). Reluctance on behalf of employers to engage themselves in this system, together with an apparent lack of interest from *medical advisors*, seem responsible for this disappointing result.

4.3. The activation turn: preventative and close monitoring rather than harsh sanctions

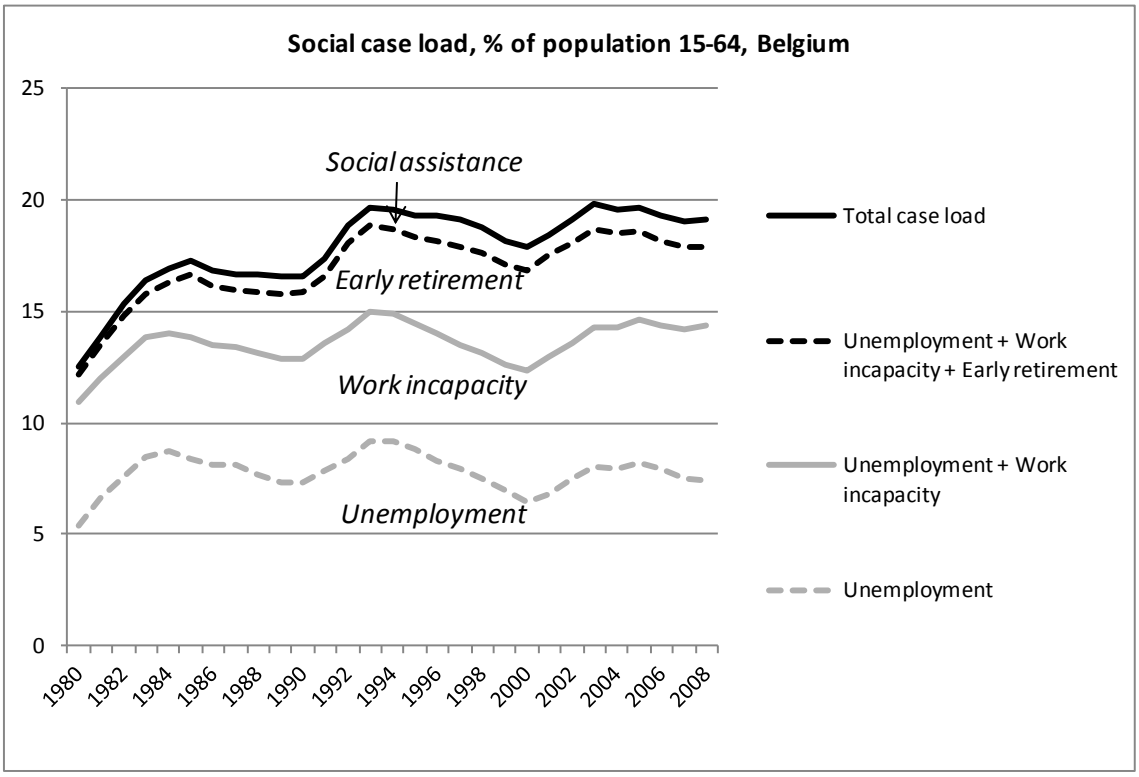
The *Employment Conference* of September 2003, organized under Verhofstadt II, put an end to 15 years of institutional schizophrenia in employment policies. With the decentralization of training and placement policy in the 1980s, the responsibilities for job training and activation of the unemployed on the one hand and controlling their availability to the labour market on the other had been decoupled. Now they were to be reconnected under an inter-institutional cooperation agreement. The new approach replaced the infamous article 80 of the unemployment code, which regulated the systematic suspension of benefits to individuals whose period of unemployment was deemed 'abnormally long'. With hindsight, this mechanism could be said to have been rather brutal in its consequences (exclusion from the right to unemployment benefits, often without prior warning that one should look for work), highly selective (it applied only to a sub-category of mainly women), and not very effective in terms of activation (since it was not incorporated into an activation strategy). Article 80 was replaced with a regulation that is not only broader in scope (it covers all the unemployed, though initially it was restricted to the under-50s) and more nuanced in its application (with gradual sanctions), but that also works preventatively. The essence of the new model is close monitoring rather than imposing harsh punitive

sanctions. As a matter of fact, within the activation framework *stricto sensu*, the number of total and definitive exclusions in 2009-2001 (5,906 cases) was 30% lower than under article 80 between 2001-2003; apart from total and definitive exclusions, the new system also provides for temporary exclusions; over 2009-2011, there were 5,640 cases of such temporary exclusions (RVA/ONEM). This largely preventative model was not unsuccessful, according to research by Cockx *et al* (2011), which is not to say that it cannot be improved. The cooperation agreement also created a new momentum for the system of so-called 'transmissions', whereby regional employment services can report unemployed persons to the national employment agency for a variety of contraventions of the unemployment regulation: the number of transmissions increased significantly, and so did the number of ensuing sanctions. Although transmissions do not fall within the monitoring scheme applied by the RVA/ONEM, they are closely related to the activation drive. Finally, data mining has made it possible to drastically improve the fight against benefit fraud, which has also resulted in more sanctions, unrelated to the activation drive.

5. The caseload of social policy and benefit dependency

Figure 4 shows the evolution of the social caseload in Belgium, as a percentage of the population in the 15-64 age bracket (data from De Deken and Clasen, 2011). The total caseload (the sum of the caseloads in unemployment, leave systems, work incapacity, early retirement and social assistance) follows a pattern displaying more or less the same 'turning points' as that observed in relation to spending in Figure 2: after a period of spectacular increase, the caseload first peaked in 1985, after which it remained flat until 1990. Then it climbed to a second peak by 1993 followed by a decline towards 2000. It increased again to a new high by 2003 and, after flattening out, subsequently dropped slightly during the boom years beyond 2005. In the 2000s, work incapacity and unemployment apparently began to interact as communicating vessels, whereby any decrease in unemployment is partially offset by an increase in work incapacity. Despite the slight decrease in early retirement in the 2000s, the policies pursued under the banner of the active welfare state were not able to diminish the total caseload during that same period.

Figure 4: Belgian social caseload, % of population 15-64



Note: Older unemployment beneficiaries exempted from job seeking are included in the category 'Unemployment'.

Source: De Deken and Clasen (2011)

Table 4 provides a summary comparison of the social caseload in Belgium, Germany, the Netherlands, Denmark and Sweden. In this table, I use the same turning points as in Table 1 (for the OECD SOCX spending data), adding 2008 to the data.

Table 4: Caseload in Belgium, Germany, the Netherlands, Denmark and Sweden (% of population aged 15-64)

	(i) Unemployment					
	1985	1989	1993	2000	2007	2008
Belgium	8.4	7.3	9.2	6.4	7.5	7.4
Germany	3.6	3.3	5.5	5.9	2.0	1.8
Netherlands	6.3	5.3	5.6	3.3	3.6	3.3
Denmark	7.1	7.4	9.7	4.2	2.6	1.4
Sweden	2.0	1.3	6.0	3.8	2.2	1.6

	(ii) Work incapacity					
	1985	1989	1993	2000	2007	2008
Belgium	5.4	5.6	5.8	5.9	6.7	7.0
Germany	8.9	8.5	7.6	7.7	6.3	6.4
Netherlands	9.9	11.0	11.7	11.7	9.9	9.6
Denmark	8.8	11.0	9.6	9.9	10.4	10.4
Sweden	9.9	10.9	10.7	13.6	11.9	10.9

	(iii) Early retirement					
	1985	1989	1993	2000	2007	2008
Belgium	2.9	2.9	3.9	4.5	3.7	3.5
Germany	2.8	3.2	5.1	5.1	3.1	3.5
Netherlands	1.2	1.5	1.9	3.2	4.7	4.5
Denmark	2.8	2.8	3.3	5.1	3.9	3.8
Sweden	0.3	0.3	0.3	0.0	0.0	0.0

	(iv) Social assistance					
	1985	1989	1993	2000	2007	2008
Belgium	0.6	0.8	0.8	1.1	1.1	1.2
Germany	1.7	2.1	2.3	2.7	0.6	0.7
Netherlands	1.9	1.9	1.7	1.1	0.9	0.9
Denmark	3.3	4.0	5.1	3.3	2.5	2.0
Sweden	1.1	1.1	1.9	1.7	1.3	1.3

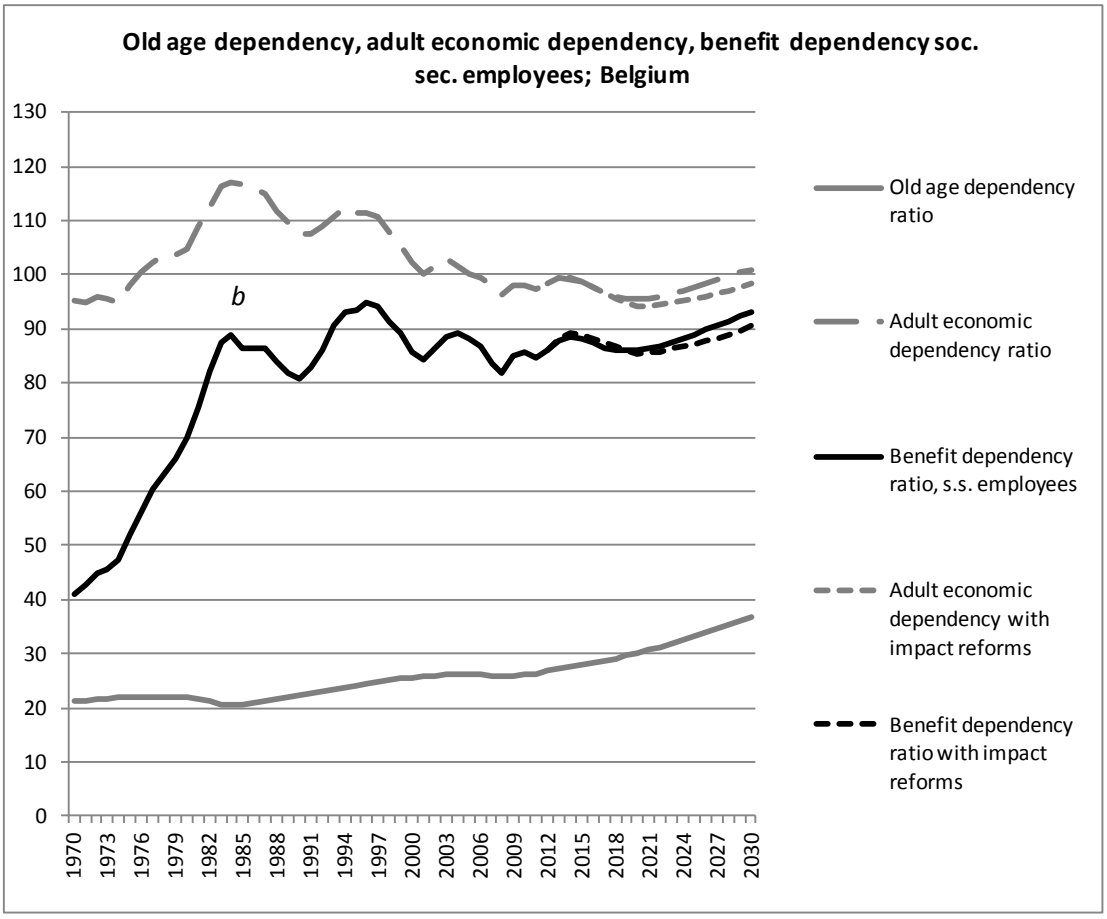
	(i-iv) Total caseload					
	1985	1989	1993	2000	2007	2008
Belgium	17.3	16.6	19.7	17.9	19.0	19.1
Germany	17.0	17.1	20.5	21.4	12.0	12.4
Netherlands	19.3	19.7	20.9	19.3	19.1	18.3
Denmark	22.0	25.2	27.7	22.5	19.4	17.6
Sweden	13.3	13.6	18.9	19.1	15.4	13.8

Source: De Deken and Clasen (2011)

Table 4 first of all underscores the extent to which differences in the unemployment caseload among the welfare states under study were compensated for by differences in the work incapacity caseload. Relatively low unemployment figures in the Netherlands, Sweden and Denmark were accompanied by a relatively high caseload in work incapacity. Table 4 also shows that only two of the five welfare states, namely Germany and Sweden, were able to diminish the caseload substantially in the 2000s. There is, however, a downside to the German and Swedish performance: in these welfare states, poverty increased substantially in the course of the 2000s (Cantillon and Vandenbroucke, forthcoming).

Obviously, the caseload is but one side of the coin. The question of sustainability hinges on the ratio of contributors to beneficiaries. Figure 5 displays the *benefit dependency ratio* for Belgium for employees and those who are dependent on the social security regime for employees from 1970 to the present, with a forecast for 2030. The benefit dependency ratio (black line) is put into context by the *old-age dependency ratio*, which measures the population aged 65+ relative to the population 15+ (grey line) and the *adult economic dependency ratio*, which measures the number of individuals aged 15+ who are not in work relative to the population (15+) in employment (dashed grey line). The difference between economic dependency and benefit dependency reflects the (changing) role of institutions: non-employed individuals may be economically dependent on their families yet not on social security, as was often the case in the heyday of the male breadwinner model.

Figure 5: Old age dependency, adult economic dependency, benefit dependency



Calculated on the basis of the report 2012 of the *Studiecommissie voor de Vergrijzing* and data supplied by Federal Planning Bureau and FPS Social Security. With special thanks to Nicole Fasquelle, Christophe Joyeux and Guy Van Camp

In social security for private sector employees, the ratio of the number living on benefits to the number contributing as workers amounted to about 40% in the early 1970s; it increased to nearly 90% in 1984; from then onwards, it has been fluctuating between 80% and 90% (with even a peak of 95% in 1996). The explosive growth in benefit dependency in the 1970s did not reflect demographic change: the old-age dependency ratio was constant. It was fuelled first and foremost by economic dependency, reflecting the emergence of mass unemployment and the introduction of early retirement in the second half of the 1970s and the 1980s. Additionally, though, it was driven by the fact that more and more women and young people came to rely on benefits rather than only on familial solidarity, as access to social security became more comprehensive. (In fact, these were not to separate trends; both explanatory factors interact, given the incapacity of labour markets to absorb the young baby boomers and women aspiring to work.) Notwithstanding demographic ageing from the mid-1980s onwards, adult economic dependency diminished after 1984 (with a lower peak in 1994), reflecting improved employment rates and the feminization of the labour market; economic dependency had

returned (nearly) to its 1975 level by 2008. Benefit dependency also diminished after peaking in 1996, though less strongly than economic dependency. So conceived, one may say that the 'active welfare state' manifested itself with regard to adult economic dependency (*de facto* earlier than officially promulgated) rather than in respect of benefit dependency *stricto sensu.*

Henceforth, the steep acceleration of demographic ageing will put pressure on both economic and benefit dependency. Figure 5 displays a dependency scenario based on the most recent reference scenario of the *Studiecommissie voor de Vergrijzing.* This scenario assumes that total employment relative to the population in the 15-64 age bracket increases with 4.3 percentage points between 2010 and 2030.[25] The scenario also assumes that, after 2010, benefit dependency increases slightly more than economic dependency. The benefit dependency ratio is positively influenced by an increasing share of individuals over 64 who are entitled to a pension in the employee sector, reflecting the earlier feminization of the labour market and a declining share of self-employed pensions. But big shocks in the relation between economic dependency and benefit dependency, as in the 1970s and 1980s, are not expected. Given these hypotheses, benefit dependency increases gradually but steadily under the impact of demographic ageing.

Two observations follow, at least on the basis of these hypotheses about employment rates. First, after the shocks of the 1970s and 1980s, our welfare state now seems to be gradually moving towards an 'equilibrium configuration' insofar as the *interrelation* of old-age dependency, economic dependency and benefit dependency is concerned. Second, even with a continuation of current trends in employment rates, demographic ageing becomes so pervasive that it will push economic dependency and benefit dependency steadily upwards. *From the point of view of long-term sustainability, the current 'equilibrium configuration' of dependencies cannot yet be considered satisfactory (cf. section 8 below).*

What will be the impact of the reforms in the pension and early retirement systems, unemployment benefits and career interruption, decided by the Di Rupo government? The dotted lines in Figure 5 are based on the impact assessment by the *Studiecommissie voor de Vergrijzing* (2012). In 2020 the economic dependency rate would be 85.5 (instead of 86.1 in the reference scenario) and the benefit dependency ratio would be 94.2 (instead of 95.5 in the reference scenario); in 2030 the economic

[25] This is the reference scenario of the 2012 Report of the *Studiecommissie voor de Vergrijzing* (I thank Nicole Fasquelle, Guy Van Camp and Christophe Joyeux for making the data available). On the basis of the same data series, total employment relative to the population in the 15-64 age bracket increased with 1.5 percentage points between 2000 and 2010, and 2 percentage points between 2000 and 2008. The scenario is basically a continuation of pre-crisis trends.

dependency ratio would be 98.4 (instead of 101.0) and the benefit dependency ratio would be 90.5 (instead of 93.1).[26] Since these results only concern salaried employees, the impact of the recent reforms on the public sector (which is, in itself, relatively more important) and on the self-employed sector is not taken into account. As such, these reform outcomes are not negligible. Simultaneously, they show that we are only at the beginning of a path of necessary reform: new waves of reform will have to follow. The most worrying aspect with regard to the current wave of reform, seems that the positive 'volume'-impact on dependency ratios is to a large extent neutralized by a 'prize-effect' of increasing average pensions; I return to this issue in Sections 6 and 8.

6. Individual and household employment: not a frozen landscape, but *hysteresis* in household joblessness

6.1. Individual employment rates: feminization and ageing of the workforce

Table 5 provides the percentage point differences between the employment rates in 2000 and 2011, by age, gender and educational attainment, for Belgium and for the Flemish and Walloon Regions. The data between brackets refer to the evolutions for 2000-2008; comparing the evolutions for 2000-2011 with those for 2000-2008 highlights the impact of the crisis on employment rates. Table 6 compares employment rates for age-education sub-groups in Belgium with the EU15 average in 2011 (with figures for 2008 mentioned between brackets).[27]

[26] These forecasts may be judged optimistic with regard to the underlying hypotheses concerning the labour market reaction. Neefs (2012) estimates that the Di Rupo measures may increase the employment rate of the 55-64 age group by 2.8 ppt. by 2020, which is less than the 4 ppt. increase expected by the *Studiecommissie voor de Vergrijzing*.

[27] The next paragraphs mention figures for age sub-groups not shown in the tables, but available upon request.

Table 5: Change in employment rates (ppt) by age, gender, educational attainment in Belgium, Flanders, Wallonia, 2000-2011 (changes 2000-2008 between brackets)

Belgiium	25-34 years		35-44 years		45-54 years		55-64 years		25-64 years		
	M	V	M	V	M	V	M	V	M	V	T
Low-skilled	-17.2	-11.5	-12.3	-4.5	-2.7	8.9	7.6	9.6	-7.7	0.9	-3.5
	(-12.5)	(-9.5)	(-6.7)	(1.4)	(1.4)	(11.0)	(4.9)	(6.1)	(-4.9)	(1.9)	(-1.8)
Medium-skilled	-6.5	-3.2	-3.1	2.3	1.6	12.1	8.0	18.7	-3.8	2.0	-0.6
	(-2.4)	(-0.4)	(-2.1)	(2.8)	(1.4)	(9.0)	(5.3)	(14.7)	(-2.5)	(2.2)	(0.1)
High-skilled	-3.8	-4.3	-3.1	2.6	-2.5	9.4	4.2	16.5	-3.6	0.6	-1.6
	(-1.5)	(-2.7)	(-1.0)	(2.4)	(-2.5)	(6.6)	(2.6)	(10.4)	(-2.4)	(0.4)	(-1.1)
Total	-6.8	-2.5	-3.3	5.9	1.5	15.8	10.9	16.2	-2.1	6.4	2.1
	(-3.2)	(0.4)	(-1.2)	(6.0)	(2.4)	(12.9)	(7.8)	(10.9)	(-0.7)	(5.6)	(2.4)

Flanders	25-34 years		35-44 years		45-54 years		55-64 years		25-64 years		
	M	V	M	V	M	V	M	V	M	V	T
Low-skilled	-15.4	-16.3	-5.6	-3.4	-2.9	13.2	6.7	11.8	-5.9	2.8	-1.5
	(-12.3)	(-12.7)	(-4.0)	(5.8)	(1.8)	(13.6)	(5.2)	(7.6)	(-3.4)	(3.3)	(-0.2)
Medium-skilled	-5.8	-2.4	-1.2	7.1	3.2	15.5	9.7	18.7	-3.1	2.8	0.1
	(-3.0)	(1.1)	(-0.6)	(6.2)	(2.1)	(12.0)	(7.4)	(13.7)	(-2.7)	(2.8)	(0.3)
High-skilled	-4.4	-3.5	-2.5	3.0	-2.6	8.9	8.1	14.3	-3.6	-0.1	-2.0
	(-2.4)	(-0.5)	(-0.9)	(3.0)	(-3.5)	(4.2)	(4.0)	(8.4)	(-2.9)	(0.1)	(-1.6)
Total	-6.3	-2.6	-0.8	7.2	1.8	19.4	12.1	17.5	-0.9	7.8	3.4
	(-3.7)	(1.3)	(0.0)	(7.7)	(2.2)	(15.0)	(9.0)	(11.5)	(-0.2)	(6.8)	(3.2)

	x ≥ 10		*3 ≤ x < 5*		*-3 ≤ x < 0*		*-10 ≤ x < -5*
	5 ≤ x < 10		0 ≤ x < 3		-5 ≤ x < -3		x < -10

Wallonia	25-34 years		35-44 years		45-54 years		55-64 years		25-64 years		
	M	V	M	V	M	V	M	V	M	V	T
Low-skilled	.-19.3	-2.6	-16.6	-2.7	1.3	8.9	9.2	6.0	-9.5	0.4	-4.8
	(-14.7)	(-4.9)	(-9.0)	(-0.9)	(3.2)	(11.3)	(3.4)	(4.1)	(-7..6)	(1..2)	(-3..6)
Medium-skilled	-9.1	2.2	-4.8	-7.1	-0.2	5.4	9.3	20.0	-4.8	0.4	-1.8
	(-3.2)	(5.3)	(-3.6)	(-3.5)	(0.4)	(4.3)	(5.6)	(18.5)	(-2.7)	(2.4)	(0.1)
High-skilled	-4..7	-5.1	-1.5	3.4	-3.6	10.0	-2.2	20.5	-5.1	1.9	-1.4
	(-1.7)	(-6.0)	(-0.4)	(2.3)	(-2.1)	(10.5)	(0.0)	(14.4)	(-3.2)	(0.8)	(-1.0)
Total	-8.5	2.2	-4.3	6.0	2.5	12.3	10.1	14.3	-3.4	5.8	1.2
	(-4.0)	(3.0)	(-2.0)	(4.5)	(3.4)	(11.9)	(6.7)	(11.0)	(-1.8)	(5.2)	(1.7)

	x ≥ 10		3 ≤ x < 5		-3 ≤ x < 0		-10 ≤ x < -5
	5 ≤ x < 10		0 ≤ x < 3		-5 ≤ x < -3		x < -10

Source: own calculations based on Eurostat and Steunpunt WSE

Table 6: Comparison of employment rates in Belgium and EU15, by age and educational attainment, 2011 (between brackets 2008) (difference BE-EU15, FL-EU15, WA-EU15, in ppt)

Belgium	25-34 years	35-44 years	45-54 years	55-64 years	25-64 years
Low-skilled	-3.7	-3.3	-4.1	-9.4	-7.1
	(-6.1)	(-2.7)	(-4.3)	(-12.1)	(-8.5)
Medium-skilled	3.1	1.5	-1.4	-11.9	-1.1
	(3.3)	(0.2)	(-3.5)	(-12.8)	(-1.9)
High-skilled	5.2	2.4	0.2	-11.0	0.5
	(4.0)	(1.6)	(-1.7)	(-13.5)	(-0.5)
Total	3.8	2.3	-1.4	-10.8	-1.5
	(3.5)	(1.3)	(-3.1)	(-12.9)	(-2.6)

Flanders	25-34 years	35-44 years	45-54 years	55-64 years	25-64 years
Low-skilled	6.2	6.6	3.0	-8.6	-2.8
	(3.9)	(6.9)	(2.1)	(-11.2)	(-4.6)
Medium-skilled	10.1	6.7	2.5	-11.8	3.2
	(9.9)	(4.5)	(-0.2)	(-12.7)	(1.9)
High-skilled	7.9	4.6	2.5	-11.6	2.6
	(7.3)	(3.6)	(-0.8)	(-15.3)	(1.5)
Total	10.4	8.0	3.6	-10.6	2.7
	(10.1)	(6.5)	(0.9)	(-13.1)	(1.1)

Wallonia	25-34 years	35-44 years	45-54 years	55-64 years	25-64 years
Low-skilled	-8.2	-9.8	-10.1	-10.6	-11.0
	(-12.5)	(-10.6)	(-10.7)	(-13.7)	(-12.9)
Medium-skilled	-3.4	-5.1	-7.0	-13.0	-6.7
	(-2.3)	(-4.7)	(-8.1)	(-13.4)	(-6.3)
High-skilled	3.9	2.6	-2.5	-12.9	-1.2
	(1.6)	(0.8)	(-2.0)	(-13.4)	(-2.4)
Total	-1.0	-2.6	-7.4	-12.5	-6.4
	(-2.0)	(-4.3)	(-7.9)	(-13.8)	(-7.3)

	x ≥ 10		3 ≤ x < 5		-3 ≤ x < 0		-10 ≤ x < -5
	5 ≤ x < 10		0 ≤ x < 3		-5 ≤ x < -3		x < -10

Source: own calculations based on Eurostat and Steunpunt WSE

In 2011, the labour market was still recovering from the shock of the crisis. Yet, compared to 2000, the employment rate for women was higher in the 25-64 age bracket, both for all levels of educational attainment (conflating age) and for all age sub-groups (conflating educational attainment), except for the youngest generation (25-29), which suffered the full impact of the crisis. This overall increase in female employment rates at all ages over 29 and all skill levels reflects complex cohort effects and compositional factors, notably the decrease in the share of low-skilled women in the population and the fact that women who began – in growing numbers – to work at a younger age grow older and continue to work – likewise in growing numbers. Added to this is the substantial impact of the service voucher scheme, which boosted employment rates of low-skilled women, particularly in Flanders. Possibly the 1996 pension reform ultimately also contributed to increasing female employment rates above the age of 60. The outcome is that, within nearly all age-education sub-categories, the evolution of female employment rates is strikingly more positive than that for men, where the trend is negative except among low and high-skilled men over 54 and medium-skilled men over 44. In the age cohorts over 44 years of age (for women) and 49 years of age (for men) employment rates increased significantly between 2000 and 2011. So conceived, the impact of the 2008 crisis is age-specific: employment rates for younger generations declined; employment rates for older workers continued to increase.

The labour market position of low-skilled people (i.e. less than higher secondary education) was different in 2011 than in 2000. In 2000, some 41.7% of the Belgian population in the 25-64 age bracket was low skilled; by 2011 that share had decreased to 29.5%. We may assume that the low-skilled of 2011 were in a weaker labour market position than their counterparts were in 2000. Due to evolutions in the skills structure of the population, changes in *employment* were more outspoken than changes in *employment rates*. The proportion of low-skilled individuals in employment decreased from 31.4% to 19.6%. The same observation – that changes in employment were even more outspoken than changes in employment rates – holds for the impact of age: the share of individuals aged 55-64 in employment increased from 5.7% in 2000 to 12.7% in 2011.

Although there was some progress between 2000 and 2011, notably for the generation over 50 and for women, the comparison with the EU15 average is sobering. Even though the employment level of low-skilled women over 44 years of age has improved, low-skilled people in Belgium are significantly less in work than in the EU15: in Flanders this is not the case for all age/gender sub-groups of the low-skilled; in Wallonia it is a reality for all low-skilled sub-groups (much as the employment level of the medium-skilled group in Wallonia lags behind the EU15). The same sobering observation applies to older workers: in comparison with the EU15 average, the employment rate of the over-50s is considerably lower in Wallonia; the employment rate of the over-55s is considerably lower

across Belgium. The difference between Flanders and Wallonia highlights the very different 'problem profiles' of the regional labour markets, at least in terms of outcomes. The discrepancies between the EU15 averages and Flanders are mainly age-related; the discrepancies between the EU15 averages and Wallonia are primarily skills-related.

The figures reported are headcounts; converted into full-time equivalents, it becomes apparent that the Belgian employment rate decreased during the financial crisis (on the basis of the European LFS the following figures obtain: a 'full-time equivalent' employment rate of 57.8% in 2008 and 56.8% in 2011; *Hoge Raad voor Werkgelegenheid*, 2012). The decline of the total volume of hours worked during the crisis years, reflects both a long-term trend towards more part-time work, and the extensive use of shorter-working hours linked to temporary unemployment during the crisis. The steady expansion of part-time work in Belgium and the decline of the volume of work over the crisis is extensively documented on the basis of administrative data in Geurts (2012). Already in the 1990s, but certainly in the 2000s, social and employment policy actively contributed to the shift from full-time into part-time jobs, for example by the promotion of part-time leave systems.[28] The fundamental trend towards part-time work is observed in other mature welfare states too. It is not necessarily a negative development, if a sound balance between contributions and later entitlements is safeguarded, an issue that merits attention.

Hence, the Belgian labour market is not a frozen landscape. There have been successes, namely the increase in female employment, which we may associate with long-term policy choices. Service vouchers are an example of a successful reform with a large-scale impact on the labour market, shifting our social model more towards service provision (Gerard *et al.,* 2011). The originality of this Belgian pathway lies in the fact that it did not open up in the collective sector, as in the Scandinavian case, but in a subsidized private sector. Obviously, this remains an expensive operation for the public budget.

Besides those dynamic evolutions, however, there are two big 'buts' to take into consideration. First, two bottlenecks on our labour market remain: the low employment level of the low-skilled in Wallonia and of the elderly nationwide. As the difference between the Flemish labour market and the EU average is mainly age-related, while the difference between the Walloon labour market and the EU average is due to its educational profile, it is not easy to point to unambiguous causal factors. Elements

[28] The expansion of part-time work is linked to changes in the sector structure of the economy and female participation. In Belgium, the design of the reduction of employers' social security contributions may have constituted an additional incentive for offering part-time jobs, as its relative impact is higher for part-time jobs than for full-time jobs.

that come to the fore quite emphatically are regulation (the possibilities for early exit have not been fundamentally changed under the Generation Pact) and shortcomings in education (unqualified and inadequately qualified outflow). But the analysis of these bottlenecks should also be economic (the question arises, for example, whether the cost of labour for the low-skilled in Wallonia and Brussels does not remain too high in comparison with the possible market yield of their employment, despite efforts to reduce social security contributions? Activation policy has not fundamentally changed these hard facts.

The second 'but' concerns the budgetary cost of employment policy, which was often high. In part, this was probably inevitable: quality employment policies do not come cheap. However, one may also point to some problems of consistency, a naive belief in the impact of 'bonuses', and/or the wrong-headed design of some policies. Was it consistent to reduce employer social security contributions (with an impact of 0.8% of GDP by 2006, compared to 1999) while this measure also served to accommodate wage increases? The combination of declining contributions and rising wages was not wrong *per se*. However, it might have been wiser for the Verhofstadt I government first to secure a commitment on the part of the social partners not to lose sight of the imperatives of wage cost competitiveness before launching its ambitious plan to cut social contributions. That is not to say that we essentially face a problem of labour cost, because some qualification is needed here. Nonetheless, reductions in social contributions have all too often served to facilitate social dialogue.

The launch of the service voucher scheme is an example of what economists call a *tatonnement* process: we were looking for the optimal combination of consumer prices and subsidies in order to get the scheme up and running and to beat the illicit employment market. Initially, the price was deliberately set very low. Surprisingly, though, this price subsequently came to be regarded as sacrosanct in governmental circles, so that it took too long before it was adjusted. Moreover, the tax deduction linked to the service vouchers was part of a purely political deal, without evidence of real impact. Successive governments also held a naive belief in the impact of 'bonuses' on early exit. We should have acknowledged that a pension bonus always has a dual impact on labour supply: like any wage increase, it creates a substitution effect (which is positive: the opportunity cost of leisure – or early exit, for that matter – increases) and an income effect (which is negative: the budget constraint shifts) (Maes, 2008). Apart from possible design flaws, the various bonuses that were launched before the Generation Pact and in the context of that Pact (for statutory civil servants and for private sector employees) were bound to have a mixed effect, at best. Overall, the cost-effectiveness of the Generation Pact was weak. One may also say that it took too long before 'non-budgetary' employment policies got off the ground in the course of the 2000s: launched in 2003, the new approach to activation

was long overdue. Other 'non-budgetary' issues in employment policy, such as the distinction between blue and white-collar workers and the related need to modernize labour market regulation, are waiting to be addressed.

6.2. Jobless households: hysteresis

The traditional focus on *individual* employment rates overlooks the fact that the distribution of jobs over households crucially influences income distribution (which we traditionally assess at the household level). European welfare states are characterized by different patterns of individual joblessness and household joblessness (by which we mean: the share of individuals living in a household where no one is employed). In Belgium, in 2010, 12.5% of people aged 18-59 were living in a jobless household. This is almost the same figure as in 2000 (12.4%); it was marginally lower only in 2007 and 2008. Similarly disquieting figures are obtained for children in jobless households. This standstill is not exceptional: it is observed in many welfare states. There are different reasons why an improvement in individual employment rates may not translate into an improvement in household employment.[29] However, nowhere is the gap between household and individual employment rates as wide as it is in Belgium. We measure this gap by means of a 'polarization index', defined as the difference between, on the one hand, the hypothetical share of individuals living in jobless households, assuming that individual employment is distributed randomly across households, and, on the other, the actual share of individuals living in jobless households. Corluy and Vandenbroucke (2012) show that, by 2008, Belgium had the highest level of polarization of jobs over households in the EU. The regional divide explains to some extent (for approx. 10%) why the polarization is so high; evidently, the jobs on the basis of which the *Belgian* individual employment rate is calculated are not randomly distributed over Flemish and Walloon families, given the large difference in regional individual employment rates. However, if we were to consider Wallonia and Flanders as separate countries, *both* regions would be in the top of an EU 'job polarization ranking' (together with Belgium and the UK). Moreover, unlike in the UK, where high polarization nonetheless declined, polarization remained high in Belgium. The regional divide did not diminish, and polarization increased in both Wallonia and

[29] The observation that the percentage point increase in individual employment rates is larger than the percentage point increase in household employment rates in part reflects a mathematical truism, linked to the nature of risk pooling in households, as explained in Corluy and Vandenbroucke (2012). But growing labour market participation on the part of women – and other factors – add to increasing polarization of jobs across households in a number of countries.

Flanders. Early exit does play a role in polarization, but is not the only explanation.[30]

A comparison between Germany and Belgium (using LFS 2008, for the age bracket 20-59) may illustrate the importance of polarization. In Germany the share of non-employed individuals was 20.50%; in Belgium it was 23.14%. Nevertheless, the hypothetical share of individuals in 'jobless households' (assuming that individual employment is distributed randomly across households) would be more or less the same in Germany and Belgium (8.72% and 8.76%), because Germany has a larger share of households with only one adult of working age than Belgium.[31] But employment is more polarized in Belgium, compared to Germany: as a result, the actual share of individuals in jobless households is 12.5%, compared to only 10.9% in Germany. This structural difference in household joblessness of 1.5 ppt. is explained by a difference in polarization.[32]

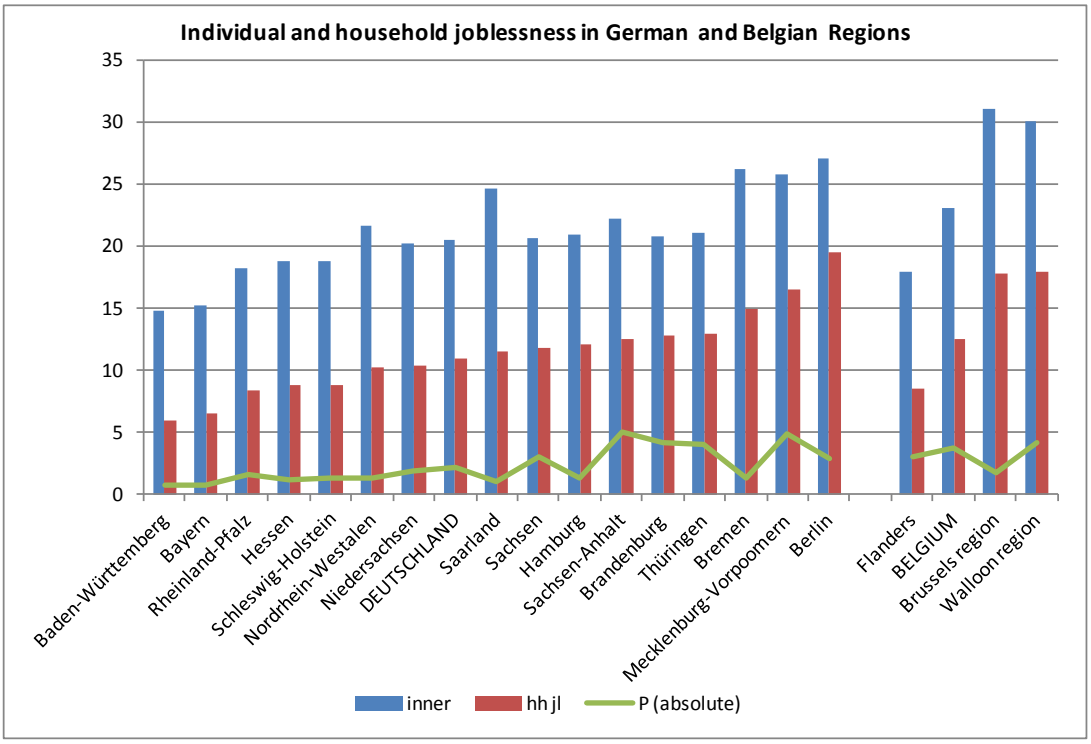
Comparing Germany and Belgium is interesting, since it also reveals important regional differences in individual employment rates, household employment rates and polarization, in both countries. In Germany, Flanders would belong to the Länder with the highest employment rates; Wallonia would be in the opposite position, belonging to the Länder with the lowest employment rates. The difference between Germany and Belgium is that a 'middle group' of German Länder is situated in between the extremes. This is illustrated in Figure 6.

[30] The ranking of countries and regions in terms of polarization depends on the database used (LFS or SILC), the age bracket under review, and the use of an absolute versus a normalized or a relative index of polarization. When the older age cohort (e.g. 54+) is discarded, polarization is less pronounced in Flanders (depending on the data source and the polarization indicator used). In Wallonia polarization remains very high, even if the older age cohort is excluded from the analysis.

[31] In Germany 30% of the population in the 20-59 age bracket lives in households with only one working age adult, compared to 23% in Belgium. In households with only one working age adult, there is no 'pooling' of the risk of non-employment. Hence, theoretically we expect a higher rate of household joblessness when, *ceteris paribus*, there is a larger share of households with only one working-age adult.

[32] Higher polarization in Belgium, compared to Germany, is explained to a large extent by the fact that joblessness in households with only one working age adult is much larger in Belgium than in Germany (33.6% vs. 23.8%).

Figure 6: Individual and household joblessness in German and Belgian Regions



7. The poverty record: a changing generational balance

7.1. The poverty record of the Belgian welfare state

Table 7 compares at-risk-of-poverty rates in Belgium and the EU15. The at-risk-of-poverty rates are based on a floating national poverty threshold, equal to 60% of the median of equivalent net disposable household income (below, I use 'household income' as a shortcut). They are calculated using data from the yearly European Survey on Income and Living Conditions (SILC). When interpreting the figures, one should take into account that the *income* data refer to the year *before* the survey year, whilst the material deprivation data[33] refer to the actual year of the survey; by way of example, SILC 2008 informs us about incomes in 2007 but about material deprivation in 2008. I use 'SILC *T*' as a shortcut for data provided in the survey year *T*, i.e. incomes in *T-1.*

In a number of EU Member States, the poverty threshold decreased after SILC 2008, as a consequence of the crisis; in some of these countries the upshot was, rather paradoxically, improved poverty statistics. This is not the case for Belgium: on the basis of EU SILC, the point estimate of median household income improved in real terms between SILC 2008 and SILC 2010, as may be inferred from Table 7. Unchanged or even

[33] The composition of the household is also based on the year of the survey.

decreasing poverty rates between SILC 2008 and SILC 2010 illustrate that the automatic stabilizers that are intrinsic to welfare systems performed as expected during the first years of the crisis, at least in most EU Member States. With the conventional floating poverty line, the overall picture is one of standstill over the 2000s, both in Belgium and, on average, in the EU15. If we anchor the poverty threshold in time, freezing it at its SILC 2005 level, the poverty rate – so conceived – declined significantly in Belgium, as shown in the bottom row of Table 7.

Table 7: Age profile and dynamics of poverty risks in Belgium and EU15 (%)

Survey year		**2006**	**2008**	**2010**	**2011**
Incomes		**2005**	**2007**	**2009**	**2010**
At-risk-of-poverty rate					
BE	**65+**	23.2%	21.2	19.4%	20.2%
BE	**<18**	15.3%	17.2%	18.3%	18.7%
BE	**total**	14.7%	14.7%	14.6%	15.3%
EU15	**65+**	19.7%	19.2%	16.3%	
EU15	**<18**	18.3%	19.3%	19.8%	
EU15	**total**	15.9%	16.2%	16.2%	
Poverty threshold BE					
euro's		10328	10791	11678	12005
index		100.0	104.5	113.1	116.2
corrected for inflation		100.0	100.8	104.5	105.1
At-risk-of poverty rate, threshold anchored in 2005					
BE	**65+**	20.5%	19.1%	15.3%	16.4%
BE	**<18**	14.0%	16.3%	15.9%	16.6%
BE	**total**	13.2%	13.7%	12.3%	13.1%
EU15	**65+**	20.0%	15.3%	13.4%	
EU15	**<18**	18.4%	15.9%	16.8%	
EU15	**total**	16.2%	13.6%	13.9%	
Material deprivation rate (> 2 items)					
BE	**65+**	9.8%	8.1%	7.8%	7.7%
BE	**<18**	17.3%	14.2%	15.5%	17.7%
BE	**total**	12.9%	11.6%	12.3%	12.9%
EU15	**65+**	9.8%	9.5%	8.9%	
EU15	**<18**	15.3%	15.4%	16.1%	
EU15	**total**	12.5%	12.5%	13.0%	

Inflation correction for survey year T is based on the general index of consumption prices for the years T-1/T-2

Source: Eurostat site

Survey year T concerns incomes in T-1

There are large confidence intervals around these point estimates, hence one should be cautious when interpreting the figures, both in a cross-country comparison and over time. Below I provide some tests of statistical significance (Table 8). Discarding confidence intervals, the Belgian at-risk-of-poverty rate is slightly lower than the EU15 average,

but the age profile of poverty risks, as summarized in Table 7, also differs. The point estimate for child poverty in Belgium is slightly below the EU15 average, but the tendency is upwards. Conversely, the poverty risk among the elderly is higher than the EU15 average, but the tendency is downwards.[34] With regard to the elderly, this corroborates my description of the evolution of spending patterns and benefit ratios in Belgium: the negative trend in pension indicators came to an end in the 2000s. The *Studiecommissie voor de Vergrijzing* (2012) forecasts a persistent and substantial decrease in poverty risks in the elderly population.[35] Increasing child poverty is not readily explained; both the decline in the relative value of child benefits and the *hysteresis* of household joblessness may play a role in this respect.

In cross-country comparisons, financial poverty tells only a partial story, certainly with regard to the elderly. For instance, homeownership among the elderly is a crucial parameter for assessing their real standard of living (the 2012 report from the *Studiecommissie voor de Vergrijzing* illustrates this, as it shows a considerable decline in poverty rates among the elderly when taking into account their housing situation). EU SILC allows an interesting comparison of the living conditions of subgroups of the population in terms of 'material deprivation'.[36] In most Member States, *financial poverty* is higher among the elderly than among the adult non-elderly population; but in Northern and Continental Europe, *material deprivation* is typically lower among the elderly than among the adult non-elderly population. In Belgium, that pattern is particularly strong: in EU SILC 2011, material deprivation is recorded for 7.8% of the elderly, compared to 12.9% for the total population. Material deprivation affects no less than 17.7% of the Belgian population under the age of 18 according to SILC 2011; this warrants a shift in policy focus towards poverty risks for children, an issue to which I return in the next subsection.[37]

---

[34] The poverty risk among non-elderly adults [18-64] is lower than the EU15 average (not reported here).

[35] On the basis of SILC 2006 and SILC 2011, the increase in *median* household income also seems larger for the elderly (nominal increase of 22%) than for the total non-elderly population (nominal increase of 17%), but the difference would appear not to be sufficiently significant for it to be already indicative of a robust trend.

[36] The material deprivation rate measures the percentage of the population that cannot afford at least three of the following nine items: 1.to pay their rent, mortgage or utility bills; 2.to keep their home adequately warm; 3.to face unexpected expenses; 4.to eat meat or proteins regularly; 5.to go on holiday; 6.a television set; 7.a washing machine; 8.a car; 9.a telephone.

[37] An interesting additional measure, also in contrast with the relative financial poverty measures, is the share of households who experience 'difficulties to make ends meet', as reported by the FPS Economy on its SILC-based website section.

These observations illustrate that the 'at-risk-of-poverty indicator', a key indicator in the EU's Open Method of Coordination in the domain of social inclusion from 2001 onwards, may either overestimate or underestimate the realities of financial strain and poverty risks. This observation holds both for levels of and changes in the poverty headcount, so defined. For instance, the fact that the number of people postponing medical care for financial reasons (Section 3.3, supra) was significantly higher in 2008 than it had been in 2004, notwithstanding the relative stability of the at-risk-of-poverty indicator derived from SILC during that period, may indicate that the analysis must take account of other indicators, such as reference budgets (Storms, 2012). Storms's research suggests that the at-risk-of-poverty indicator, based on the 60% threshold, implies a relative overestimation of poverty risks for couples without children (most importantly an overestimation for non-working couples, notably when they are able to rent a house in the social housing sector), a relative underestimation of poverty risks in households with more than one child (certainly when the children are teenagers, notably with lone parents), and a further relative underestimation of poverty risks for people who are working vis-à-vis people who are not working (notably a relative overestimation of poverty risks for the non-working elderly). This implies that policy should pay due attention to housing costs, energy costs, school costs… We successfully campaigned in the early 2000s for the 'at-risk-of-poverty' headcount to be adopted as a key social indicator in the European process of open coordination in the domain of social inclusion (Atkinson et al, 2002); this indicator remains useful, since the EU needs a simple common measuring rod for relative financial poverty. However, for the purpose of policy, *a fortiori* when assessing developments in wellbeing over time, this relative financial poverty indicator is inadequate.

The most striking feature of poverty in Belgium is its regional variation. The Belgian poverty headcount of 15.3% in SILC 2011 conceals a headcount of 9.8% in Flanders compared to 19.2% in Wallonia (FPS Economy). As with the Belgian figures, these regional poverty headcounts did not change much in the first decade of the 2000s. Insofar as change was perceptible, the evolution was rather downwards in Flanders and upwards in Wallonia.

7.2. Poverty risks for children: a decomposition analysis

Investing in children appeared as a leitmotif in Esping-Andersen's case for 'a new welfare state' (2002). As the new social risks were found to weigh most heavily on the younger cohorts, Esping-Andersen and others explicitly advocated a reallocation of social expenditures towards family services and early childhood education, as well as towards active labour market policies and vocational training, so as to ensure high employment for both men and women in the knowledge-based economy. There is no

contradiction per se between an explicit welfare effort towards privileging the active phases of life and sustainable pensions ("good pension policies – like good health policies – begin at birth", as I put it in the introduction to Esping-Andersen's 2002 book) but a proper balance must be struck. Hence, in an assessment of the Belgian 'active welfare state', due attention should be paid to the position of the younger generation. I focus here on the population under 18 years of age, hereafter referred to as 'children'. As already indicated in the previous subsection, the assessment is not positive. Table 8 zooms in on the evolution in poverty risks for children, contrasting it with the evolution in poverty risks for the elderly, in Belgium and its regions. I confine the most recent data to SILC 2010, for which the *Centre for Social Policy* is able to calculate confidence intervals. The figures for Brussels are incorporated with a view to elucidating how the average Belgian figures result from the regional figures, but given the very small sample they should be interpreted with due caution.

Table 8:

Survey year	**2006**	**2010**
Incomes	**2005**	**2009**
At-risk-of-poverty rate <18		
Using the Belgian poverty threshold		
Belgium	15.3	18.1 (**)
(Brussels)	30.5	36.3
Flanders	10.2	10.8
Wallonia	19.2	24.2 (**)
Using the regional poverty threshold		
(Brussels)	19.0	19.3
Flanders	11.3	14.0
Wallonia	14.7	20.7 (***)
At-risk-of-poverty rate 65+		
Using the Belgian poverty threshold		
Belgium	23.2	19.4 (***)
(Brussels)	26.3	24.9
Flanders	23.1	18.5 (***)
Wallonia	22.5	19.5
Using the regional poverty threshold		
(Brussels)	17.6	11.1
Flanders	29.1	25.6
Wallonia	18.3	15.8

(**) significant change at 90%

(***) significant change at 95%

Figures for Brussels are subject to considerable margins of error

Source: Calculations by CSB on EU-SILC.

I calculate the regional poverty risks using a Belgian poverty threshold (based on the national standardized median household income) and using regional poverty thresholds (based on the regional standardized median household income). To be sure, since Belgium has an integrated tax and benefit system, the only correct measure of regional poverty is that relying on the Belgian median, both from a normative and from a policy perspective. However, calculating the at-risk-of-poverty rates using regional median incomes yields interesting additional information on the intra-regional income distribution. It implies further sobering observations, both for Flanders (which does less well in terms of income distribution than one might assume purely on the basis of a Belgian-wide poverty threshold) and for Wallonia (which likewise harbours more intra-regional inequality between rich and poor than one might assume).

On the basis of SILC 2010, 24.2% of Wallonia's children live below the Belgian poverty threshold, compared to 10.8% of the children in Flanders. Applying regional poverty thresholds yields child poverty headcounts of 20.7% for Wallonia and 14% for Flanders: the Walloon relative poverty risk, so conceived, 'diminishes' relative to median incomes in Wallonia, though it remains very high; the Flemish figure, on the other hand, increases. It appears that the decline in poverty risks among the elderly between SILC 2006 and SILC 2010 is statistically significant at the Belgian level and at the Flemish level, using the Belgian poverty thresholds. The increase in poverty risks for children at the Belgian level and in Wallonia (again using the Belgian poverty thresholds) is statistically significant at the 90% level. When using the regional poverty threshold, the increase in poverty risks for children in Wallonia (from 14.7% in SILC 2006 to 20.7% in SILC 2010) is significant even at the 95% level.

Table 7 illustrates that Belgium is a rather mediocre performer with regard to child poverty as compared to the EU15. Table 9 compares the child poverty record of all EU27 Member States, Norway and Iceland (but disregarding Malta) with Belgium and the Belgian regions. Since I wish to make this comparison on the basis of pre-crisis data, I use SILC 2008.

Table 9: Decomposition of the poverty risk for children in Belgium and other countries

A	B	C	D	E	F	G	H	I	J	K
		Some explanatory factors for poverty risk						Difference explained by…		
Country with which BE is compared	At-risk-of-poverty rate < 18	Individual employment rate 20-54	Transfers (excl. pens.) as % disposable income	Share of children in work-rich households	Poverty risk in work-poor households	Poverty risk in work-rich households	Difference with BE poverty risk	Share work-rich households	Poverty work-poor households	Poverty work-rich households
DK	9.1	86.4	15.5	92.7	38.0	6.7	8.0	3.3	3.2	1.5
NO	9.5	84.3	14.4	92.1	40.6	6.8	7.5	3.1	3.0	1.4
Flanders-BE	9.9	84.7	11.1	91.1	56.4	5.4	7.2	3.1	1.4	2.6
IS	11.2	90.5	6.6	95.9	37.3	9.9	5.8	4.5	2.8	-1.4
FI	11.3	80.8	12.9	90.6	52.2	7.1	5.7	2.7	1.9	1.2
SI	11.7	82.5	12.1	93.9	67.3	8.2	5.4	5.0	0.1	0.2
Flanders-FL	12.1	84.7	11.1	91.1	60.7	7.5	4.9	3.1	0.9	0.8
SE	12.6	85.7	15.5	91.5	59.1	7.8	4.5	3.3	1.0	0.5
NL	13.0	85.1	8.1	91.6	47.4	9.8	4.1	3.0	2.4	-1.2
CZ	13.2	81.2	9.6	89.1	67.4	6.7	3.9	2.1	0.1	1.5
CY	13.6	83.2	5.8	93.5	56.8	10.6	3.4	4.2	1.2	-2.0
AT	14.9	82.1	9.7	86.6	47.9	9.8	2.2	0.5	2.8	-1.2
DE	15.1	80.4	9.7	85.9	55.1	8.6	1.9	0.2	1.9	-0.2
FR	16.5	81.9	8.5	88.6	61.8	10.7	0.6	1.7	0.9	-2.0
SK	16.7	85.5	6.6	91.9	67.9	12.3	0.3	3.7	0.1	-3.5
BELGIUM	*17.1*	*80.0*	*12.4*	*85.5*	*68.6*	*8.4*	*0.0*	*0.0*	*0.0*	*0.0*
EE	17.1	82.4	5.7	91.9	65.5	12.9	0.0	3.6	0.3	-4.0
IE	17.9	72.0	16.1	77.5	48.2	8.9	-0.8	-4.0	3.7	-0.4
HU	19.6	73.2	15.0	80.9	59.6	10.3	-2.6	-2.5	1.5	-1.6
LU	19.8	80.9	8.9	92.8	70.8	16.0	-2.8	4.2	-0.2	-6.7
Wallonia-WA	19.9	74.6	14.5	81.6	64.9	9.7	-2.9	-2.3	0.6	-1.1
PL	22.4	77.2	6.2	88.4	59.2	17.6	-5.4	1.4	1.2	-8.0
PT	22.8	80.1	5.9	88.8	64.5	17.7	-5.7	1.7	0.5	-8.1
LT	22.8	83.7	7.4	90.4	80.2	16.9	-5.8	3.0	-1.3	-7.5
GR	23.0	76.8	3.1	91.0	63.1	19.1	-6.0	2.8	0.6	-9.4
UK	23.1	79.8	8.6	80.6	68.1	12.5	-6.1	-2.9	0.1	-3.4
ES	24.4	77.0	5.1	91.1	67.6	20.2	-7.3	3.0	0.1	-10.4
LV	24.6	81.2	6.4	89.4	72.7	19.0	-7.6	2.2	-0.5	-9.2
IT	24.7	73.7	5.0	87.1	68.0	18.3	-7.7	0.8	0.1	-8.6
Wallonia-BE	24.9	74.6	14.5	81.6	75.3	13.5	-7.8	-2.4	-1.1	-4.2
BG	25.5	77.0	5.6	77.2	75.9	10.8	-8.5	-5.2	-1.3	-2.0
RO	33.2	77.0	6.8	84.1	68.7	26.6	-16.1	-0.7	0.0	-15.4
Avergae	**18.3**	80.3	9.2	88.1	62.6	12.2				
Correlation with poverty <18		-0.63	-0.56	-0.48	(ongewogen gemiddelde en correlaties alleen voor de lidstaten)					

bottom 8 values (BE and BE regions included)
top 8 values (BE and BE regions included)
significant difference with BE
significant difference with BE

Flanders-BE and Wallonia-BE are based on the Belgian poverty threshold; Flanders-FL and Wallonia-WA are based on a hypothetical regional threshold
Source: all data on the basis of SILC 2008; computations by Wim Van Lancker and Aaron Van den Heede
Work-rich/work-poor cut-off on the basis of 45% work-intensity of the household (EU2020 definition)

Columns C-G list obvious explanatory factors for the difference in child poverty headcounts as encountered in SILC 2008: the individual employment rate in the 20-54 age bracket (column C); the extent to which net disposable household income is supported by social transfers, excluding transfers (column D); the share of children living in a household with a work intensity[38] of more than 45%, which I consider to be 'relatively work-rich households' (column E). Households with a work intensity of 45% or less, by contrast, are labelled as 'work-poor'. In this set of countries, these indicators correlate with the child poverty rates, as can be inferred from the bottom row in Table 9. The Flemish and Walloon figures are integrated, on the basis of both a Belgian poverty threshold (Flanders-BE, Wallonia-BE) and a regional threshold (Flanders-FL; Wallonia-WA).

If we restrict ourselves to the EU15, Norway and Iceland, it appears that the Nordic countries and Denmark perform better than Belgium, whilst the Southern and Anglo-Saxon Member States perform worse (see Appendix 4 for a map of child poverty risks across Europe). If we were to consider Flanders and Wallonia as separate countries, Flanders would belong to the Northern cluster, while Wallonia would belong to the Southern cluster. The bottom row of Table 9 provides average figures: the child poverty risk in work-poor households in Belgium (68.6%) is higher than the unweighted average for the countries under consideration, whilst the child poverty risk in work-rich households in Belgium (8.4%) is lower than the unweighted average for those countries. Hence, the gap between the poverty risk in work-poor and work-rich households is, comparatively, very high, both in absolute terms (percentage points) and in relative terms: few other European countries are comparable to Belgium in this respect. Here again, it appears that Belgium is characterized by a relatively high level of polarization of jobs over households, even when applying a broad definition of 'work-poor' households (as I do here, with a cut-off point at 45%): the individual employment rate in the 20-54 age bracket corresponds to the European average, but the share of children living in work-rich households is below that average. The ratio of social transfers (excl. pensions) on disposable household incomes (for all households, including the elderly, and their pension incomes) is higher than the unweighted EU average (12.4% compared to 9%; cf. bottom row of column D).

I decompose the difference between the at-risk-of-poverty figures for Belgium and the other countries (column H) on the basis of three

[38] 'Work intensity' is defined as the ratio of the total number of months that working-age household members (excluding students) worked to the total theoretical number of months they could have worked. For persons who reported having worked part-time, an estimate was made of FTE months worked on the basis of the habitual number of working hours at the time of the interview (see Corluy and Vandenbroucke, 2012, for a discussion of various definitions of work-intensity).

contributory factors (and ignoring a small residual term; see Appendix 2 for a formal exposition):

i. the contribution by the difference in the share of children living in work-rich households (column I);
ii. the contribution by the difference in the poverty rate in work-poor households (column J);
iii. the contribution by the difference in the poverty rate in work-rich households (column K).

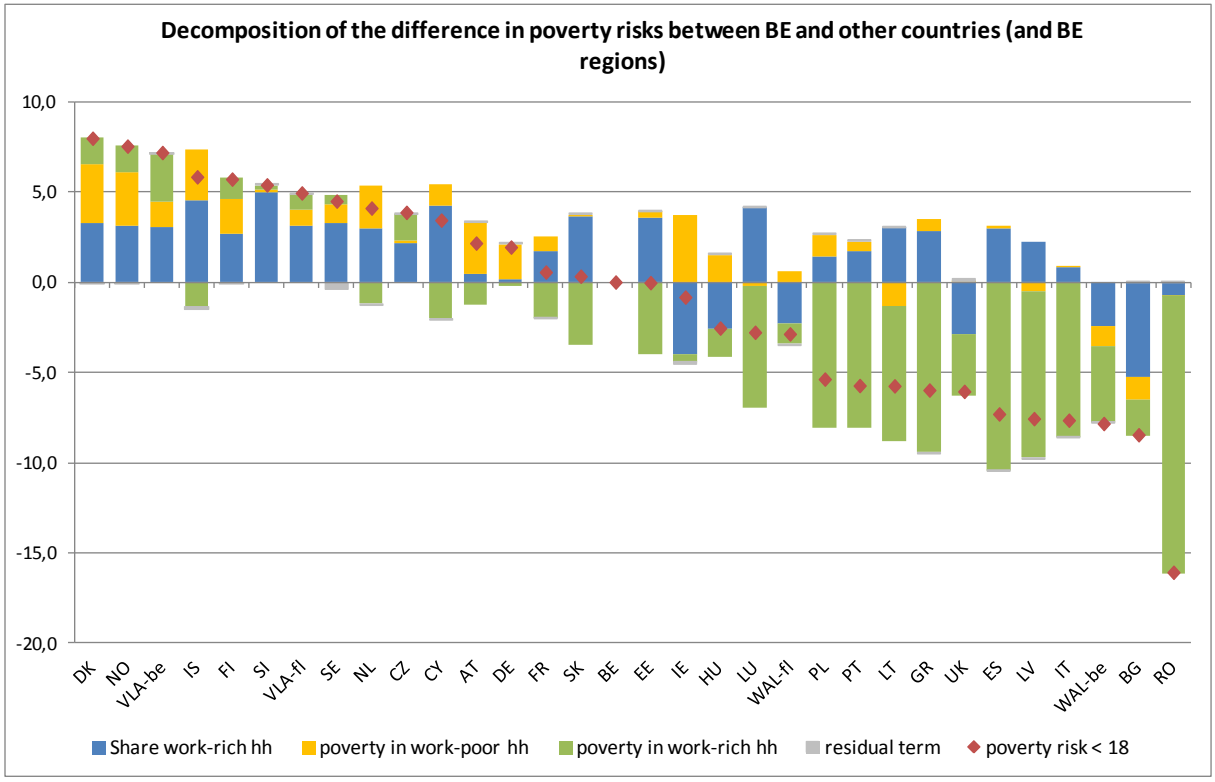
For example, the child at-risk-of-poverty rate for Denmark is 8 percentage points below the corresponding rate for Belgium (column H). This difference may be decomposed as follows:

i. a contribution of 3.3 percentage points by the higher share of Danish children living in work-rich households (column I);
ii. a contribution of 3.2 percentage points by the lower level of poverty in Danish work-poor households (column J);
iii. a contribution of 1.5 percentage points by the lower level of poverty in Danish work-rich households (column K).

In Italy, the at-risk-of-poverty rate for children is 7.7 percentage points higher than it is in Belgium. The decomposition shows that this difference is entirely attributable to the poverty level in work-rich households, which is much higher in Italy than in Belgium. The individual employment rate is lower in Italy than in Belgium. However, as Belgian households are smaller and polarization of jobs over Belgian households is higher, the share of children in work-rich households is larger in Italy. Nonetheless, children in these Italian households face a much higher poverty risk than their counterparts in Belgian work-rich households.

Figure 7 visualizes these results.

Figure 7: Decomposition of difference in poverty risk between Belgium and other countries (and Belgian regions)



A decomposition is a mechanical analysis, and does not warrant conclusions regarding causality. (For instance, it would be incorrect to say that the share of children in work-poor households constitutes *the* explanation for child poverty in comparative perspective; individual employment rates correlate more with child poverty than household employment rates do; see Corluy and Vandenbroucke, 2012). The underlying figures are point estimates with large confidence intervals around them. Nevertheless, some tentative conclusions can be drawn:

i. Countries that perform better than Belgium do so mainly because of a lower share of children in work-poor households and lower levels of poverty in work-poor households.
ii. From this one may infer that there is no 'trade-off' between a smaller share of children in work-poor households and less poverty in work-poor households, at least not in cross-country comparative perspective.
iii. The worse performance in a number of countries (as compared to Belgium) is mainly explained by their relatively higher poverty risks among work-rich households. This is notably the case in the Southern European countries, but not in Ireland, the UK and Hungary, which have an even lower share of children in work-rich households than is the case in Belgium. (For Wallonia, the difference with the Belgian 'average' is also explained largely by the share of children in work-poor households.)

With the exception of Iceland, countries that perform well in terms of child poverty are countries with a high level of social transfers (at least, as recorded in SILC 2008). However, Belgium also belongs to the latter group; next to Belgium, two other countries (IE and HU) combine a high level of social spending with a poor performance in terms of child poverty. In other words, a sufficiently high level of social spending is apparently a precondition for fighting child poverty, but at the same time the *efficiency* of social spending diverges across Europe.

7.3. The efficiency of social spending

My analysis in the previous subsection ended with a thought on the 'efficiency of social spending'? Is it possible to assess the comparative efficiency of social spending, across a range of countries, in a precise way? This is, in my view, an important question for future research, both within Belgium and the EU. In Appendix 3 I present the SILC data used in the previous subsection (together with data on poverty *reduction* by transfers) in a different way, which may allow some judgement on the comparative 'efficiency' of social spending. On the basis of the overall relation between, on the one hand, the amount of social transfers (as independent variable) and, on the other hand, poverty outcomes and poverty reduction outcomes (as dependent variables), one may compare the performance of welfare states, given their level of spending. Visual inspection of the Figures in Appendix 3 learns that Belgium might be considered a 'borderline case' with regard to the distributive efficiency of its social transfer system, notably with regard to poverty in the work-poor segment. I intend to pursue this line of research.[39]

Putting 'efficiency' on the agenda implies reconnecting with a line of research that was emphasized very much by Deleeck. It raises both issues of the functioning of labour markets, social services and the architecture of social benefits. The issue of child poverty obviously raises the question whether child benefits – and related family benefits, school grants, etc. – might be applied with a better result in terms of child poverty. Previous reflections on this difficult issue have shown that the 'room of manoeuvre', when it comes to child benefits, may not be large (Cantillon et al., 1995, Cantillon and Goedemé, 2006), which does not mean that it is non-existent. Given the fact that child benefits now become devolved, a new emphasis on its role may be indicated.

[39] In an interesting series of papers Pestieau, Lefebvre, Perelman *et al.* argue that one can assess the overall performance of welfare states, but not their efficiency *stricto sensu* (see, for instance, Lefebvre *et al.*, 2011). Space forbids to elaborate upon this here.

8. The quest for sustainable social justice

In the 1990s, a *budgetary* strategy was chosen to prepare for the cost of ageing. It aspired to turning vice into virtue. Belgium had a high debt ratio and, associated with it, high levels of taxation and social security contributions. *If* we could reduce the debt ratio, then government revenue could be used to pay for increased spending on pensions instead of interest on debt – so the argument went. Research by the FPB indicated that the debt and deficit reductions required under the Maastricht criteria corresponded precisely with the deficit and debt reductions needed to pay for ageing (Festjens, 1995). The consequence of this strategic choice was twofold. First and foremost, it bolstered the motivation of political parties and social partners to take forward the budget cuts necessary to comply with the Maastricht criteria for entering the Eurozone. On the other hand, it had a paralyzing effect on the debate about the welfare state's architecture. It was assumed that the challenge of population ageing could be tackled through saving only, without *systemic changes* to the welfare state.

At the beginning of this century, the strictly budgetary strategy was explicitly broadened to a double track, consistent with the idea of the active welfare state: on the one hand, there was the goal of setting aside budgetary reserves, pedagogically visualized by the creation of the so-called *Silver Fund*; on the other, there was the striving for a higher employment rate. But in practice, it was still assumed that no thorough systemic changes in pension provision were required, apart from the generalization of second-pillar pensions, as a matter of democratic access to a useful top-up of first-pillar pensions. Towards 2007, it became clear that the required budgetary strategy had been insufficiently implemented; that is, the government had not been able to square the '8+1' orientations listed in the introduction to this article. Moreover, in 2008, the budgetary strategy was met head-on by the financial crisis. Vandenbroucke (2010) argues that the budgetary strategy vis-à-vis ageing had to be reassessed as necessary but *intrinsically* insufficient and thus overoptimistic. Simplifying matters slightly, one might say that the budgetary strategy vis-à-vis ageing implicitly postulated that the budgetary claim by pensions and health care had precedence over any other societal problem that may be coming our way in the course of the next decades. From a demographic point of view, this is disputable: we also face a growing need for child care and education. Many other issues confronting us, such as climate change, will inevitably entail budgetary claims. It is naïve to think that all these claims can be settled in the budgetary straightjacket implied by a purely budgetary strategy of paying for ageing. The societal debate must also focus on parametric and structural reforms within the pension system. In their survey of the Belgian pension system, Berghman and Peeters (2012) rightly stress that the debate should focus not only on financial sustainability but also on the social adequacy and fairness of the

pension system, including the impact of the second pillar. As a matter of fact, the pension system contains many Matthew effects.

What can we learn from reform efforts, so far? In Sections 5 and 6 I already mentioned some elements: first, the impact of recent reforms on the economic dependency ratio and the benefit dependency ratio is limited, but not negligible; second, the cost-effectiveness of policy measures has sometimes been neglected, for instance with regard to some of the bonus-systems. The 2012 Report of the *Studiecommissie voor de Vergrijzing* indicates that the positive 'volume'-effect of recent reforms may, in the longer term, be largely neutralized by a 'prize'-effect, as average pensions increase as a consequence of the reforms (both because people work longer, but also because of the bonus-systems, notably in the public sector). The net budgetary result is therefore very limited. The fundamental question is: can we *now* establish a broad-based agreement on a long-term scenario, in which the pension system adapts itself systematically to the increasing life expectancy, in such a way that two objectives are served: an effective reduction in the expected cost of the system (relative to a scenario of no reform) on the one hand, and more internal fairness – less Matthew effects – on the other hand?

9. Preparing the next wave of reform is imperative

Policies pursued under the banner of the active welfare state were successful in implementing a strategy that aimed at incrementally improving employment incentives, not by lowering benefits but by lowering personal social security contributions at the bottom end of the wage scale and taxes on earned income, linked with an activation model based on close monitoring of the unemployed. With regard to early exit from the labour market, the assessment is mixed: employment rates for older workers increased, but the Belgian labour market(s) did not catch up with labour markets in other EU Member States. More fundamentally, with regard to 'the budgetary strategy to prepare for ageing', the expectations were intrinsically overoptimistic while the implementation was inadequate. Insufficient consistency in some policy areas and overestimation of the cost-efficiency of certain employment measures may have contributed to the latter result.

At first sight – but disregarding the long-term increase in longevity – one might say that, by 2007, the Belgian welfare state had settled into a new equilibrium of lower but stable benefit ratios and higher but relatively stable social dependency ratios. During the financial crisis, it has proved its usefulness as a robust shock absorber (though obviously with important budgetary consequences). However, we should not be complacent about the overall performance of the Belgian welfare state. Lefebvre, Perelman and Pestieau rightly write that 'being in the middle of

the group in terms of overall performance is far from glorifying for the Belgian welfare state, *a fortiori* when we compare this with the reputation we could have had two decades ago' (Lefebvre *et al*., 2011, p. 11) – thus echoing earlier warnings by Cantillon (2005).

Concurrently with the shock of the crisis, it has become clear that incisive measures are necessary against early exit, and systemic reform of pensions was put on the agenda. The Di Rupo government has embarked upon important reforms with regard to early retirement and early exit, with mid-term effect. The results are far from negligible, but they also underscore the need for further systemic change in view of the long-term increase in longevity. The overall standstill in poverty, with a tendency for child poverty to increase and very high poverty rates in parts of the country, signals the need to assess the efficiency of our social system in fighting poverty. Realizing sustainable social justice will require the design and adoption of a consistent strategy for the next wave of reform.

Acknowledgement

I thank Kim Lievens, Wim Van Lancker, Aaron Van den Heede, Ron Diris, Jan Vanthuyne, Bea Cantillon, Kristel Bogaerts, Muriel Dejemeppe, Dirk Moens, Diana De Graeve, Michel Breda, Ri De Ridder, Vincent Corluy, Nicole Fasquelle, Greet De Vil, Guy Van Camp, Koen Vleminckx, Gijs Dekker, Patrick Lusyne, Willem Adema, Esther Deman, Jef Maes, Leen Meeusen, Steven Segaert, Frederic Taveirne, Tuba Bircan, Marie-Jeanne Festjens, Karen Geurts, Guy Peeters, Evelyne Hens, Erik Schokkaert, Anthony Van den Langenbergh, Christophe Joyeux, Natascha Van Mechelen, Cis Caes and Stephen Windross for punctual contributions. The usual disclaimers apply.

Bibliography

Adnet, Bernadette (2002), 'La sécurité sociale au service de l'assainissement des finances publiques et de l'emploi', in: Etienne de Callataÿ (ed.), *Het einde van het budgettair tekort. Analyse van de recente evolutie van de Belgische openbare financiën (1990-2000). Geschiedenis van de Openbare Financiën in België, Deel VI.* Brussel: De Boeck, p. 149-168.

Atkinson, Anthony Barnes, Bea Cantillon, Eric Marlier, and Brian Nolan (2002), *Social Indicators: The EU and Social Exclusion.* Oxford: Oxford University Press.

Berghman, Jos, and Hans Peeters (2012), *Pension Protection in Belgium. Overview and Challenges*. Text prepared for the workshop on the occasion of the honorary degree of John Myles by the KU Leuven, February 2, 2012. http://soc.kuleuven.be/ceso/pensioenbeleid.

Bogaerts, Kristel (2008), *Bestaan er nog financiële vallen in de werkloosheid en in de bijstand in België?* UA/Berichten, Centrum voor Sociaal Beleid Herman Deleeck, Universiteit Antwerpen.

Bogaerts Kristel, Diana De Graeve, Ive Marx, and P. Vandenbroucke (2009), *Inactiviteitsvallen voor personen met een handicap of met langdurige gezondheidsproblemen*. Studie in opdracht van de Vlaamse minister van Werk, Onderwijs en Vorming, in het kader van het VIONA-onderzoeksprogramma. Te raadplegen op www.centrumvoorsociaalbeleid.be.

Bonoli, Giuliano (2006), 'New social risks and the politics of post-industrial social policies', in: Klaus Armingeon, and Giuliano Bonoli (eds.), *The Politics of Post-Industrial Welfare States. Adapting post-war social policies to new social risks*. London/New York: Routledge, p. 3-26.

Cantillon, Bea, Bérénice Storms, Gerlinde Verbist, and Karel Van den Bosch (1995), *Wegen naar een grotere doelmatigheid van kinderbijslag en belastingsaftrek voor kinderen ten laste.* UA/Berichten, Centrum voor Sociaal Beleid Herman Deleeck, Universiteit Antwerpen.

Cantillon, Bea, Ive Marx, and Veerle De Maesschalck (2002), *De bodem van de welvaartsstaat van 1970 tot nu, en daarna*, UA/Berichten, Centrum voor Sociaal Beleid Herman Deleeck, Universiteit Antwerpen.

Cantillon, Bea (2005), 'Hoe sociaal en zeker is de sociale zekerheid nog? Reflecties over de toekomst van de sociale zekerheid in België', *Belgisch Tijdschrift voor Sociale Zekerheid* 4:719:735

Cantillon, Bea, and Tim Goedemé (2006), 'De kinderbijlslag in het werknemersstelsel: een terugblik in de toekomst. Reflecties bij 75 jaar kinderbijslag', *Belgisch Tijdschrift voor Sociale Zekerheid* 1:7-34.

Cantillon, Bea (2011), 'The paradox of the social investment state: growth, employment and poverty in the Lisbon era', *Journal of European social policy* 21 (5): 432-449. http://dx.doi.org/10.1177/0958928711418856

Cantillon, Bea, and Frank Vandenbroucke (2013), *For Better For Worse, For Richer For Poorer. Labour market participation, social redistribution and income poverty in the EU*. Oxford: Oxford University Press, forthcoming.

Cockx, Bart, Muriel Dejemeppe, and Bruno Van Der Linden (2011), *Evaluation de l'activation du comportement de recherche d'emploi*. Ghent: Academia Press.

Corluy, Vincent, and Frank Vandenbroucke (2012), *Individual Employment, Household Employment and Risk of Poverty in the EU. A Decomposition Analysis*. CSB-Working Paper 12/06, Herman Deleeck Centre for Social Policy, University of Antwerp.

Cutler, David M. (2002), 'Equality, Efficiency, and Market Fundamentals: The Dynamics of International Medical-Care Reform', *Journal of Economic Literature* 40: 891-906.

De Deken, Johan (2011), 'Belgium: a precursor muddling through?', in: Jochen Clasen, and Daniel Clegg (eds.), *Regulating the Risk of Unemployment: National Adaptations to Post-Industrial Labour Markets in Europe*. Oxford: Oxford University Press, p. 100-120.

De Deken, Johan (2013), 'Measuring the social investment state', in: Bea Cantillon, and Frank Vandenbroucke (eds.), *For Better For Worse, For Richer For Poorer. Labour market participation, social redistribution and income poverty in the EU*. Oxford: Oxford University Press, forthcoming.

De Deken, Johan, and Jochen Clasen (2011), 'Tracking caseloads: the changing composition of working-age benefit receipt in Europe', in: Jochen Clasen, and Daniel Clegg (eds.), *Regulating the Risk of Unemployment: National Adaptations to Post-Industrial Labour Markets in Europe*. Oxford: Oxford University Press, p. 297-317.

De Klerck, W., and L. Van Wichelen (2008), 'Hoe actief is het arbeidsmarktbeleid in Vlaanderen, België en Europa?', *Over.Werk, Tijdschrift van het Steunpunt WSE*, nr. 3-4: 10-24.

Deleeck, Herman, Johan Huybrechts, and Bea Cantillon (1983), *Het Matteüseffect. De ongelijke verdeling van de sociale overheidsuitgaven in België.* Antwerpen: Kluwer.

Deleeck, Herman (2001), *De architectuur van de welvaartsstaat opnieuw bekeken.* Leuven: Acco.

De Vil, Greet, Nicole Fasquelle, Marie-Jeanne Festjens, and Christophe Joyeux (2011), *Welvaartsbinding van sociale en bijstandsuitkeringen/Liaison au bien-être des prestations sociales et des allocations d'assistance*. Working Paper 4-11, Federal Planning Bureau.

De Wolf, Françoise, Tonio Di Zinno, Jean-Marc Laasman, Marijke Van Duynslaeger, and Johan Vanoverloop (2011), *Ziekenhuisbarometer. Aard, omvang en evolutie van de kosten ten laste van de patiënt bij een opname in een algemeen ziekenhuis*. Brussel: Socialistische Mutualiteiten.

Esping-Andersen, Gosta, Duncan Gallie, Anton Hemerijck, and John Myles (2002). *Why We Need a New Welfare State*. Oxford: Oxford University Press.

Festjens, Marie-Jeanne (1995), 'Het pensioen. Een lange termijn contract versus het schrikbeeld van de vergrijzing', in: Marc Despontin, and Marc Jegers (eds.), *De sociale zekerheid verzekerd? Referaten van het 22ste Vlaams Wetenschappelijk Economisch Congres*. Brussels: VUBPRESS, p. 271-331.

Festjens, Marie-Jeanne (1997), *De pensioenhervorming. Een nieuwe generatie en een nieuw contract*. Planning Paper 82, Federal Planning Bureau.

Gerard, Maarten, Daphné Valsamis, and Wim Van der Beken (2011), *Evaluatie van het stelsel van de dienstencheques voor buurtdiensten en -banen 2010*. IDEA Consult.

Gerkens, Sophie, Sherry Merkur (2010), 'Belgium: Health System Review', *Health Systems in Transition* 12(5): 1-266.

Geurts, Karen (2012), *Meer werknemers met minder werk. Belgische recepten als antwoord op de crisis.* DynaM Working Paper 2012/2, August.

Goedemé, Tim, Greet De Vil, Natascha Van Mechelen, Nicole Fasquelle, and Kristel Bogaerts (2012), 'Hoogte en adequaatheid van de Belgische sociale minima in de periode 2000-2011', in: Jan Vranken, Willy Lahaye, Annelinde Gerts, and Catherine Coppée (eds.), *Armoede in België, Jaarboek 2012*. Leuven/The Hague: Acco, p. 215-238.

Hall, R., and C. Jones (2007), 'The value of life and the rise in health spending', *Quarterly Journal of Economics* 112: 39-72.

Hemerijck, Anton (2013), *Changing Welfare States*. Oxford: Oxford University Press.

Hemerijck, Anton and Ive Marx (2010), 'Continental Welfare at a Crossroads: The Choice between Activation and Minimum Income Protection in Belgium and the Netherlands', in: Bruno Palier (ed.), *A Long Goodbye to Bismarck? The Politics of Welfare Reform in Continental Europe.* Amsterdam: Amsterdam University Press, p. 129-155.

Herremans, Wim (2006), 'Pension reform and pensions paths: the Belgian case', in: Nick van den Heuvel, Wim Herremans, Peter van der Hallen, Christine Erhel, and Pierre Courtioux (eds.), *De arbeidsmarkt in Vlaanderen. Special Issue. Active Ageing, early retirement and employability*. Leuven: Steunpunt Werkgelegenheid, Arbeidsmarkt en Vorming, p. 141-154.

Hoge Raad voor Werkgelegenheid (2012), *Verslag 2012. Actief ouder worden*. Brussel: FOD WASO.

Houkes, Aenneli, Mieke Rijken and Peter Makai (2008), *Eigen betalingen chronisch zieken en gehandicapten, een internationaal onderzoek*. Amsterdam: SEO Economisch Onderzoek & Nivel.

Jones, Erik (2008), *Economic Adjustment and Political Transformation in Small States.* Oxford: Oxford University Press.

Lefebvre, Mathieu, Sergio Perelman and Pierre Pestieau (2011), 'La performance de ll'Etat-providence européen. Quel enseignement pour la Belgique ?' in : *Regards Economiques.* December, 93:&-13.

Maes, Marjan (2008), *Financial and redistributive impact of reforming the old-age pension system in Belgium*. Discussion Paper 2008-40, Université Catholique de Louvain.

Marx, Ive (2009), 'The quest for sustainability, legitimacy and a way out of 'welfare without work', in: Klaus Schubert, Simon Hegelich, and Ursula Bazant (eds.), *The Handbook of European Welfare Systems*. London: Routledge, p. 49-64.

Meeus, P., and X. Van Aubel (2012), *Performantie van de huisartsgeneeskunde, check-up.* Health Services Research (HSR). Brussel: Rijksinstituut voor Ziekte- en Invaliditeitsverzekering (RIZIV).

Meeusen, Leen and Annemie Nys (2012), *Are new social risk expenditures crowding out the old?* CSB-Working Paper 12/08, Herman Deleeck Centre for Social Policy, University of Antwerp.

Mimilidis, Hélène, and Stefaan Demarest (2012), *Les determinants de l'accès aux soins de santé en Belgique*. *Une étude des besoins de soins non-satisfaits pour des raisons financièressur base de l'enquête de santé belge.* Brussels : ISSP/WIV, June.Morel, Nathalie, Bruno Palier and Joakim Palme (2012), *Towards a Social Investment Welfare State? Ideas, Policies and Challenges.* The Policy Press.

Murphy, K., and R. Topel (2006), 'The value of health and longevity', *Journal of Political Economy* 114: 871-904.

Neefs, Boie, Wim Herremans, and Luc Sels (2012), 'De doelstelling binnen handbereik? Potentiële tewerkstellingseffecten van een hervorming van de uittredestelsels', *Over.Werk, Tijdschrift van het Steunpunt WSE* 22: 93-101.

Nevejan, Hendrik (2009), *Financiële prikkels tot werkhervatting voor werklozen en leefloontrekkers in België: heden en verleden*. Documentatienota No. 2009-1486, Centrale Raad voor het Bedrijfsleven.

Nevejan, Hendrik (2011), *Financiële werkloosheidsvallen in België in 2010*. Documentatienota No. 2011-0189, Centrale Raad voor het Bedrijfsleven.

Pierson, Paul (2001), *The New Politics of the Welfare State*. Oxford: Oxford University Press.

Rijksdienst voor Kinderbijslag voor Werknemers (2011), 'De evolutie van de gemiddelde maandelijkse kinderbijslag in het stelsel van de werknemers van 1997 tot 2010', *Focus* 2011-2.

Schokkaert, Erik, Joeri Guillaume, Ann Lecluyse, Hervé Avalosse, Koen Cornelis, Diana De Graeve, Stephan Devriese, Johan Vanoverloop, and Carine Van de Voorde (2008), *Evaluatie van de effecten van de maximumfactuur op de consumptie en financiële toegankelijkheid van gezondheidszorg*. Report 80A, KCE- Federaal Kenniscentrum voor Gezondheidszorg.

Segaert, Steven (2009), *ASISIP Annual National Report 2009. Pensions, Health and Long-term Care. Belgium*. http://socialprotection.eu/files_db/208/asisp_ANR09_Belgium.

Segaert, Steven (2010), *ASISIP Annual National Report 2010. Pensions, Health and Long-term Care. Belgium*. http://socialprotection.eu/files_db/884/asisp_ANR10_Belgium.

Studiecommissie voor de Vergrijzing (2012), *Jaarverslag 2012.* Brussel.

Vandenbroucke, Frank (2009), *De actieve welvaartsstaat. Een Europees perspectief*. Den Uyl lecture, Amsterdam, December 13, 1999. Also in: Stichting Dr. J.M. Den Uyl-lezing (ed.), *In het spoor van Den Uyl. Den Uyl-lezingen 1988-2008*. Amsterdam: Stichting Dr. J.M. Den Uyl-lezing.

Vandenbroucke, Frank (2010), *Strategische keuzes voor het sociale beleid*. CSB 'beleid & onderzoek', Centrum voor Sociaal Beleid Herman Deleeck, Universiteit Antwerpen.

Vandenbroucke, Frank (2012), 'Geluk en politiek: een pleidooi voor helder denken', *Studium Generale 2011-2012*. Gent: Academia Press, forthcoming.

Vandenbroucke, Frank, and Koen Vleminckx (2011), 'Disappointing poverty trends: is the social investment state to blame?', *Journal of European Social Policy* 21: 450-471.

Van Oyen, Herman et al. (2011), *Sociale ongelijkheden in gezondheid in België*. Academia Press.

Vlayen, Joan, Katrien Vanthomme, Cécile Camerlin, Julien Piérart, Denise Walckiers, Laurence Kohn, Imgard Vinck, Alain Denis, Pascal Meeus, Hermann Van Oyen, Christian Leonard (2010), *Een eerste stap naar het meten van de performantie van het Belgische gezondheidszorgsysteem*. KCE-reports 128A. Brussel: KCE.

Vleminckx, Koen (2011), 'De hervormingen van de Belgische verzorgingsstaat: een kroniek', *Belgisch Tijdschrift voor Sociale Zekerheid,* 3de trimester, p. 403-456.

Appendix 1: Employment incentives and part-time work

This appendix provide data on the transition from inactivity to part-time work, and from part-time work to full-time work (at a minimum wage), starting either from a minimum unemployment benefit (Table A1.1) or social assistance (Table A1.2). As in Table 3, I calculate ratios, in which household disposable income in the *less* 'active' situation is in the numerator and household disposable income in the *more* 'active' situation is in the denominator. When the ratio *decreases* over time, the financial employment incentive *increases*.

The calculations are based on STASIM (with thanks to Kristel Bogaerts), and provide an update and expansion of the insights in Bogaerts (2008), taking into account all reforms between 1999 and 2010.

Part-time and full-time employment are at the minimum wage, with maintenance of child benefit supplements for 24 months included (if the income conditions and other criteria are met).

Table A1.1: Adequacy of benefit packages for household types 1999-2000, transition from unemployment minimum to part-time and full-time

net disposable household income (incl. child benefit and child care cost for lone parent) **real increase 1999-2010** *and ratio (% of net disposable household income when minimum unemployment benefit)*							
		unemployment minimum	part time with compensation	part time without compensation		full time, compared to part time with compensation	full time, compared to part time without compensation
single	increase 1999-2010	**24%**	**18%**	**14%**		**14%**	**14%**
	ratio 1999	*100*	*76*	*105*		*83*	*60*
	ratio 2010	*100*	*80*	*113*		*86*	*60*
lone parent	increase 1999-2010	**4%**	**6%**	**29%**		**20%**	**20%**
	ratio 1999	*100*	*85*	*146*		*109*	*64*
	ratio 2010	*100*	*83*	*117*		*97*	*69*
single earner, no children	increase 1999-2010	**5%**	**6%**	**16%**		**19%**	**19%**
	ratio 1999	*100*	*77*	*146*		*102*	*54*
	ratio 2010	*100*	*77*	*133*		*91*	*52*
single earner, 2 children	increase 1999-2010	**9%**	**6%**	**16%**		**27%**	**22%**
	ratio 1999	*100*	*80*	*142*		*104*	*58*
	ratio 2010	*100*	*82*	*121*		*90*	*61*
NNI per capita, corrected for CPI		**7.57%**					
average gross wages, corrected for CPI		**1.49%**					

Table A1.2: Adequacy of benefit packages for household types 1999-2000, transition from social assistance to part-time and full-time

net disposable household income (incl. child benefit and child care cost for lone parent) **real increase 1999-2010** *and ratio (% of net disposable household income when social assistance)*							
		social assistance (bestaansminimum 1999 leefloon 2010)	part time with compensation	part time without compensation		full time, compared to part time with compensation	full time, compared to part time without compensation
single	increase 1999-2010	**11%**	**6%**	**14%**		**14%**	**14%**
	ratio 1999	*100*	*72*	*100*		*83*	*60*
	ratio 2010	*100*	*76*	*97*		*78*	*60*
lone parent	increase 1999-2010	**13%**	**20%**	**29%**		**20%**	**20%**
	ratio 1999	*100*	*91*	*136*		*96*	*64*
	ratio 2010	*100*	*85*	*119*		*96*	*69*
single earner, no children	increase 1999-2010	**11%**	**-13%**	**16%**		**19%**	**19%**
	ratio 1999	*100*	*77*	*133*		*93*	*54*
	ratio 2010	*100*	*98*	*128*		*68*	*52*
single earner, 2 children	increase 1999-2010	**13%**	**17%**	**27%**		**22%**	**22%**
	ratio 1999	*100*	*87*	*133*		*89*	*58*
	ratio 2010	*100*	*85*	*118*		*85*	*61*

NNI per capita, corrected for CPI	**7.57%**
average gross wages, corrected for CPI	**1.49%**

Appendix 2: Decomposition of differences in at-risk-of-poverty rates

Definitions:

pov = at-risk-of-poverty headcount for the population less than 18 years old

wp = share of the population less than 18 years, living in households with a work-intensity less than or equal to 45% ('work-poor households')

wr = share of the population less than 18 years, living in households with a work-intensity of more than 45% ('work-rich households')

wo = share of the population less than 18 years, living in households which cannot be classified on the basis of work-intensity ('other households')

pwp = at-risk-of-poverty headcount in work-poor households

pwr = at-risk-of-poverty headcount in work-rich households

pwo = at-risk-of-poverty headcount in other households

B = Belgium; *A* = country that is compared with Belgium

The average values for Belgium and country *A* are:

$$\overline{wr} = 0.5(wr_A + wr_B)$$
$$\overline{wp} = 0.5(wp_A + wp_B)$$
$$\overline{wo} = 0.5(wo_A + wo_B)$$
$$\overline{pwp} = 0.5(pwp_A + pwp_B)$$
$$\overline{pwr} = 0.5(pwr_A + pwr_B)$$
$$\overline{pwo} = 0.5(pwo_A + pwo_B)$$

The difference between the poverty headcount (for the population less than 18 years old) in Belgium and country A can be decomposed as follows:

$$pov_B - pov_A = \overline{wr}.(pwr_B - pwr_A) + \overline{wp}.(pwp_B - pwp_A) + (wr_B - wr_A)(\overline{pwr} - \overline{pwp}) + R$$

Whereby the residual term *R* is equal to:

$$R = (\overline{pwo} - \overline{pwp})(wo_B - wo_A) + \overline{wo}.(pwo_B - pwo_A)$$

Decomposition is in essence an accounting technique, which should not be interpreted as indicating causality.

Appendix 3: Poverty risks and reduction of poverty risks and spending on social transfers (excl. pensions)

Figure A3.1: Working Age Cash Benefits and Child Poverty

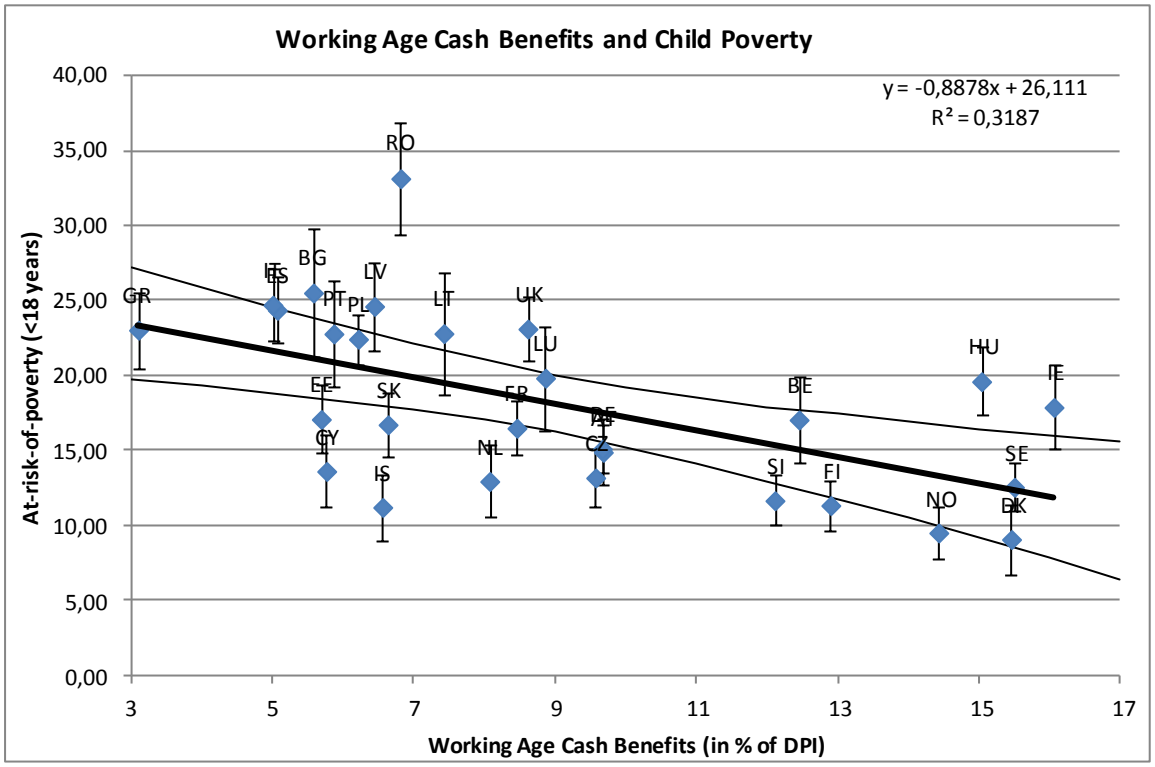


Figure A3.1 shows the relationship between social transfers (except pensions) and the post-transfer at-risk-of-poverty rate, for individuals under 18 years old. The transfer data are based on the SILC survey, and include cash benefits for invalidity benefits, unemployment benefits, family related benefits, and social assistance. They are expressed as a percentage of the total disposable income, collected on the basis of SILC 2008. Poverty rates are based on a cutoff of 60% of median equivalised income after social transfers, and are also based on SILC 2008. The thick line gives the estimated linear regression line, employing poverty rates as dependent variable and social transfers as independent variable.[40] The thin lines give confidence bounds. The vertical bars around individual observations provide error margins of the estimated poverty rates.

[40] Social transfers serve as independent variable in all graphs in this appendix (i.e. figure A3.1-A3.4).

Figure A3.2: Reduction in Child Poverty through Working Age Cash Benefits

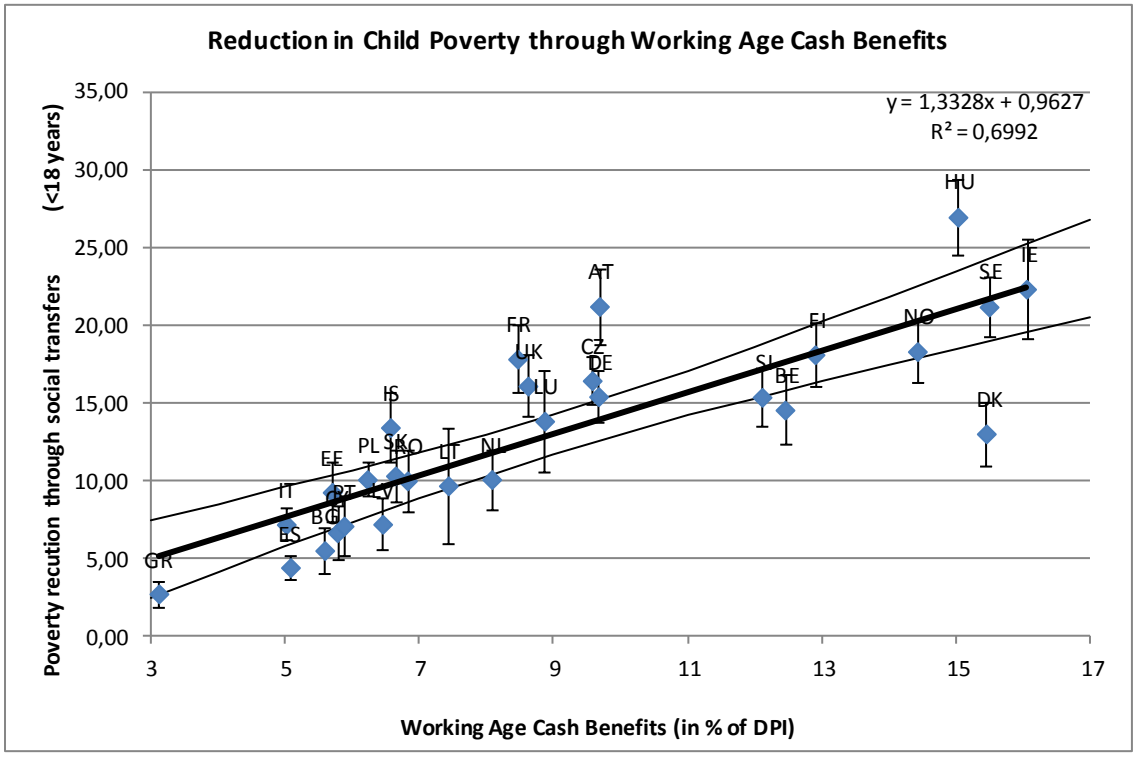


Figure A3.2 shows the relationship between social transfers (except pensions) and absolute poverty reduction by social transfers, for individuals under 18 years old. Corresponding regression lines, confidence bounds and error margins are included. The transfer data are the same as those used in figure A3.1. Poverty reduction refers to the number of people (as a percentage of the total population) that are lifted out of poverty due to spending on social transfers (except pensions), based on SILC 2008.

Figure A3.3: Working Age Cash Benefits and Child Poverty (work-poor)

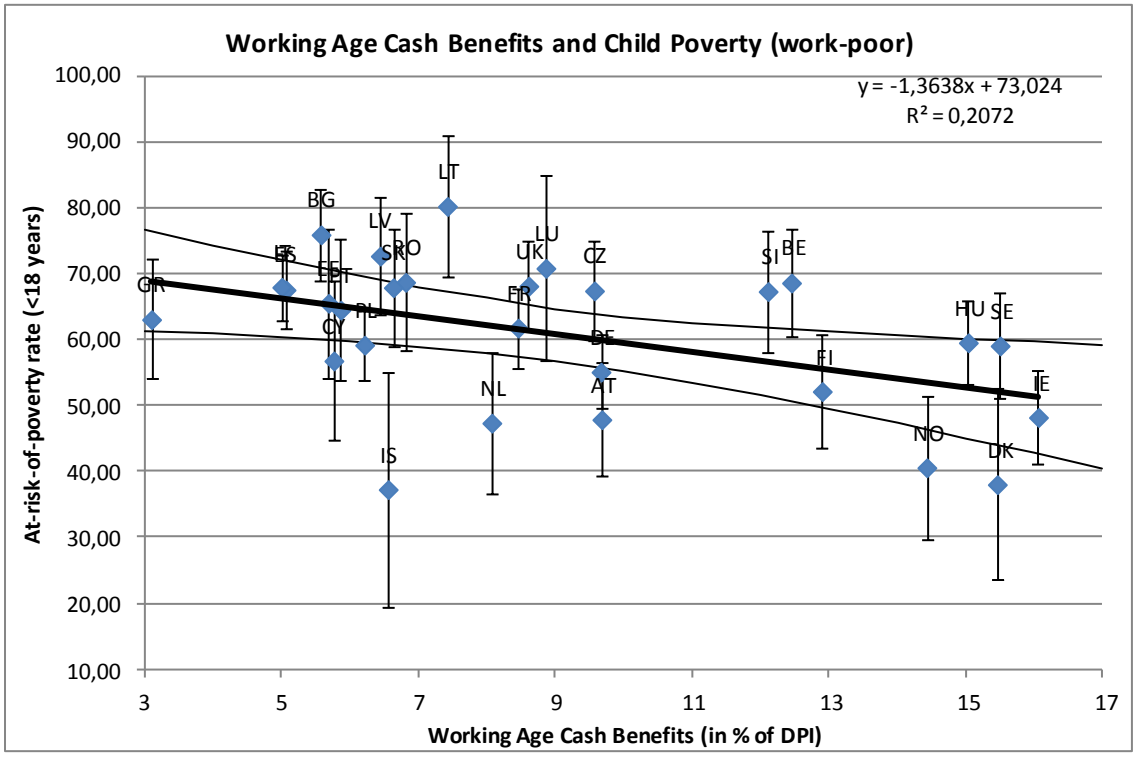


Figure A3.3 shows the relationship between social transfers (except pensions) and the post-transfer at-risk-of-poverty rate, for individuals under 18 years old, living in a household with work intensity below or equal to 0.45. The data and the analysis are equivalent to those for figure A3.1, only now restricting poverty data to those with low work intensity. Corresponding regression lines, confidence bounds and error margins are included.

Figure A3.4: Reduction in Child Poverty through Working Age Cash Benefits (work-poor)

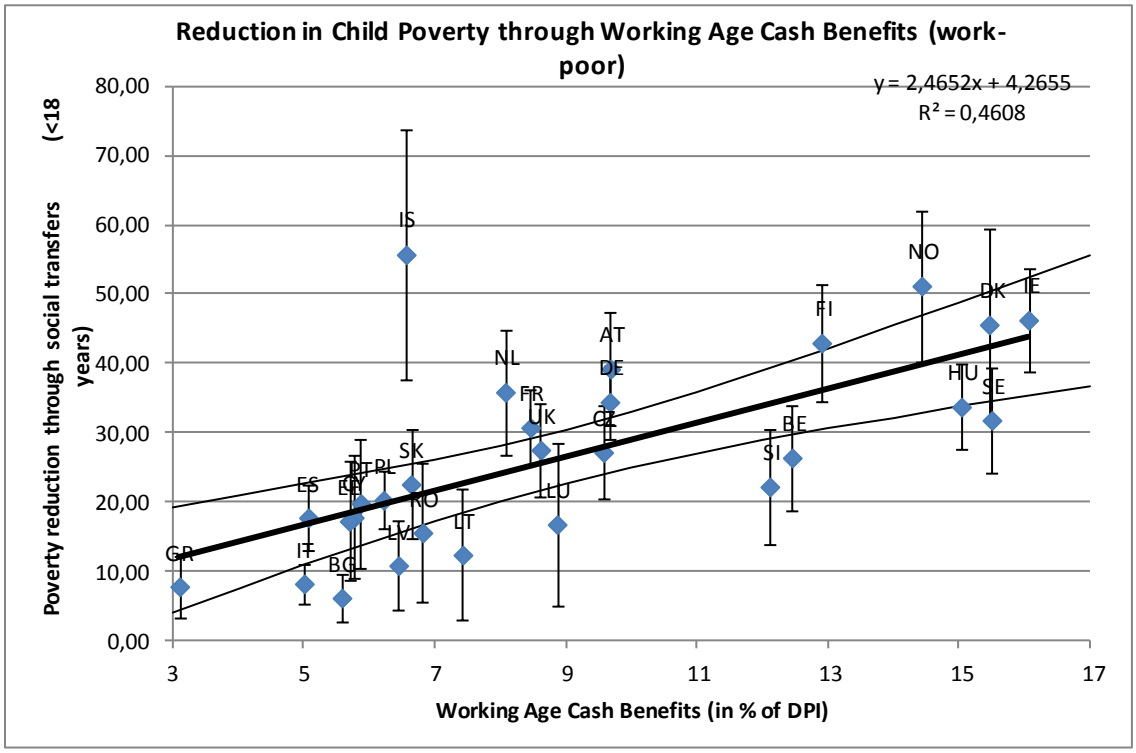


Figure A3.4 shows the relationship between working age cash benefits and absolute poverty reduction by social transfers, for individuals below 18 years old, living in a household with work intensity below or equal to 0.45. The data and the analysis are equivalent to those for figure A3.2, only now restricting poverty data to those with low work intensity. Corresponding regression lines, confidence bounds and error margins are included.

Computations and analysis by Ron Diris.

Appendix 4: A map of child poverty risks in the EU

Figure A4.1: